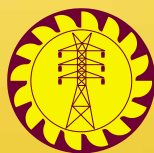


ANNUAL REPORT 2023



CEYLON ELECTRICITY BOARD

CONTENTS

OUR VISION, MISSION & CORE VALUES	2
OUR ENVIRONMENTAL POLICY	3
AT A GLANCE	4
OUR WORK FORCE	5
PAST PERFORMANCES	6
CORPORATE INFORMATION	7
ORGANIZATION STRUCTURE	8
ORGANIZATION STRUCTURE OF CEB WITH SUBSIDIARIES 2023	10
CHAIRMAN'S REVIEW	12
GENERAL MANAGER'S REVIEW	14
CEB TRANSMISSION NETWORK	20
OPERATIONAL REVIEW	
GENERATION DIVISION	22
TRANSMISSION DIVISION	28
DISTRIBUTION DIVISIONS	34
PROJECTS DIVISION	43
ASSETS MANAGEMENT DIVISION	48
CORPORATE STRATEGY DIVISION	53
FINANCIAL RISK MANAGEMENT	57
TECHNICAL RISK MANAGEMENT	58
OUR APPROACH FOR SUSTAINABILITY OF ELECTRICITY INDUSTRY	60
CORPORATE SOCIAL RESPONSIBILITY REPORT	64
FINANCE DIVISION & FINANCIAL INFORMATION	66
TEN YEAR SUMMARY	75
VALUE ADDED STATEMENT	76
CORPORATE GOVERNANCE REPORT	77
PROFILE OF THE MEMBERS OF THE BOARD	80
REPORT OF THE MEMBERS OF THE BOARD	82
STATEMENT OF PROFIT OR LOSS	86
STATEMENT OF COMPREHENSIVE INCOME	87
STATEMENT OF FINANCIAL POSITION	88
STATEMENT OF CASH FLOWS	89
STATEMENT OF CHANGES IN EQUITY - THE GROUP	90
STATEMENT OF CHANGES IN EQUITY - THE BOARD	92
NOTES TO THE FINANCIAL STATEMENTS	93
AUDITOR GENERAL'S REPORT ON GROUP FINANCIAL STATEMENTS	160
REPLIES TO THE REPORT OF THE AUDITOR GENERAL ON GROUP FINANCIAL STATEMENTS	189
ABBREVIATIONS	236



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

Safety

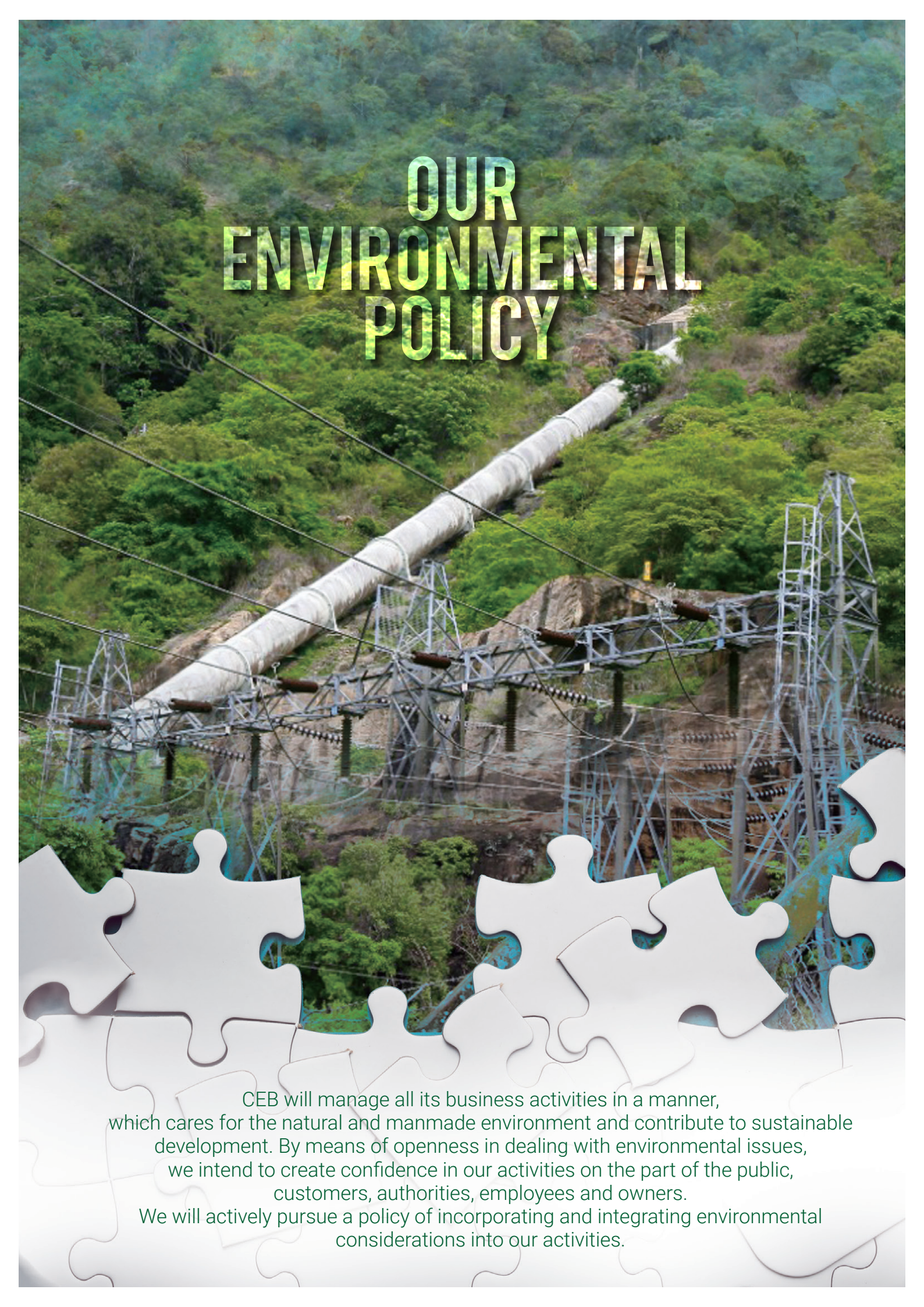
Efficiency and effectiveness

Commitment

Sustainability

Professionalism

Service to the nation



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.

AT A GLANCE

3,403 km
TRANSMISSION LINES

200,119 km
DISTRIBUTION LINES

40.92 LKR/kWh
AVERAGE
COST

42.86 LKR/kWh
SELLING
PRICE

**ROOFTOP
SOLAR PV
CAPACITY**
652 MW

606,627 LKR million
REVENUE

**TOTAL
ASSETS**
1,204,374 LKR million

548,294 LKR million
COST OF SALES

**RENEWABLE
CAPACITY**
2,293 MW

**TOTAL
CAPACITY**
4,381 MW

**EMPLOYEES
ISLAND-WIDE**
23,069 Nos.

BASED ISLANDWIDE
SRI LANKA

FOUNDED IN
1969

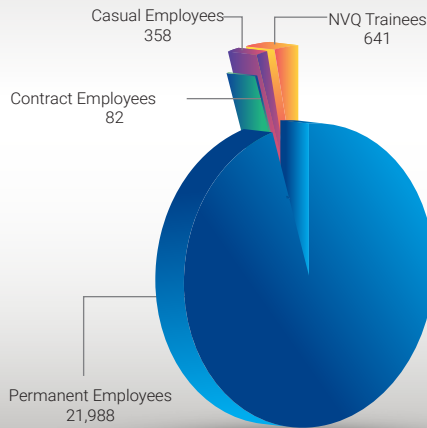
7,024,763 Nos.

**ELECTRICITY
CONNECTIONS**

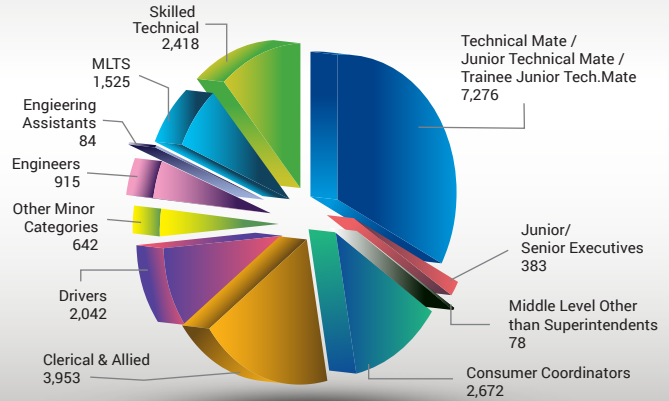
**ELECTRICITY
SALES**
14,153 GWh

Our Work Force as at 2023-12-31

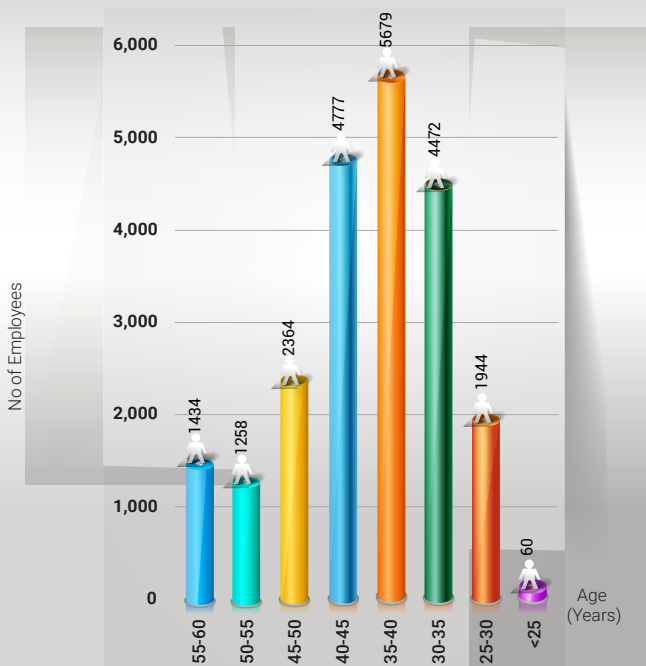
Work Force



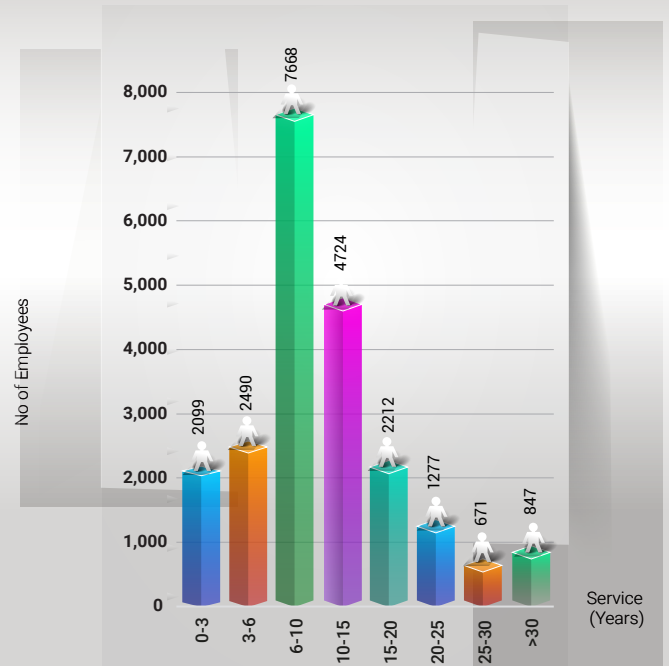
Service Category



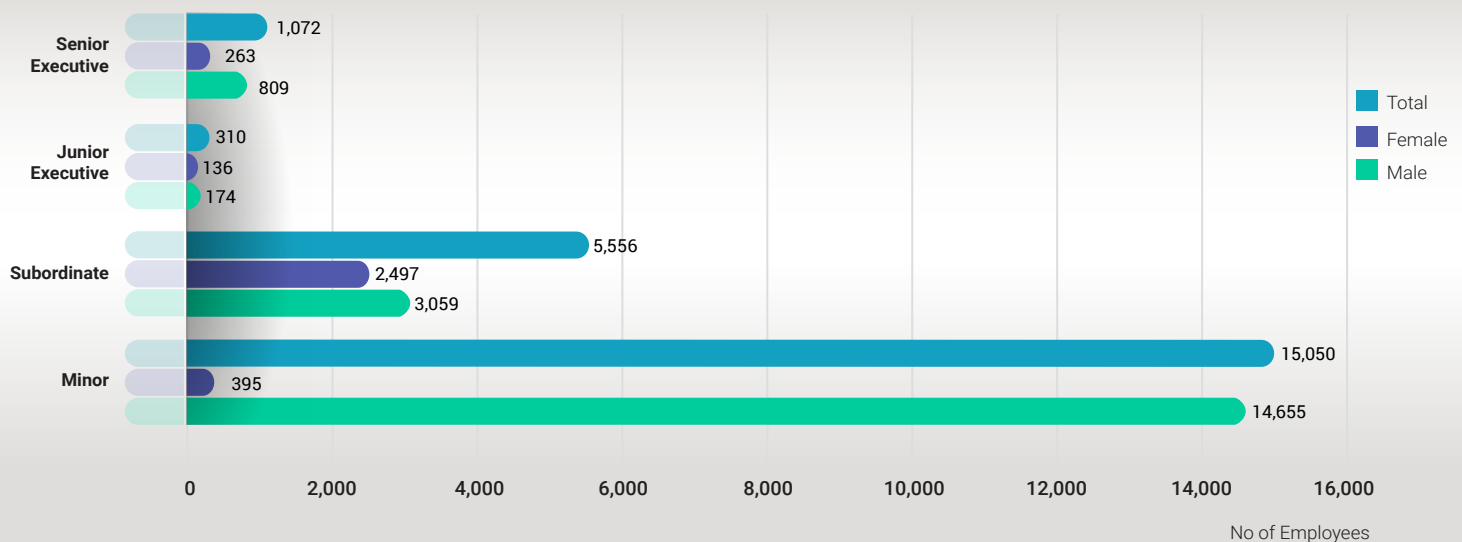
Age Analysis



Service Analysis



Category Analysis



Past Performances



	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Gross Energy Generation (GWh)	12,423	13,154	14,249	14,773	15,985	16,556	16,392	17,378	16,576	16,172
NCRE Generation* (GWh)	1,217	1,467	1,160	1,464	1,832	1,761	1,866	2,922	2,937	3,222
Maximum Demand (MW)	2,152	2,283	2,453	2,523	2,616	2,669	2,717	2,802	2,708	2415
Electricity Sales (GWh)	11,063	11,786	12,785	13,431	14,091	14,611	14,286	15,214	14,520	14,153
Consumer Accounts (Nos.)	5,417,532	5,648,132	5,964,194	6,193,131	6,354,281	6,500,641	6,636,266	6,809,528	6,936,735	7,024,763
System Energy Losses (%)	10.9	10.4	10.3	8.5	8.3	8.2	9.1	8.7	8.8	9.3
Revenue (MLKR)	202,645	188,684	206,811	218,450	229,571	242,950	238,911	248,776	308,457	606,627
Average Selling Price (LKR/kWh) – (a)	18.50	16.00	16.18	16.26	16.29	16.63	16.72	16.37	21.24	42.86
Average Cost at selling point (LKR/kWh) – (a)	20.00	15.07	18.08	20.34	19.12	24.12	21.67	19.42	33.65	40.92
Household Electrified during the year (Nos.)	178,300	198,166	277,038	181,627	118,077	108,315	98,829	125,277	94,768	65,306

* - NCRE (Mini Hydro, Wind, Solar, Dendro, Boimass and Municipal Waste)

(a) - Provisional

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 Sri Lanka Electricity Act No 20 of 2009 amended by Act No.31 of 2013.

Members of the Board

Chairman

Mr. N. S. Ilangakoon From 2022-06-13

Vice Chairman

Mr. D. K. P. U. Gunathilake From 2023-05-10

Member, Representing the General Treasury

Mr. M. R. V. R. Meepura From 2022-01-11

Members

Mr. R. Wickramarachchi Up to 2023-05-02

Mr. D. P. M. Chandana Up to 2023-03-15

Dr. B. Wijayarathne From 2021-01-07

Mr. G. P. N. M. Abeysekara From 2021-12-24

Mr. E. S. G. Edirisinghe From 2023-01-31

Prof. P. B. R. Dissanayake From 2023-03-23

Board Secretary

Ms. H. R. P. Pathberiya

General Manager

Eng. G. A. D. R. P. Seneviratne From 2022-12-19 to 2023-09-19

Eng. (Dr.) Narendra De Silva From 2023-09-20

Corporate Management

Additional General Manager (Generation)

Eng. D. N. Navaratne From 2023-01-01 to 2023-10-10

Eng. N. S. Wettasingha Covering From 2023-10-11

Additional General Manager (Transmission - Non-Wired Operation)

Eng. K. G. R. F. Comester From 2023-01-01

Additional General Manager (Transmission- Wired Operation)

Eng. N. S. Wettasinghe From 2023-01-01

Additional General Manager (DD 1)

Eng. S. A. D. A. Peiris From 2023-01-01

Additional General Manager (DD 2)

Eng. (Mrs.) T. A. K. Jayasekara Up to 2023-07-29

Eng. K. G. R. F. Comester Covering from 2023-07-30

Additional General Manager (DD 3)

Eng. G. J. Aluthge Up to 2023-10-26

Eng. G. I. D. H. K. Ranasinghe From 2023-10-27

Additional General Manager (DD 4)

Eng. M. T. P. D. Thanthirimalage From 2023-01-01

Additional General Manager (Assets Management)

Eng. M. G. A. Goonathilake From 2023-01-01 to 2023-05-08

Eng. N. S. Wettasinghe Covering from 2023-05-09 to 2023-05-21

Eng. (Mrs.) S. H. Diddeniya From 2023-05-22

Additional General Manager (Corporate Strategy)

Eng. K. A. K. Kolonne From 2023-01-01 to 2023-05-20

Eng. G. I. D. H. K. Ranasinghe From 2023-05-21 to 2023-10-26
Covering from 2023-10-27

Additional General Manager (Projects)

Eng. (Mrs.) C. D. Satharasinghe From 2023-01-01

Finance Manager

Mr. T. K. Liyanage

Finance Manager (Strategy Management & Bulk Supply Operation)

Mr. S. N. Fernando From 2023-11-01

Organization Structure 2023

**Chairman & the Members
of the Board**

General Manager

**Additional General Manager
(Corporate Strategy)**

**Additional General Manager
(Generation)**

**Additional General Manager
(Transmission - Wired Operations)**

**Additional General Manager
(Transmission - Non Wired Operations)**

**Additional General Manager
(Distribution Division 1)**

**Additional General Manager
(Distribution Division 2)**

**Additional General Manager
(Distribution Division 3)**

**Additional General Manager
(Distribution Division 4)**

**Additional General Manager
(Assets Management)**

**Additional General Manager
(Projects)**

Finance Manager

**Finance Manager
(Strategic Management &
Bulk Supply Operations)**

DGM (Business & Operational Strategy)
DGM (Corporate Strategy & Regulatory Affairs)
DGM (Functional Strategy & Process Development)
DGM (Information Technology)
DGM (Research & Development)

DGM (Corporate & Regulatory Relations)
DGM (Assets Management & Condition Monitoring)
DGM (Control & Protection)
DGM (Communication)
DGM (Transmission Operations & Maintenance - North)
DGM (Transmission Operations & Maintenance - South)

DGM (Energy Marketing)
DGM (Energy Purchase)
DGM (Private Power Development)
DGM (Renewable Energy Procurement & Performance Monitoring)
DGM (Renewable Energy Development)
DGM (System Control)
DGM (Transmission Design & Environment)
DGM (Transmission & Generation Planning)
AFM (Transmission)

DGM (Commercial & Corporate)
DGM (Planning & Development)
DGM (Projects & Heavy Maintenance)
DGM (Central Province I)
DGM (Central Province II)
DGM (Eastern Province)
DGM (Western Province North)
AFM (Distribution Division 2)

DGM (Commercial & Corporate)
DGM (Planning & Development)
DGM (Projects & Heavy Maintenance)
DGM (Southern Province I)
DGM (Southern Province II)
DGM (Western Province South I)
AFM (Distribution Division 4)

DGM (Assets Management & Corporate)
DGM (Civil Works & Buildings)
DGM (Occupational Health & Safety)
DGM (Work Shop & Ancillary Services)
DGM (Training)
PD (Vidulakpaya)
AFM (Assets Management)

AFM (Corporate)
AFM (Head Quarters)

DGM (Corporate Affairs)
DGM (Assets Management-Hydro Electrical)
DGM (Assets Management-Hydro Mechanical)
DGM (Assets Management-Thermal Electrical)
DGM (Assets Management-Thermal Mechanical)
DGM (Dam Safety, Environment & Civil Structure Maintenance)
DGM (Energy Sales)
DGM (Generation Protection)
DGM (Laxapana Complex)
DGM (Mahaweli Complex)
DGM (Thermal Complex)
DGM (Samanala Complex)
DGM (Generation Projects)
PPM (Lakvijaya Power Plant)
AFM (Generation)

DGM (Commercial & Corporate)
DGM (Planning & Development)
DGM (Projects & Heavy Maintenance)
DGM (Distribution Coordination)
DGM (Colombo City)
DGM (North Central Province)
DGM (Northern Province)
DGM (North Western Province I)
DGM (North Western Province II)
PD (Colombo Port City Development Project)
AFM (Distribution Division 1)

DGM (Commercial & Corporate)
DGM (Planning & Development)
DGM (Projects & Heavy Maintenance)
DGM (Sabaragamuwa Province)
DGM (Uva Province)
DGM (Western Province South II)
AFM (Distribution Division 3)

DGM (Corporate & Projects Coordination)
DGM (Engineering Advisory Services)
DGM (Transmission Construction Projects)
DGM (Transmission Projects)
PD (Greater Colombo Transmission & Distribution Loss Reduction Project & Supporting Electricity Supply Reliability Improvement Project - 4,5, Sampoor Solar, Hambantota Battery Backup)
PD (Green Power Development & Energy Efficiency Improvement Investment Program, Uma Oya Hydro Power Project, ESRIP - 7)
PD (Liquefied Natural Gas Project - Development of Floating Storage and Regasification Unit(FSRU) and Mooring System)
PD (Moragolla Hydro Power Project)
PD (National Transmission & Distribution Network Development Project)
PD (Power System Reliability Strengthening Project)
PD (Trincomalee Coal Power Project)
AFM (Projects)

DGM (Coordination)
DGM (Personnel)
DGM (Engineering Audit)
Chief Internal Auditor

Chief Legal Officer
Manager Investigations

Secretary to the Board

Organization Structure of CEB with Subsidiaries - 2023



A night photograph of a city skyline, featuring several illuminated skyscrapers and a body of water in the foreground. The image is overlaid with a semi-transparent puzzle pattern. At the bottom, there is an orange banner containing the text 'Management Reviews'.

Management Reviews

Chairman's Review

Dear Valued Stakeholders,

It is with great pleasure that I review the commendable progress made by the Ceylon Electricity Board under the guidance of Honorable Kanchana Wijesekara, Minister of Power and Energy. As has been the case in recent years, the CEB diligently adhered to the guidelines outlined in the 'General Policy Guidelines on the Electricity Industry,' as mandated by the Sri Lanka Electricity Act No. 20 of 2009.

I am delighted to report that by the end of 2023, the CEB successfully continued to provide access to electricity for households across the entire country. During the year, we lighted up 65,306 new households, ensuring that more families can enjoy the benefits of reliable and affordable electricity. With the addition of other consumer categories, the total number of consumer accounts reached 7,024,763 by year-end.

During the first half of the year, from April to September, the CEB encountered challenges due to low inflows, recording just 1,182.8 GWh, with a notable low of 278.5 GWh in September. However, a significant surge occurred in the last quarter, with peak storage reaching 1,241.7 GWh in December, nearly filling the reservoirs. November witnessed the highest monthly inflow at 1,061.7 GWh, averaging 35.4 GWh daily. By year-end, storage stood at 1,217.5 GWh, nearly fully replenished at 97.6% of total capacity. Major Hydropower contributed 29.4% of the total generation for the year, although this marks a 14.7% reduction compared to the previous year's generation. Meanwhile, maintenance-related outages at the Lakvijaya Coal Plant (LVPP) led to a 10% decline in generated units. Consequently, the cost per unit at the generation point increased to LKR 29.18/kWh in 2023 from LKR 24.65/kWh in 2022 (restated), as the cost structure was dominated by Direct Generation costs.

In 2022, the CEB implemented scheduled power cuts due to financial barriers within the country. We apologize for any disruptions caused, resulting in a total un-served energy of 88.6 GWh by February 15, 2023. However, the CEB remained dedicated to improving reliability, implementing measures such as enhanced financial management, improved planning, infrastructure upgrades, and strengthened partnerships to prevent future occurrences and ensure uninterrupted power supply, thereby maintaining stakeholders' trust.

“Revenue grew by 97% to LKR 606.6 billion, marking the highest revenue in its 54-year history, with net profit soaring to LKR 61.2 billion, a 121% increase”

Chairman's Review (Contd.)

In alignment with His Excellency the President's vision of fostering self-sustainability within government-owned organizations, the Public Utility Commission of Sri Lanka (PUCSL) approved biannual tariff revisions, contributing to the CEB's remarkable financial performance. Revenue grew by 97% to LKR 606.6 billion, marking the highest revenue in its 54-year history, with net profit soaring to LKR 61.2 billion, a 121% increase. However, as a State-Owned Enterprise, the CEB is committed to passing on the benefits of any earned profit to consumers, ensuring organizational sustainability and alleviating the burden of high energy costs.

Despite facing challenges posed by a global pandemic and the country's economic crisis, the CEB successfully expanded its transmission network to ensure reliability. Project works totaling over LKR 28.0 billion were effectively managed and executed, despite disruptions in the supply chain and delays in sourcing equipment from abroad due to the economic crisis.

The CEB has also embraced state-of-the-art technology initiatives to achieve operational excellence, including upgrading the legacy Billing System, migrating to a Cloud-based email platform, implementing robust cybersecurity measures, and introducing a smart metering solution, demonstrating a commitment to innovation and improved service delivery.

Ensuring high-quality power supply and services to customers remains a top priority for the CEB, with efforts such as the Star Rating Program aimed at enhancing service quality at Consumer Service Centers to meet modern customer expectations.

In closing, I extend my sincere gratitude to the esteemed members of the Board of Directors and Corporate Management Team for their unwavering cooperation and assistance throughout the year. The harmonious relationship between the Board and senior management has been instrumental in fostering a conducive environment for effective decision-making and organizational progress.



N. S. Ilangakoon
Chairman
Ceylon Electricity Board



General Manager's Review

As the General Manager and Chief Executive Officer of the Ceylon Electricity Board (CEB), I am pleased to review the organization's progress in 2023. This year presented significant challenges but also brought about remarkable achievements for CEB. Notably, the CEB reported a net profit of LKR 61.24 billion in 2023, marking a significant turnaround after continuous losses during the period 2016 to 2022.

In 2023, we focused on several critical areas to ensure the stability and growth of our services. We successfully maintained a 24x7 power supply across the country, facilitated the integration of a substantial amount of renewable energy into the national grid and introduced a cost-reflective tariff structure. We undertook successful financial management measures and debt restructuring process, which has enhanced our profitability and financial stability.

We developed and executed comprehensive plans for generation capacity enhancement, generation dispatch and preventive maintenance, ensuring the reliability and longevity of our power generation assets. We revived stalled projects and initiated numerous strategic projects, including advanced distribution management projects. Additionally, we reformed our operational units by decentralizing activities, which has improved efficiency and responsiveness. Our focus on human resource management and employee grievance resolution has fostered a more supportive and productive work environment.

Throughout the year, we have remained committed to uphold the highest standards of good governance and ethical practices. Our achievements are a testament to the dedication and hard work of our employees, the support of our stakeholders, and the strategic direction set by our leadership. These efforts not only enhanced our operational efficiency but also contributed to a more sustainable energy future for the country.

Beginning of the year 2023

The year began with a three-hour load shedding program which was initiated in the year 2022 primarily due to economic challenges faced by the country and severe financial hardships faced by the CEB. This load shedding program caused significant difficulties for our customers. In the beginning of the year CEB could not maintain the required customer service and service levels mainly due

“The successes of 2023 were a testament to the dedication and hard work of CEB employees, the strategic direction of its leadership, and the support of stakeholders. The organization's ability to overcome significant challenges and achieve financial stability, continuous power supply, and substantial progress in renewable energy integration positions it well for future growth.”

General Manager's Review (Contd.)

to challenges in procuring necessary goods and services amidst a major financial crisis in CEB and the economic crisis in the country. The provision of new service connections was stopped and a backlog of 36,000 service connections was there.

The maintenance of power plants and other equipment was scaled down. CEB reported a net financial loss of LKR 298 billion in the year 2022. Procuring fuel, coal and other essential material and services was an enormous task due to the severe financial crisis within the CEB and depleted foreign exchange reserves in the country. The prices of coal, oil and other essential items soared due to high world market prices and depreciation of Sri Lankan rupee. Delayed payments for renewable power generators, Rooftop solar power producers and local suppliers amounted to LKR 36.6 billion (without interest), LKR 3.7 billion and LKR 6.5 billion respectively. The Treasury could not assist CEB due to its own challenges and obtaining working capital loans from commercial banks was problematic due to poor revenue generation and difficulties in loan serving.

Providing 24x7 power supply from 15th February 2023

We managed to provide 24x7 power supply in the country from 15th February 2023. Providing a continuous power supply was a significant challenge that required meticulous planning and stakeholder support. Key initiatives included developing generation dispatch scenarios with an optimal energy mix, securing a cost-reflective tariff, obtaining additional generation capacities, timely procurement of coal and oil, careful management of maintenance programs, expediting grid connections for new renewable plants and removing transmission bottlenecks. A professional team under my leadership conducted a comprehensive study to identify viable generation dispatch scenarios for 2023 and the most feasible scenario was determined. This informed the generation budget and tariff filing, resulting in an electricity tariff increase on February 15, 2023.

In April 2023, the CEB took over the 163 MW Sojitz Combined Cycle Power Plant (renamed "KCCP2") after extensive negotiations and performed immediate refurbishment activities. Additionally, a 24 MW diesel power plant namely Dakunu Janani was constructed in Hambantota within 32 days by relocating diesel generators from Kolonnawa and Thulhiriya to enhance power stability in the Southern Province. The delayed construction of the 220 kV New Polpitiya-Hambantota transmission line was resolved through successful dispute resolution process and the line was completed in August 2023. This facilitated continuous power supply to the Southern Province and supported water management in the Samanalawewa reservoir. Planned maintenance programs for power plants were successfully completed including major overhauls of the Lakvijaya Power Plant (LVPP) Unit 03, Kukule, and Ukuwela power plants. Coordination with the Ceylon Petroleum Corporation and Lanka Coal Company was enhanced to resolve oil and coal supply challenges.

The anticipated Southwest monsoon rains failed from May to July, leading to decreased water levels in hydro reservoirs. During this period, the electricity generation mix was managed by increasing thermal power. Urgent supplementary power was procured from ACE Power Embilipitiya and Matara power plants. Despite an outage at LVPP Unit 2 and a 100-day overhaul at Unit 3, continuous power supply in the country was maintained during the dry period in August 2023. Extraordinary rainfall from mid-September to December significantly increased hydro power generation with hydro capacity reaching about 1200 GWh by the year's end.

Cost reflective tariff with effect from 15th February 2023

In 2022, the CEB reported a loss of LKR 298 billion with major payables amounting to LKR 524.8 billion as of December 31, 2022. In response, the government issued directives on January 12, 2023, mandating a cost-reflective electricity tariff and ending government financial support for electricity subsidies.

To comply, CEB analyzed 20 different dispatch scenarios, considering factors like existing tariffs, coal availability, hydro inflow variations, scheduled plant outages, transmission constraints, and demand forecasts etc. Using advanced simulation software, CEB identified the best scenario and submitted a tariff proposal on January 5, 2023 requesting a 66.2% increase. This proposal, extensively justified in public and government forums, led to a new tariff approved on February 15, 2023. Following government guidelines, CEB submitted a second tariff proposal on May 15, 2023, proposing a 3.15% tariff reduction. However, PUCSL approved a 14.2% tariff reduction. During the July-August dry period, thermal power was used extensively to meet the increased demand. With ongoing drought conditions, an extraordinary tariff proposal was submitted on September 4, 2023. Subsequently the government adjusted the tariff period to a quarterly basis and the PUCSL granted an 18% tariff increase on October 17, 2023.

The cost-reflective tariff facilitated the financial recovery of CEB, enabling it to secure additional loans, procure 30 shipments of coal, obtain the required quantities of liquid fuel and begin settling outstanding debts. Maintenance works and essential service connections were resumed and clearing of backlog of 36,000 service connections was resumed.

Enhanced profitability and financial stability of CEB

In 2023, the CEB reported a net profit of LKR 61.24 billion, marking a significant turnaround after continuous losses from 2016 to 2022.

The year began with an accumulated debt of LKR 524.8 billion. Major creditors included CPC (LKR 71.3 billion), Private Power Producers (LKR 96.6 billion) and Renewable Energy Producers (LKR 36.6 billion) totaling LKR 204.5 billion. Additional payables

General Manager's Review (Contd.)

included LKR 3.7 billion for rooftop solar producers and LKR 39.7 billion in short-term payables. Term loans for working capital were LKR 162 billion, and project loans were LKR 119 billion.

In response to the Government's policy of not providing subsidies to the CEB and the necessity of maintaining continuous power supply, a strategic plan was developed by the professionals of the CEB under my leadership. This plan aimed to make CEB operationally profitable and restructure its debt with stakeholder support. The key elements of the financial strategy included revising consumer tariffs to reflect costs, reducing operational and capital expenditure, securing working capital for short-term financial needs and settling creditor payments progressively.

As the first step, comprehensive studies were carried out and filed tariff proposals with PUCSL for tariff revisions and convince the stakeholders on the new tariff proposals. Following the approval of these tariff revisions in 2023, CEB's total revenue, including other income, increased significantly compared to 2022. This revenue boost along with cost reductions envisaged more than the forecasted due to lower global coal prices, reduced fuel prices from CPC, Sri Lankan Rupee appreciation, lower interest rates, decreased operational and maintenance expenses, reduction of recurrent expenditure contributed to the improved financial performance.

Obtaining working capital to meet the expenditure for coal procurement, oil procurement, settlement for IPPs and NCRE producers, procure of operational and maintenance material, meet expenditure for major overhauls of power plants, meet day to day operational costs and obtaining foreign exchange from Central Bank for above procurements were really challenging even after the receipt of first tariff revision on 15th February 2023. As it takes substantial time to increase revenue after a tariff revision, CEB had to look for short-term finances from Commercial Banks to meet the said expenditure and managed to secure loans effectively. Effective cash flow management by the Finance Division enabled the CEB to meet its financial obligations progressively, including coal procurement, fuel supply payments, material procurement, settling of ongoing payments for the NCRE power producers, suppliers and meeting expenditure for major overhauls etc. progressively.

By the end of 2023, CEB's financial health had significantly improved. The accumulated arrears to rooftop solar power producers and local suppliers were fully settled and the arrears to NCRE power producers including interest was brought down to LKR 26.2 billion. Outstanding payments to IPPs were reduced to LKR 52.6 billion from LKR 96.6 billion. The outstanding payments to CPC were brought down to zero from LKR 71.3 billion. The capital infusion of LKR 126.2 billion from the General Treasury helped to settle outstanding payments to CPC and IPPs. The total

accumulated debt at the end of the year was LKR 444.1 billion. In compliance with PUCSL requirements, CEB operationalized the Bulk Supply Transaction Bank Account (BSTA) in 2023, reorganizing internal cashflow processes. The Distribution Licensees' functions were reorganized to align with Allowed Revenue principles and the revenue collection process was decentralized for smooth operation of BSTA. In the year 2023, CEB not only returned to profitability after a prolonged seven years of losses but also managed to settle a substantial portion of its liabilities. This recovery was achieved through strategic financial management and the support of stakeholders.

Statutory Accounts and Regulatory Accounts were prepared in accordance with relevant accounting standards and regulatory requirements in time and maintained higher levels of accuracy and integrity in financial reporting to ensure stakeholders' confidence.

Energy mix of the year 2023

The total electrical energy generation for 2023 was 15,576 GWh reflecting a 2.3% decrease compared to 2022 due to reduced energy demand in the country. The average daily generation, including auxiliary supplies was 44.3 GWh/day, closely aligning with the forecasted value of 45.0 GWh/day in the beginning of the year.

During the year, 50% of the country's electrical energy requirement was generated from renewable resources, a significant achievement compared to the global average of 26%. Non-Conventional Renewable Energy contributed 21% to the energy mix in 2023. Approximately 59% of Sri Lanka's installed power generation capacity came from renewable power plants. Solar power accounted for about 5.5% of the energy mix, including rooftop solar generation, while wind power contributed around 5.3%. Major hydro power contributed 4,573 GWh, or 29.4% of the energy mix, aligning closely with the CEB's forecasted value of 4,500 GWh in the beginning of the year.

Firm power generation during the year was sourced from coal and oil based power plants owned by both the CEB and the private sector. Coal power contributed 29.8% to the energy mix, and oil-based power contributed 20.1%. Private power, including renewable sources, accounted for 25.6% of the energy mix. The maximum demand reported in the year was 2,415 MW, representing an 11% reduction compared to last year.

Sales and revenue collection

In 2023, energy sales totaled 14,153 GWh, a 2.5% decrease compared to 2022 due to challenging economic situation prevailed in the country. Distribution Division 2 reported the highest electricity sales and revenue, followed by Divisions 1, 3, and 4. The average selling price was LKR 42.86, significantly higher than in 2022, while the average cost per unit at the selling point was LKR 40.92.

General Manager's Review (Contd.)

Despite challenging economic conditions, 65,306 new service connections were provided, bringing the total number of customers to 7.025 million. A backlog of 36,000 service connections was also cleared during the year. Revenue from billed sales reached LKR 607 billion, substantially higher than in 2022. The highest revenue was generated from the domestic category, followed by the industrial and general-purpose categories. The revenue collection process was further improved during the year, reducing the receivable position to 1.25 months from 1.32 months at the beginning of the year.

Renewable power promotion

During the year, 150 MW of renewable power plant capacities were integrated into the national grid. This includes 117 MW of rooftop solar power plants, 9 MW of ground solar power plants, 15 MW of wind power plants, 5 MW of mini hydro power plant, and 4 MW of biomass power plants. CEB played a significant role in promoting rooftop solar by streamlining Net Metering, Net Accounting, Net Plus, and Net Plus Plus business models. The new Net Plus Plus model enabled the leasing of roofs to third parties, allowing additional rooftop solar capacities to be integrated. An attractive feed-in tariff was offered to developers of rooftop solar to encourage more installations considering the investment, life cycle costs of the project, project returns.

CEB took effective measures to facilitate the integration of large quantities of renewable power into the national grid by formulating reports on the "Way Forward of Integration of Renewable Energy Resources to the National Grid from 2023 to 2026 and from 2027 to 2030." These efforts promoted renewable energy in the country. Additionally, CEB formulated the report "Way Forward of Developing Transmission Facilities 2023 to 2030" to expedite the development of transmission infrastructure.

CEB managed to expedite the development of the 100 MW Siyabalanduwa solar power project on a Build-Own-Operate (BOO) basis and issued the Letter of Intent (LOI) for the project. LOIs were also issued for the 150 MW Hambantota Solar Power Projects and several other small-scale solar and wind power plants across the country. During the year, CEB facilitated the development of the Sampur Solar Power Project and secured assistance from the Asian Infrastructure Investment Bank (AIIB) for its implementation and related transmission development works. Preliminary work and tender document preparation were completed for the construction of a 50 MW wind power plant in Mannar on a BOO basis. The Renewable Energy Development Branch was newly established to support the development of large-scale renewable energy projects.

Facilitating the addition of large scale power plants to the national grid

The 350 MW combined cycle power plant at Kerawalapitiya (Sobadhanavi) is the first base load thermal power plant to commence construction in Sri Lanka after an eight-year lapse. The Power Purchase Agreement (PPA) for its construction was signed on 19th June 2021. During the year 2022 due to financial and economic crisis prevailed in the country, ADB led loan for the project was suspended and also the construction cost of the power plant has increased considerably deviating from the financial parameters given in the PPA. Due to this the Developer has declared "Force Majeure" on 30th June 2022. The Developer has informed that parameters of the PPA has to be adjusted to make the project bankable and to obtain financing from Sri Lankan banks replacing the ADB led loan.

In this regard, negotiations were initiated for the power purchase tariff revision and amendments to the PPA were signed on November 28, 2023. Despite the challenging economic situation in the country, the Developer maintained steady project progress and planned to complete the Simple Cycle with the commissioning of a 212 MW gas turbine by mid-2024. In 2023, significant progress was achieved and construction work was successfully carried out to meet the main milestones.

Revival of stalled projects

Following the Sri Lankan government's declaration of default status, JICA suspended the disbursement of funds for ongoing and new projects in the CEB in April 2022, leading to minimal progress in JICA-funded projects. The National Transmission and Distribution Network Development & Efficiency Improvement Project aimed at enhancing the capacity and efficiency of Sri Lanka's national transmission and distribution network, faced significant delays due to this suspension. However, in 2023, CEB resumed work on Packages 01 and 02 by settling outstanding payments to the contractor using CEB funds, with an understanding from JICA to reimburse once the loan disbursement resumes. Contracts for Packages 03 and 04 were terminated in early 2023 with plans to re-tender once JICA disbursement resumes. High priority works under Package 03, such as the Polpitiya to Kotmale 220kV/132kV Four Circuit Transmission Line spanning 23km, were restarted by the Transmission & Construction Projects Branch. These critical works, funded by CEB, are targeted for completion by April 2025.

The ADB funded GPDEIIP Tr-2 project for the construction of 56 km of 33 kV tower lines, 04 Gentries, 03 Primary Substation progressed well during the year 2023 and completed 95% of the work by the end of the year. The 220 kV New Polpitiya-Hambantota transmission line which was delayed due to a land dispute resolved through successful and extensive dispute resolution and the line construction was completed and commissioned in August 2023 improving the reliability of power supply in Southern Province.

General Manager's Review (Contd.)

The Supporting Electricity Supply Reliability Improvement Project – Package 4 which was delayed due to Covid 19 pandemic, and the political & economic instability of the country progressed well in the year 2023 after successfully handling the long outstanding issues and the project progress was increased from 38% to 63% in year 2023.

In May 2023, a contract was signed with the Consortium of GET&D India Limited & GE Digital Services Europe to establish a SCADA-supported Distribution Control Centre for the Western Province South 1 of the CEB funded by ADB. By the end of December 2023, civil works at the Control Centre were underway, and materials and equipment were being received. In June 2023, CEB signed a contract with Yantai Dongfang Wisdom Electric Co. Ltd, China, for the Dehiwala Smart Metering Project, the first commercial-scale smart metering project for the Ceylon Electricity Board. This project involves designing, supplying, installing, testing, and commissioning a Smart Metering System for approximately 50,000 single-phase, three-phase, and bulk consumers in the Dehiwala Area. As of December 2023, the detailed design of the project was being carried out.

Savings and underutilized funds amounting to USD 21.8 million from ADB loans were allocated for procuring materials, equipment, and spares for high-priority transmission network augmentation works. These include upgrading the Vavuniya–Mannar 220 kV Transmission Line, constructing the Habarana – New Anuradhapura 220 kV Transmission Line, rehabilitating the Mannar – Nadukuda 220 kV Transmission Line, and constructing two 220 kV bays at the New Anuradhapura Grid Substation. Funds for construction works other than materials were allocated from CEB's own funds with Board approvals.

The agreement was reached with AIB to construct 220 kV cable network from Kerawalapitiya to Colombo City during the year. The construction works of the Uma Oya and Morogolla hydro power projects were also expedited. The construction work of the CEB Headquarters building was completed up to first floor level which is the most challenging part of the construction. The construction of the building above first floor is suspended due to economic crisis in the country.

India Sri Lanka Grid Interconnection

During the year many rounds of discussion were held between Sri Lankan officials and Indian counterparts on the establishment of India – Sri Lanka Grid Interconnection. The Project which has been under discussion for over two decades were put in the correct perspective and consensus was reached between the parties on the way forward. A high-powered Sri Lankan

delegation visited India in July 2023 to discuss the proposed cross-border interconnection and to share the technical expertise of the Indian side on the establishment of India – Sri Lanka Grid Interconnection.

It was decided that the HVDC terminal associated with the proposed cross-border interconnections on Sri Lankan side be shifted to Mannar instead of earlier planned New Habarana. The necessary technical and economic studies were carried out to determine the options of overhead connection against the underground cable connection and subsequently it was decided to have the interconnection using underground cables. The necessary technical studies were conducted, including load flow studies and technical feasibility of the project was confirmed. Accordingly, the Detailed Project Report finalised by Joint Technical Team on India – Sri Lanka Grid Interconnection was submitted to the Joint Working Group for final decision.

Distribution management

At the beginning of the year, the Distribution Divisions faced significant challenges in meeting service standards and maintaining appropriate levels of customer service. These difficulties stemmed from procurement issues due to the financial crisis within the CEB and the broader economic crisis affecting the country. Various materials were in short supply and limitations in foreign exchange prevented the opening of Letters of Credit. Additionally, there were approximately LKR 6,000 million in outstanding payments to material suppliers.

As the financial crisis in both the CEB and the country began to ease, material and service procurement gradually returned to normal levels and customer service improved accordingly. The backlog of service connections was cleared, and all outstanding payments to suppliers were settled. Throughout the year, the revenue collection process also saw significant improvements, reducing the receivable position from 1.32 months at the beginning of the year to 1.25 months. Transmission and Distribution losses were maintained at 9.3%.

The revenue collection process was decentralized to the Distribution Divisions, allowing them the autonomy to manage their affairs based on Allowed Revenue Principles. Additionally, a SMS-only billing system was introduced in the Dehiwala, Kelaniya, and Sri Jayawardenapura areas at the beginning of the year, and this system was later expanded to other areas as well.

Distribution Divisions played a significant role in promoting rooftop solar by streamlining all four business models. The new Net Plus Plus model enabled the leasing of roofs to third parties, allowing additional rooftop solar capacities to be integrated.

General Manager's Review (Contd.)

Human Resource Management

In 2023, priority was given to resolving long-standing disciplinary cases and employee grievances. A specially formed grievance management committee met frequently to address these issues. Due to a government mandate to halt recruitment in state-owned organizations, CEB adhered to this policy and managed its operations with existing human resources. Despite the restriction on new hires, CEB successfully absorbed NVQ trainees from batches 4 to 8 into the permanent cadre. Additionally, casual employees were regularized with the necessary approvals. Promotions of certain employees were long outstanding due to the Covid pandemic situation, hence necessary arrangements were made to expedite the promotions in the year 2023. Our focus on human resource management and employee grievance resolution has fostered a more supportive and productive work environment.

Good Governance

During the year, CEB has remained committed to upholding the highest standards of good governance through the facilitation of various internal and external audit functions, effective management of audit committees, timely preparation of accounts, and adherence to regulatory requirements. The Chief Internal Auditor and the Government Auditor were provided with requested information and documentation promptly to support the audit process. Necessary resources were allocated to facilitate comprehensive and efficient internal audits.

CEB management supported the Audit and Management Committee in overseeing financial reporting, internal control, and risk management processes. During the year, three preparatory meetings were held to address the concerns raised by the Committee on Public Enterprises (COPE), and detailed reports were produced to assist COPE in reviewing the financial performance and governance practices of the CEB. Follow-up actions based on COPE recommendations were implemented to enhance governance and operational efficiency.

CEB management also attended other Parliamentary Committees to provide information and insights on operations and governance practices. The organization liaised effectively with the Public Utilities Commission of Sri Lanka to ensure regulatory compliance and operational efficiency. Statutory and Regulatory Accounts were prepared in accordance with relevant accounting standards and regulatory requirements on time, maintaining the highest levels of accuracy and integrity in financial reporting to ensure stakeholders' confidence.

Conclusion

The successes of 2023 were a testament to the dedication and hard work of CEB employees, the strategic direction of its leadership, and the support of stakeholders. The organization's ability to overcome significant challenges and achieve financial stability, continuous power supply, and substantial progress in renewable energy integration positions it well for future growth.

As the General Manager of the Ceylon Electricity Board, I extend my heartfelt gratitude to all our dedicated employees for their unwavering commitment, hard work and support extended to me throughout the year. Your efforts have been instrumental in navigating the challenges we faced and achieving our goals. I would also like to extend my heartfelt gratitude to His Excellency the President for his visionary leadership and unwavering support, and to thank the Honourable Minister, State Ministers, the officials of the Presidential Secretariat, the Secretary and senior officials of the Ministry of Power, the Chairman and the Board of Directors of CEB, Lanka Coal Company, Public Utilities Commission, and Ceylon Petroleum Corporation for their continuous support and guidance. My special thanks go to our customers, private power producers, business associates, bankers, suppliers and other stakeholders for their continuous support throughout the year.

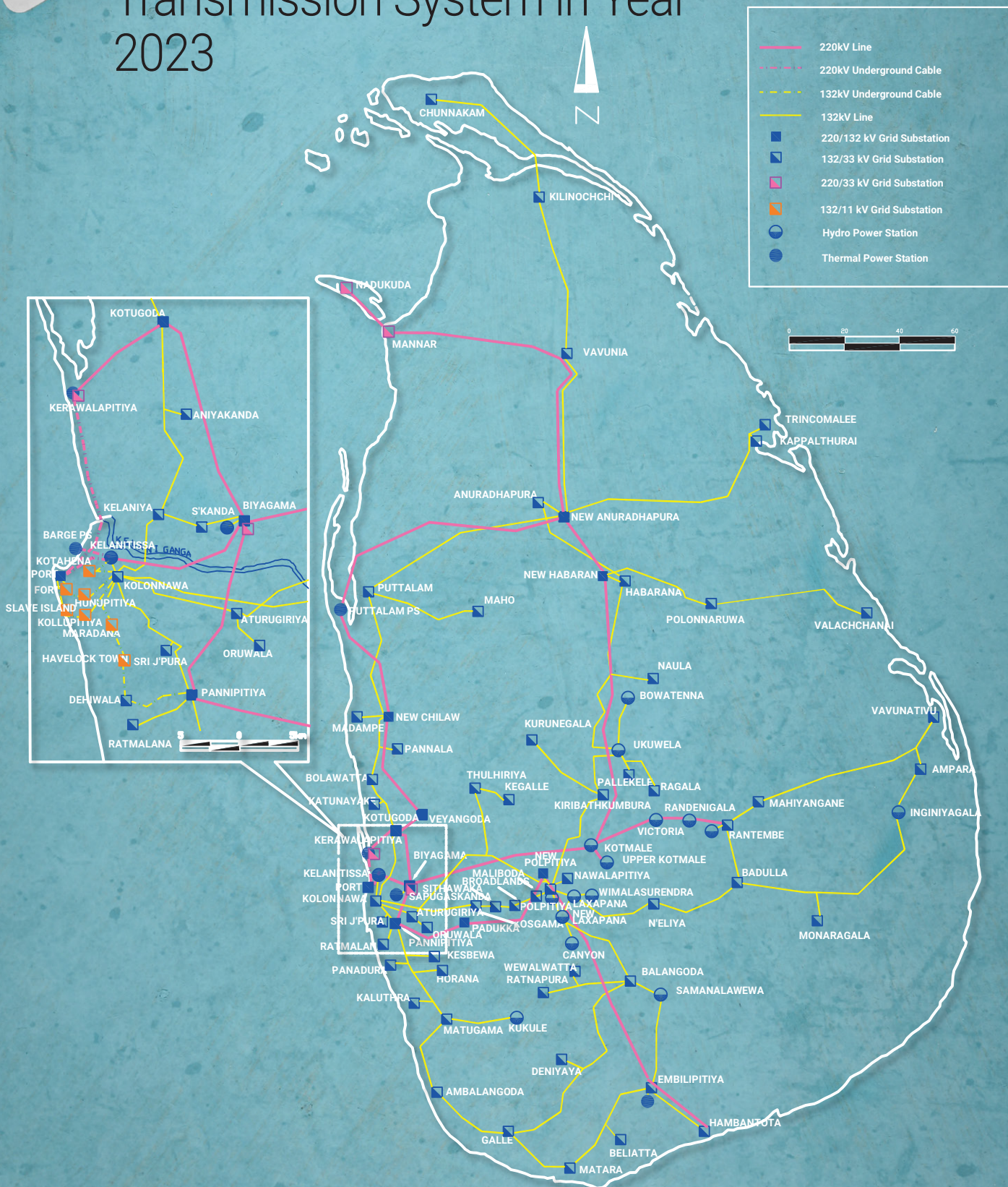
Finally, I express my sincere appreciation to the Corporate Management Team for their continuous support and relentless efforts in driving our initiatives forward. Together, we have made significant strides, and I am confident that with the support of stakeholders, the Ceylon Electricity Board will reach even greater heights in the coming year.

Thank you all.



Eng. Rohan Seneviratne
General Manager
Ceylon Electricity Board

The Map of Sri Lanka Transmission System in Year 2023



OPERATIONAL REVIEW
Generation
Division

Generation Division

The Generation Division is responsible for the operation, maintenance, and rehabilitation of all Power Stations owned by the Ceylon Electricity Board. This Division oversees eighteen Hydro Power Stations with an installed capacity of 1,413.4 MW, eight oil-fired Thermal Power Stations with an installed capacity of 801 MW, one Coal-fired Power Station with an installed capacity of 900 MW, and one Wind Power Station with an installed capacity of 103.5 MW. Additionally, CEB operates several diesel power stations in the surrounding islands of the Jaffna Peninsula. As of the end of 2023, the total installed capacity of CEB-owned Power Stations reached 3,218 MW.

Performance of Power Stations

In the fiscal year 2023, we witnessed satisfactory performance in terms of electricity generation across our portfolio of power stations, particularly those harnessing Mahaweli water within the Mahaweli Complex and the Wind Power Station at Mannar. The Mahaweli Complex exhibited robust performance, contributing significantly to the generation targets by producing 2,635 GWh throughout the year.

Similarly, the power stations operating along the Kelani River (Laxapana Complex) delivered commendable results, generating a total of 1,591 GWh in 2023. Additionally, the Samanala Complex, utilizing resources from the Walawe, Kalu, and Gal Oya Rivers, contributed 739 GWh to the annual generation.

In conjunction with the hydroelectric assets, the Thermal Complex also played a crucial role, generating 1,975 GWh in the fiscal year. Furthermore, the Lakvijaya Power Plant (LVPP) made a substantial contribution to our overall generation, recording 4,646 GWh.

For a comprehensive overview of the CEB generation mix in 2023, please refer to Figure G1. Detailed insights into each power station's electricity generation contributions and associated factors are provided in Table G1 to G3.

These achievements underscore our commitment to efficient electricity generation and highlight the dedication to meeting the growing energy demands of the nation.

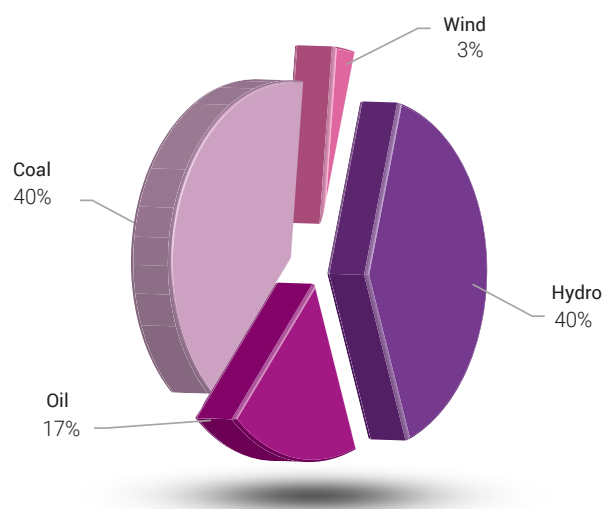


Figure G1: CEB Generation Mix - Year 2023

Table G1: Contribution of CEB Owned Hydro Power and Wind Power Stations

Power Station	Installed Capacity (MW)	Generation (GWh)	Availability Factor (%)	Plant Factor (%)
Mahaweli Complex	920.3	2,635		
Victoria	210	627.5	99.6	34.2
Kotmale	201	415.3	99.7	23.7
Upper Kotmale	150	421.0	99.4	32.2
Randenigala	122.6	321.7	97.9	30.3
Rantembe	50	161.7	99.6	38.1
Ukuwela	40	193.4	82.9	55.4
Bowatenna	40	92.8	99.9	26.6
Nillambe	3.2	9.7	99.9	33.3
Thambapavani (Wind)	103.5	391.4	88.4	43.8
Laxapana Complex	388.8	1590.5		
Laxapana	153.8	776.4	94.3	57.8
Polpitiya	90	430.1	93.7	54.7
Canyon	60	153.0	97.8	29.2
Wimalasurendra	50.0	126.7	92.6	29.0
Broadlands	35	104.3	85.0	32.9

Generation Division (Contd.)

Table G1: Contribution of CEB Owned Hydro Power and Wind Power Stations (Contd.)

Power Station	Installed Capacity (MW)	Generation (GWh)	Availability Factor (%)	Plant Factor (%)
Samanala Complex	207.8	739.4		
Samanalawewa	120	375.2	93.5	35.9
Kukuleganga	75	335.5	83.4	55.2
Udawalawa	4	9.3	83.9	27.6
Inginiyagala	8.8	19.4	99.7	19.9
TOTAL	1516.9	4,964.9		

Note : All except Thambapavani are hydropower stations

Table G2: Contribution of CEB Owned Thermal-Oil Power Stations

Power Station		Installed Capacity (MW)	Max. Available Capacity (MW)	Generation (GWh)	Availability Factor (%)	Plant Factor (%)
Sapugaskanda	A	80	70	205.7	75.7	34.9
	B	80	72	366.2	90.6	60.4
Kelanitissa Combine Cycle	Gas Turbine (GT)	110	110	701.1	81.9	49.5
	Steam Turbine (ST)	55	55		80.6	50.5
Kelanitissa Combine Cycle 2	Gas Turbine (GT)	157	101	167.5	73.9	17.8
	Steam Turbine (ST)		54		73.9	19.1
Kelanitissa GT - 07		115	115	84.0	94.0	7.7
Kelanitissa Frame V GTs		80	32	0.9	24.0	0.2
Diesel Power Plants - 40 x 1 MW		40	40	43.5	75.1	10.2
Uthuru Janani		24	24	99.2	86.6	52.0
Barge		60	62.4	304	94.1	57.8
Small Islands				2.7		
TOTAL		801	735.4	1,974.8		

Table G3: Contribution of CEB Owned Coal Power Station

Lakvijaya Power Station	Installed Capacity (MW)	Gross Generation (GWh)	Net Generation (GWh)	Availability Factor (%)	Plant Factor (%)
Unit 01	300	1,768.9	1,593.4	79.9	67.3
Unit 02	300	2,082.5	1,875.5	85.1	79.2
Unit 03	300	1,299.4	1,176.6	84.3	65.3

Generation Division (Contd.)

Highlights

Reducing Maintenance Cost by Strengthening Preventive Maintenance

Unit 03 of **Lakvijaya Power Station** underwent its first Level A overhaul starting on 2023-07-29, and successfully concluded on 2023-11-17. Skilled personnel, including CEB staff, foreign experts, and local contractors, collaborated on the overhaul activities.

The overhaul was primarily focused on comprehensive maintenance of the boiler, turbine, generator and associated auxiliaries. Corrective maintenance tasks, such as replacing damaged turbine blades in the Intermediate Pressure and Low-Pressure rotors, and repairing defective Low Temperature Super-Heater (LTSH) panels, were also performed. Approximately 4,700 joints underwent welding works with necessary Non-Destructive Testing to replace defective LTSH panel segments.

However, the overhaul faced challenges, notably delayed receipt of ordered spare parts due to financial constraints both nationally and within CEB.



Figure G2: LTSH repair in progress

At **Kotmale Power Station**, the Unit 03 Y-Phase Transformer was replaced with a spare transformer due to an oil leak.

Furthermore, following preventive maintenance works were also carried out:

- New current transformers were installed to replace those installed in 1984, after oil leaks were found in two current transformers.
- Retrofitting of the turbine governor systems for Unit 02 and 03 machines was completed.

During the reporting period, several preventive maintenance initiatives were implemented at **Victoria Power Station**:

- New 400 V Air Circuit Breakers were installed to replace the aging and operationally problematic ones in all seven auxiliary feeding circuits.
- New Capacitive Voltage Transformers (CVTs) were installed at the 220 kV switchyard to replace the aging ones, ensuring accurate voltage measurement and optimal performance.

- A spare AVR controller was used to replace the malfunctioning one in Unit 3, preventing potential disruptions and ensuring smooth operation.
- Unit 1 MIV bypass valve, cooling water motorized valve, firefighting guard valve were replaced and relief valves were repaired.



Figure G3: CVT installation in progress

Water leakages from the head cover of Unit 02 machine at **Ukuwela Power Station** were observed in November 2022 due to sand erosion over a 6-year period. In response, repairs were conducted by CEB staff without foreign supervisory services from the OEM, given Sri Lanka's financial crisis and delays in their service, leading to operational losses for CEB.

The replacement work was commenced in December 2022 and successfully completed by CEB staff within 4.4 months. This project resulted in saving more than LKR 950 million for CEB, while also providing valuable experience and expertise to CEB staff.



Figure G4: Turbine headcover replacement in progress

Generation Division (Contd.)

Modernized Operations

The upgrade of the Electronic Governor of **Randenigala Power Station** Unit 1 to a modern digital system has been completed, marking a significant milestone valued at approximately LKR 40 million. This project represents a substantial enhancement in plant reliability and operational control. Notably, the installation was expertly carried out by CEB in-house staff and supervised by the OEM.

The up-tower upgrade solution, reinforcing the mechanical locking of the outer ring of the planet carrier bearing, has been developed by Vestas and the Gearbox supplier and implemented at **Thambapavani Wind Power Station** on 26 wind turbines as part of modernized operations.

The plant automation system at the **Kukule Ganga Power Station** underwent an upgrade due to an increasing failure rate of control cards and the phasing out of the existing Andritz AK1703 control system by the OEM, Andritz Hydro, approximately 15 years after commissioning. All six controllers, along with the Main Control Building controller and the 33 kV bay controller, were successfully simulated and replaced by CEB staff during a tunnel outage arranged for MIV repair following the procurement of hardware and training through the OEM. This upgrade proved to be an enriching experience for the team, fostering confidence from engineers to unskilled laborers. The total expenditure for hardware and training amounted to LKR 113 million. Additionally, the AVR controllers of both machines were replaced with the new version of the OEM, Emerson RX3i, by CEB staff, at a cost of LKR 12 million.



Figure G5: Installing and wiring of Controllers in progress.

Ensure a Safe Working Environment for Employees

A special training focusing on Basic Safety Training for Wind Technicians, recommended by the Global Wind Organization was held for staff members who work in wind turbines at **Thambapavani Wind Power Station**.



Figure G6: Training in progress

Ensuring Availability of Existing Power Plants

During November 2023, a turbine blade at WTG-02 in **Thambapavani Wind Power Station** sustained damages from a lightning strike, necessitating replacement. The replacement work was carried out by the contractor with the support of CEB Staff, demonstrating our commitment to addressing unforeseen challenges promptly and effectively.



Figure G7: Blade transport in progress

During the 2020 annual maintenance of the **Kukule Ganga Power Station** unit 2 machine, a critical issue arose with the maintenance seal, preventing closure. Consequently, the spiral casing and draft tube remained unattended for three consecutive years due to safety concerns. Back in 2013, the service seal of the same MIV needed fixing because bolt heads were breaking off. It turned out that the manufacturer had placed shims between the ring and the valve body, causing the issue. CEB staff sorted this out in 2013. Seven years later, the maintenance seal faced a similar problem. Despite its complexity, repairs were carried out by CEB staff. Fixing the maintenance seal was especially tricky as it couldn't be accessed without relocating it. Originally, it was supposed to be moved, but a last-minute idea saved time by simply rotating it 180 degrees. This innovation sped up repairs, allowing for an early release of unit 1 machine for operations.



Figure G8: MIV repair in progress.

Generation Division (Contd.)



Digitalization of Process

A step forward in the digitalization of processes has been taken at **Randenigala & Rantembe Power Stations**, where the Operation Sections transitioned from traditional paper-based log sheets to a Tab-based mobile field data capturing system. This shift has semi-automated commonly used data report formats, simplifying report generation and submission with just a few clicks. This system efficiently records and stores data, facilitating easy retrieval of historical information and visual representations of trends and abnormalities.

Cost of Generation

Cost of generation for the year 2023 is depicted in Table G4.

Table G4: Cost of Generation

Complex	Power Station	Cum. Actual Net Generation (GWh)	Cum. Actual Expenditure (LKR million)	Average Unit Total Cost (LKR /kWh)
Thermal	KPS - Gas Turbines	84.9	10,442.1	122.96
	Kelanitissa Combined Cycles	701.1	41,591.1	59.64
	Kelanitissa Combined Cycles 2	167.5	12,617.2	75.05
	Sapugaskanda	571.8	33,858.1	59.19
	Island Small Generators	2.7	420.2	158.40
	Uthuru Janani	99.2	5,490.4	55.33
	Barge Mounted PS	304.0	16,677.3	54.86
	MYPS and DJPS 1MW x 40	43.5	4,261.6	97.96
	Total Thermal - Fuel	1,974.8	125,358.0	63.57
Coal	Lakvijaya Power Plant	4,645.5	187,163.1	40.29
Total Thermal		6,620.3	312,521.1	47.23
Mahaweli	Victoria	627.5	886.8	1.41
	Kotmale	415.3	1,205.1	2.90
	Ukuwela	193.4	384.2	1.99
	Bowatenna	92.8	346.3	3.73
	Randenigala/Rantambe	483.4	1,162.2	2.40
	Nilambe	9.7	119.8	12.37
	Upper Kotmale	421.0	1,892.6	4.50
	Total Mahaweli (Hydro)	2,243.1	5,996.9	2.67
Laxapana	Old & New Laxapana	776.4	1,173.9	1.51
	Polpitiya	430.1	735.3	1.71
	Wimalasurendra	126.7	570.7	4.50
	Canyon	153.0	515.2	3.37
	Broadlands	104.3	1,794.7	16.81
	Total Laxapana	1,590.5	4,748.0	2.99
Samanala	Samanalawewa	375.2	1,646.7	4.39
	Kukule Ganga	335.5	685.9	2.04
	Inginiyagala	19.4	142.6	7.33
	Udawalawe	9.3	169.7	18.17
	Total Samanala	739.5	2,644.8	3.58
Total Hydro		4,573.2	13,389.8	2.93
Thambapavani -Wind		391.4	7,658.6	19.57
Total CEB (At Generation Point)		11,584.7	333,569.6	29.81

Source: Energy Sales Branch, CEB

Notes

- Financing cost components related to fuel purchases, such as CPC, coal payment delay interest charges, and short- and long-term interest charges, have been excluded from the expenditure calculation.
- The project finance interest and capital components for Broadland and Thambapavani Power Plants have been included.
- Depreciation charges have been accounted for.
- The energy charge includes both fuel and non-fuel components, with specific fuel consumption rates used to calculate the energy charge.
- The capacity cost of the Umaoya Power Station has not been considered, as it was not commissioned by the end of 2023.

OPERATIONAL REVIEW
**Transmission
Division**

Transmission Division

The Transmission Division of the CEB operates with a steadfast commitment to its statutory responsibilities, ensuring the efficient functioning and reliability of the transmission infrastructure across the nation. As mandated by law, the Division is tasked with the construction, maintenance, and operation of the transmission grid, while also overseeing the management of electricity flow to uphold system reliability and security.

Operational Objectives

Efficient and Coordinated Transmission System: The Division is dedicated to developing and maintaining an efficient, coordinated, reliable, and economical transmission system. Through strategic planning and meticulous execution, we aim to optimize the transmission network to efficiently meet the growing demands of the nation.

Bulk Electricity Procurement and Sales: Ensuring a secure, reliable, and economical supply of electricity to consumers is paramount. The Transmission Division procures and sells electricity in bulk to distribution licensees, facilitating a seamless flow of power across the grid to meet the diverse needs of consumers nationwide.

Sufficient Generation Capacity: To uphold our commitment in meeting forecasted electricity demand, the Division works diligently to ensure that there is sufficient generation capacity in place. Through collaboration with generation stakeholders and proactive planning, we strive to maintain an adequate supply of electricity to support the nation's growth and development.

Voltage and Frequency Maintenance: Maintaining the integrity of the transmission system is essential for ensuring reliable power delivery. The Transmission Division diligently monitors and regulates transmission voltage variations within $\pm 10\%$ for 132 kV & 220 kV and frequency within $\pm 1\%$ of 50 Hz, safeguarding the stability of the grid and enhancing overall system performance.

Operational Performance

Power System Performance

In the year 2023, the total net electricity generation amounted to 15,575.6 GWh, representing a marginal decrease of 2.3 % compared to the generation observed in 2022.

The net electricity generation derived from CEB-owned hydro power plants during 2023 stood at 4,573.2 GWh, constituting 29.4% of the total generation for the year. However, this figure reflects a reduction of 14.7 % compared to the previous year's output.

Additionally, the Thambapavani Wind Power Plant contributed 391.4 GWh to the overall generation, accounting for 2.5 % of the total generation and 5 % of the total renewable energy generation.

The annual generation output of the Lakvijaya Power Plant reached 4,645.5 GWh, making a significant contribution of 29.8 % to the total generation in 2023.

Furthermore, the contribution of independent power producer (IPP) thermal (oil) power generation amounted to 1,160.1 GWh, representing 7.4 % of the total generation.

It is noteworthy that IPP plants, operating under the names of ACE Power (Embilipitiya) and ACE Power (Matara), were commissioned for a six-month contract period, commencing on 2023-09-05, and 2023-08-21, respectively.

In the fiscal year 2023, the total IPP Non-Conventional Renewable Energy (NCRE) generation amounted to 2,830.7 GWh, encompassing rooftop solar generation. This substantial output represented an 18.2 % contribution to the total electricity generation and marked a notable improvement of 9.3 % compared to the preceding year.

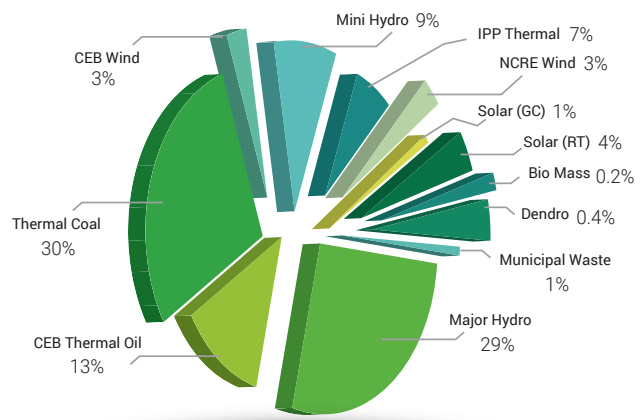


Figure T1: Energy generation mix for the year 2023

Furthermore, it is imperative to highlight that the collective contribution of renewable energy sources in 2023 reached 50.0% of the total electricity generation, inclusive of CEB hydro and wind generation. This indicates a significant stride towards achieving a more sustainable and environmentally conscious energy mix.

Transmission Division (Contd.)

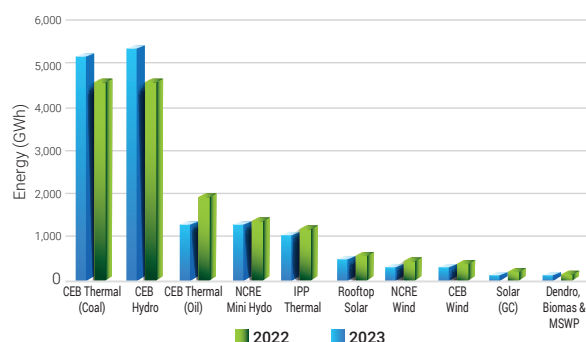


Figure T2: Contribution of different energy sources for the annual electricity generation - Year 2022 & 2023

The difference in monthly power generation over the year is influenced by changes in weather conditions and the number of days in each month. This influence is also observable in the average daily generation pattern.



Figure T3: Variation of average daily generation (net) in GWh/day - Year 2022 & 2023

Note: Planned power interruptions were conducted throughout the year 2022 and during the months of January and February 2023 due to insufficient generation capacity.

In the year 2023, the maximum night peak occurred on 2023-03-29, at 19:00 hours, with electricity demand reaching 2,414.8 MW, marking the highest recorded night peak of the year. Typically, the maximum night peak is observed during the dry season months.

Conversely, the maximum day peak of the year 2023 reached 2,166.0 MW and was documented on 2023-08-22 at 16:00 hours. Notably, the timing of the peak shifted to the evening hours due to the increased contribution of rooftop solar generation.

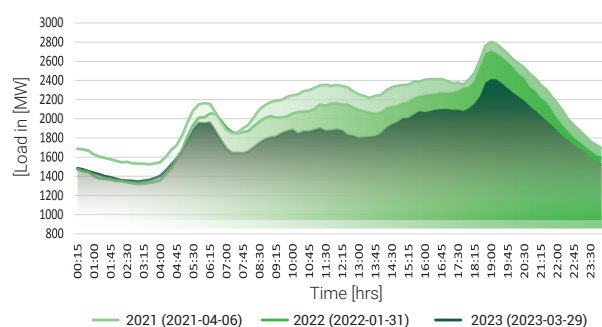


Figure T4: Load curves of annual maximum night peak days in the last three years

Furthermore, the lowest recorded system demand in 2023 occurred on 2023-09-30, at 03:00 hours, with a demand of 928.4 MW. These fluctuations in demand highlight the dynamic nature of electricity consumption patterns throughout the year.

Throughout the reporting period, our power system exhibited noteworthy performance in daily generation metrics. On 2023-08-22, the system achieved a maximum daily generation of 45.1 GWh, representing a peak in output. Conversely, on 2023-12-09, the system recorded its minimum daily generation of 28.2 GWh. It's important to note that these figures include contributions from tele-metered IPP-NCRE generation sources.

Planned Power Interruptions

Commencing in 2022, due to prevailing financial barriers within the country, the CEB initiated island-wide scheduled power interruptions. These interruptions persisted until mid-February 2023 when an increase in tariff enabled the CEB to enhance its capability to provide uninterrupted power to the nation. As of 2023-02-15, the total un-served energy resulting from these scheduled power interruptions amounted to 88.6 GWh. Despite these initial challenges, the CEB remained steadfast in its commitment to improving the reliability of the power supply, demonstrating resilience and dedication in meeting the energy needs of the nation.

Reservoir Performance

In 2023, hydro storage began at 909.6 GWh, representing 75.3% of full capacity. Throughout the year, 4,902 GWh of inflow was received. During the first half, from April to September, low inflows of just 1,182.8 GWh were observed, with the lowest of 278.5 GWh recorded in September. However, a surge of inflow was experienced in the last quarter, with a peak storage of 1,241.7 GWh reached in December, spilling almost all the reservoirs. The highest monthly inflow, totaling 1,061.7 GWh, was observed in November, with an average daily inflow of 35.4 GWh. By year-end, storage stood at 1,217.5 GWh, nearly fully replenished at 97.6% of capacity.

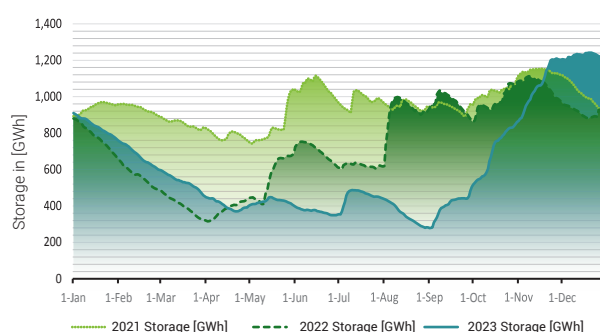


Figure T5: Hydro storage variation in the last three years.

Transmission Division (Contd.)

Performance of NCRE Projects

In pursuit of our objective to enhance the integration of sustainable energy sources, CEB has achieved significant milestones during the reporting period. Specifically, we are pleased to announce the successful commissioning of six ground-mounted solar PV projects, two wind power projects, three mini hydro power projects, and a biomass project. These endeavors collectively contribute to a total installed capacity of 31.7 MW, as illustrated in Table T1.

Moreover, our commitment to expanding renewable energy infrastructure remains steadfast, with 71 additional Non-Conventional Renewable Energy (NCRE) projects currently underway. These projects are progressing through various stages, including the feed-in tariff process and tender processes. Further details regarding projects under feeding tariff process and tendering process can be found in Table T2 and Table T3, respectively. These accomplishments underscore our dedication to advancing sustainable energy solutions and signify notable progress towards our overarching goals.

Table T1: Details of commissioned NCRE projects at 33 kV and above.

Grid Substation	Technology	No. of Projects	Commissioned Capacity (MW)
Ampara	Ground mounted Solar PV	1	1
Horana	Ground mounted Solar PV	1	2
Mannar	Wind	2	15
Pannala	Ground mounted Solar PV	2	2
Vavunathivu	Ground mounted Solar PV	2	2
Monaragala	Agri. Waste	1	4
Upper Rathganga	Mini Hydro	1	1
Diggala	Mini Hydro	1	4.4
Kataran Oya	Mini Hydro	1	0.3
Total		12	31.7

Table T2: Details of SPPA signed projects under feeding tariff process

Project under Feed-in Tariff Process	No. of Projects	Total Capacity (MW)	Grid Substations
Mini Hydro	17	18.95	Kegalle, Nawalapitiya, Maliboda, Rikillagaskada, Nuwaraeliya, Ukuwela, Ratnapura, Deniyaya
Solar	9	49.4	Embilipitiya, Beliatta, Vavunathivu, Hambantota Old, Vavuniya, Balangoda, Valachchenai
Wind	2	20	Puttlam
Agri. Waste	1	2	Hambantota Old
Biomass	2	15	Ampara, Vavuniya
Municipal Waste	1	3.4	Veyangoda
Total	32	108.75	

Transmission Division (Contd.)

Table T3: Details of projects under tendering process

Projects under Tender Process	No. of Plants	Total Capacity (MW)	Grid Substation/s	Status
90 X 1 MW Solar PV	9	9	Trincomalee, Ampara	Construction in progress.
10 MW Polonnaruwa Solar PV	1	10	Valachchenai	
60 MW Wind Power (Varying capacities of 1-10 MW)	2	10	Madampe	All LOI's signed
100 MW Siyambalanduwa Solar PV	1	100	Ethimale	PPA signed
30 MW Solar PV (Varying capacities of 1-5 MW)	2	5	Beliatta, Nawalapitiya,	All LOI's signed
	-	25	Pallekele, Matara, Vavunathivu	Retendered & pending Cabinet approval to award
40 MW Solar PV (Capacity of 5 MW)	8	40	Galle, Kappalthurei	5 LOI's signed, 3 LOI's pending
20 MW Wind Power (Varying capacities of 2.5-10 MW)	4	20	Mannar	All LOI's signed
70 MW Solar PV (Varying capacities of 1-5 MW)	12	51	Anuradhapura, Ampara, Galle, Maho, Kurunegala, Habarana, Madampe, Matara	All LOI's signed
	-	19	Habarana, Kurunegala, Kosgama, Pannala, Veyangoda, Ampara	Retendered & pending Cabinet approval to award
165MW Solar PV (Varying capacities of 1-5 MW)	-	165	Ampara, Anuradhapura Old, Athurugiriya, Beliatta, Deniyaya, Galle, Habarana, Horana, Kosgama, Kurunegala, Madampe, Mahiyanganaya, Maho, Matara, Matugama, Pannala, Polonnaruwa, Trincomalee, Vaunathivu, Veyangoda	Tender published and to be closed on May 03, 2024
Total	39	454		

Highlights

Enhancing Real-Time Monitoring of NCRE Plants

One of the significant challenges we addressed this year was the inability to monitor the real-time generation of (NCRE) plants, leading to negative demand reflections. In response, the System Control Branch, in collaboration with the IT Branch, launched a pilot project aimed at rectifying this issue.

This initiative yielded remarkable results as we successfully integrated more than 280 NCRE plants, boasting an installed capacity exceeding 650 MW, into our monitoring systems. The culmination of this effort is the seamless visualization of data through the CEB Assist platform.

Moreover, we established a dedicated NCRE desk within our Control Room, facilitating real-time monitoring of active power generation from NCRE plants (Figure T6). This development has significantly bolstered our ability to enhance the accuracy of our day-ahead dispatch plans and optimize the economic aspects of our dispatch operations.

This accomplishment underscores our commitment to leveraging technology and collaboration to address critical operational challenges, thereby enhancing the efficiency and effectiveness of our energy management endeavors.

Transmission Division (Contd.)

NCRE Real-time Dashboard							
Real-time NCRE Power							
		Mini-Hydro	Ground Solar	Wind	Biomass/W2E	Total	Total NCRE
Present Power Real-Time	/MW	111.74	88.00	32.78	2.41	234.93	0.008000
Monitoring Capacity	/MW	344.25	133.86	150.45	22.99	651.54	0.15
Total Installed Capacity	/MW	417.61	134.38	153.45	45.29	750.73	802.13
Monitoring Plants	/Nos	154	79	18	6	257	25
Total Plants	/Nos	218	83	19	12	332	53,399

Note: Rooftop solar category includes both CEB and LECO.

Note: Rooftop solar category includes both CEB and LECO.

Figure T6: Real-time NCRE dashboard.

Advancements in Meter Communication Technology

A significant upgrade to our remote meter communication technology was undertaken by the CEB, transitioning from GSM-based to fiber network connectivity. By the end of 2023, integration of energy meters into the fiber network was successfully achieved at 65 grid substations, indicating significant progress. To ensure measurement accuracy, rigorous annual testing of the energy meters has been implemented. These advancements highlight our commitment to modernization and precision in energy management, positioning us at the forefront of technological innovation in the sector.

Expansion of Transmission Infrastructure

We are pleased to announce the successful handover of two critical components of our transmission network: the Pettah (Sub B) 132/11 kV, 63 MVA grid substation and the New Polpitiya-Hambanthota 220 kV, 150 km transmission line. These additions mark significant milestones in our ongoing efforts to enhance the reliability and efficiency of our transmission infrastructure.

Empowering Development: Facilitating Large-Scale Power Plant Projects

CEB has made significant strides in accelerating the development of large-scale power projects, demonstrating a strong commitment toward enhancing the nation's energy infrastructure. Key achievements include the expedited progress of the 100 MW Siyabalanduwa solar power project on a Build-Own-Operate (BOO) basis, with the Letter of Intent (LOI) successfully issued.

Additionally, CEB oversaw the initiation of construction for the 350 MW Combined Cycle power plant at Kerawalapitiya (Sobadhanavi), the first base load thermal power plant in Sri Lanka in eight years. Despite the economic challenges and financial adjustments required, amendments to the Power Purchase Agreement (PPA) were signed, ensuring the project's viability and continued progress towards commissioning a 212 MW gas turbine by mid-2024.

Moreover, in April 2023, CEB successfully acquired and refurbished the 163 MW Sojitz Combined Cycle Power Plant, now renamed "KCCP2," further strengthening the nation's power generation capacity. These efforts underscore CEB's proactive approach in supporting power plant development and advancing the country's energy sector amidst challenging circumstances.



OPERATIONAL REVIEW

Distribution Divisions

Distribution Divisions

The Distribution Divisions serve as integral components within our organization, entrusted with the pivotal responsibility of delivering top-tier electricity supply and services to our valued customers. The Ceylon Electricity Board shoulders a significant portion, accounting for 89% of the nation's total electricity sales volume, with the remaining portion managed by our subsidiary, Lanka Electricity Company Ltd. (LECO).

Our distribution infrastructure is strategically divided into four distinct Divisions: Distribution Division 1 (DD1), Distribution Division 2 (DD2), Distribution Division 3 (DD3), and Distribution Division 4 (DD4). This geographical segmentation is precisely designed to optimize administrative efficiency and operational effectiveness that continually drives enhancements in supply quality and operational efficiency.

At the heart of our distribution network lie 33 kV and 11 kV medium voltage (MV) lines, complemented by 400 V low voltage (LV) lines and distribution transformers. Facilitated by the 220 kV and 132 kV transmission systems, power is transferred across the island through grid substations, seamlessly integrating with our distribution network to ensure widespread and reliable access to electricity services.

Operational Structure

Within our Distribution Divisions, operational units are organized according to Provinces. It is important to note that the demarcation of Provinces within this context may not align precisely with the administrative provinces of the country. Each Province is subdivided into areas based on the number of consumers serviced, with further segmentation into Consumer Service Centers (CSCs) to efficiently manage customer relations and service delivery.

The specific Provinces and areas falling under each Division are detailed in the tables provided below, denoted as Table D1 to Table D4. These tables serve as references, outlining the geographic distribution and organizational structure within our Distribution Divisions, facilitating clear understanding and effective management of our operational landscape.

Area of Operation

In the operational scope of Distribution Division 1, encompassing the entirety of the North Western, Northern and North Central provinces alongside a portion of the Western Province, and the management is facilitated through 19 Area Offices. Distribution Division 1 is structured around five Provinces: North Western I, North Western II, North Central, Northern and Colombo City.

Within this framework, North Western I and North Western II Provinces are each subdivided into four Areas, while the North Central Province is segmented into three Areas. Similarly, the Northern and Colombo City Provinces are divided into four

Areas each, as outlined in the organizational structure as of the year 2023, as detailed in Table D1. This demarcation enables precise management and effective allocation of resources within Distribution Division 1, ensuring optimized service delivery across its operational domains.

Table D1: Areas of Operation in Distribution Division 1

Division	Province	Area
Distribution Division 1	North Western I	Chilaw, Kuliyaipitiya, Wennappuwa and Puttlam
	North Western II	Kurunegala, Wariyapola, Narammala and Maho
	North Central	Anuradapura, Kekirawa and Minneriya
	Northern	Jaffna, Jaffna East, Kilinochchi and Vavuniya
	Colombo City	Colombo North, Colombo South, Colombo West and Colombo East

In a similar manner, Distribution Division 2 extends its operational purview over the entirety of the Eastern and Central Provinces, as well as segments of the Western and Sabaragamuwa Provinces, leveraging 25 Area Offices for streamlined management. This Division comprises four distinct Provinces, namely the Eastern, Central Province I, Central Province II and Western Province North.

Under this organizational framework, the Eastern Province is further divided into five Areas, while Central Province I is subdivided into six Areas and Central Province II into seven Areas. Similarly, the Western Province North is segmented into seven Areas. These divisions and subdivisions, as depicted in Table D2 for the year 2023, are pivotal in orchestrating efficient operations within Distribution Division 2, facilitating focused service delivery and resource optimization across its operational jurisdictions.

Table D2: Areas of Operation in Distribution Division 2

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

Distribution Divisions (Contd.)

Distribution Division 3 extends its operations to encompass regions within Western Province (Western Province South II), Sabaragamuwa Province, and Uva Province. Notably, each of these provinces is further divided into five distinct areas, as detailed in Table D3.

Table D3: Areas of Operation in Distribution Division 3

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

In the current fiscal period, Distribution Division 4 extends its operational scope to encompass a segment of the Western Province (Western Province South I), the entirety of the Southern Province, and some areas within the Sabaragamuwa and Uva Provinces. Specifically, Western Province South I comprises four distinct areas, while Southern Province I and Southern Province II are each subdivided into four and three areas, respectively, as of the year 2023 (refer to Table D4).

Table D4: Areas of Operation in Distribution Division 4

Division	Province	Area
Distribution Division 4	Southern Province I	Ambalangoda, Galle, Akuressa and Baddegama
	Southern Province II	Tangalle, Hambantota and Matara
	Western Province South I	Ratmalana, Kalutara, Dehiwala and Mathugama

In addition to overseeing operations within the provinces, three distinct Branches have been established across all Distribution Divisions to facilitate essential supporting services crucial for sustaining divisional activities. These Branches include the Projects and Heavy Maintenance Branch, the Planning and Development Branch, and the Commercial and Corporate Branch. Furthermore, Distribution Division 1 also incorporates the Distribution Coordination Branch to further enhance operational coordination and efficiency.

Key Objectives of the Distribution Divisions

Under the key objectives of our Distribution Divisions, we remain steadfast in our commitment to meeting and exceeding customer expectations while upholding the highest standards of operational efficiency and service quality. Our strategic focus encompasses a range of initiatives aimed at achieving these objectives:

- Operational & Maintenance Efficiency Enhancement:** We continuously strive to enhance our operational and maintenance efficiency to better serve our customers.
- Maintaining Distribution Network Control Centers:** We maintain state-of-the-art Distribution Network Control Centers and other communication applications to ensure seamless operations and meet the evolving needs of our customers.
- Technical Planning for Strategic Actions:** Through meticulous technical planning, we align divisional strategies with corporate objectives, ensuring the optimal allocation of resources.
- Development of Electricity Distribution System:** Our dedication to developing the electricity distribution system aims to elevate reliability, quality, safety, and efficiency to international standards while minimizing system losses.
- Proper Financial Management:** We ensure proper financial management through accurate budgeting, financing, and diligent monitoring.
- Cash Flow Management:** Timely collection of revenue is prioritized to maintain healthy cash flow management.
- Material Management Process:** A rigorous material management process is in place to ensure seamless operations and resource optimization.
- Promotion of Energy Conservation:** We actively promote energy conservation through the implementation of cutting-edge demand-side management concepts and customer awareness programs.
- Reviewing and Updating Standards:** Regular review and updating of standards, specifications, procedures, and management information are conducted to stay abreast of modern industry practices.
- Enhanced Research and Development:** Our commitment to research and development drives the development of state-of-the-art technologies to improve operational efficiency and service quality.
- Workforce Development:** We invest in our workforce through comprehensive learning and development programs, maximizing opportunities for success and professional growth.
- Environmental Protection and Preservation:** We are dedicated to protecting and preserving the environment in all areas where we operate, ensuring sustainable practices are upheld.

Through these concerted efforts, we remain focused on delivering exceptional service, driving innovation, and contributing positively to the communities we serve.

Distribution Divisions (Contd.)

Building Stronger Infrastructure and Growing Sustainably

In 2023, our organization prioritized strengthening infrastructure and achieving sustainable growth. Key data in Table D5 to Table D9 reveal the efforts to enhance distribution systems and analyze consumer demographics, sales, and revenue. Figure

D1 illustrates a consistent increase in CEB's consumer base over five years, reflecting our adaptability and commitment to meeting market demands. Through strategic investments and data-driven decision-making, we have optimized operations and positioned ourselves as industry leaders. Looking ahead, we remain dedicated to innovation, efficiency, and delivering value to all stakeholders.

Table D5: Key Infrastructure Developments

Description	DD1	DD2	DD3	DD4
Service Area ¹ (Sq. km)	26,931	16,817	13,900	6,466
Areas (Nos.)	19	25	15	11
Consumer Service Centers (Nos.)	61	91	53	42
Control Centers (Nos.)	4	3	3	-
Call Centers (Nos.)	4	3	3	2
Bulk Consumers (Nos.)	5,190	4,123	2,514	2,045
Retail Consumers (Nos.)	2,025,171	2,408,186	1,428,886	1,148,646
Total Consumers (Nos.)	2,030,361	2,412,309	1,431,400	1,150,691
SAIDI (Minutes/ Customer/ Year)	2,447	6,074	4,606	4,489
SAIFI (Interruptions/Customer/Year)	10	40	37	33
Electricity units purchased (GWh)	3,730	3,670	1,717	1,727
Electricity units sold to consumers (GWh)	4,007	4,303	2,449	1,855
Distribution loss (%)	6.8%	6.9%	7.2%	7.8%
Billed Revenue (LKR Million)	179,918.54	182,725.56	104,868.20	81,166.86
Average Selling price (LKR/kWh)	44.90	42.47	42.82	43.75
Receivable position (Months)	1.3	1.3	1.3	1.3
No. of New Connections (Nos.)	31,417	25,522	19,175	11,914

¹ Excludes forests and islands which have no electricity network

Table D6: Distribution infrastructure additions - Year 2023

Description	Unit	DD1	DD2	DD3	DD4
Distribution Lines (Overhead)					
33 kV (Route Length)	km	12,414	10,399	16,960	4,588
11 kV (Route Length)	km	763	371	34	261
LV (Circuit Length)	km	49,006	42,286	33,726	27,287
Underground Cables					
33 kV (Route Length)	km	22	10	10	9
11 kV (Route Length)	km	915	151	5	32
LV (Circuit Length)	km	798	61	6	4
Substations					
No. of 33/11 kV Primary Substations	Nos.	44	30	11	48
No. of LV Distribution Substations	Nos.	12,290	11,787	7,059	5,736

Table D7: No of Consumer Accounts by Tariff

Description	DD1	DD2	DD3	DD4
Domestic	1,703,166	2,081,321	1,250,381	1,000,764
Religious	14,682	14,774	8,135	6,191
Industrial	38,408	15,645	9,625	6,874
Hotel	158	267	49	167
Government	2,164	2,864	2,776	1,498
General Purpose	269,021	296,803	160,270	135,195
Agricultural	2,762	635	164	2
Total	2,030,361	2,412,309	1,431,400	1,150,691

Distribution Divisions (Contd.)

Table D8: Sales by Tariff in GWh

Description	DD1	DD2	DD3	DD4
Domestic	1,327	1,539	860	769
Religious	30	22	10	10
Industrial	1,005	1,758	1,006	509
Hotel	125	72	10	86
Government	87	63	26	43
General Purpose	1,390	811	537	419
Agricultural	2	1	-	-
Street Light	41	37	-	19
Total	4,007	4,303	2,449	1,855

Table D9: Sales by Tariff in LKR million

Description	DD1	DD2	DD3	DD4
Domestic	59,736	66,128	36,625	33,760
Religious	1,298	967	417	428
Industrial	38,177	68,221	38,883	20,044
Hotel	5,177	3,171	455	3,585
Government	4,528	3,326	1,330	2,201
General Purpose	70,915	40,881	27,151	21,149
Agricultural	88	29	7	0.04
Street Light	-	3	-	-
Total	179,919	182,726	104,868	81,167

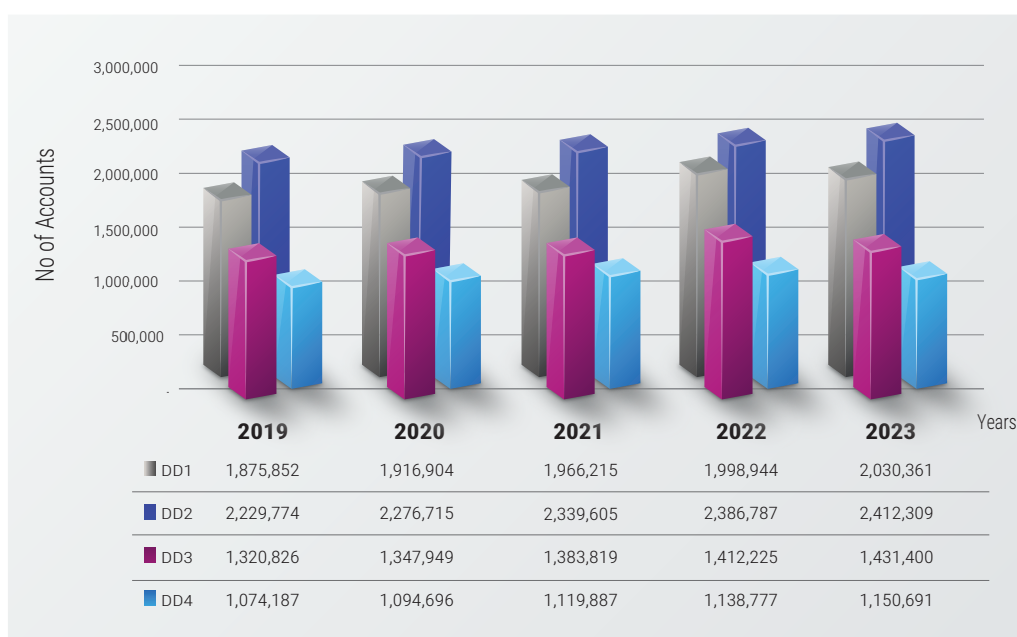


Figure D1: Development of consumers

Distribution Divisions (Contd.)

Access to Electricity

In our ongoing efforts to enhance access to electricity across Sri Lanka, significant progress has been made in the past year. The accessibility of electricity varies across provinces, with some demonstrating notable achievements. Notably, Colombo City, Western Province North, Western Province South I, Southern Province I, and Southern Province II have all achieved 100% access to electricity, marking a significant milestone in our electrification initiatives. These accomplishments underscore the importance of electrification in driving socio-economic development and improving living standards.

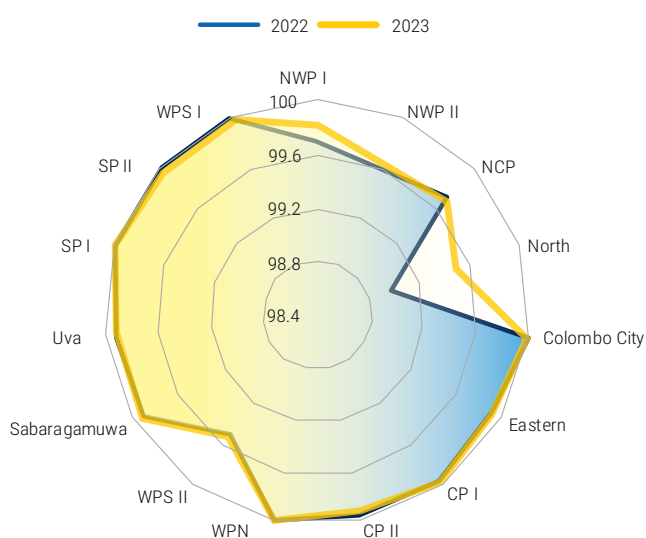


Figure D2: Access to Electricity 2022/2023

Despite facing significant challenges such as a financial crisis, the CEB has demonstrated a steadfast commitment to enhancing access to electricity. Impressively, approximately 88% of the service connections pending at the beginning of the year—mostly due to a scarcity of materials caused by the economic crisis—were cleared during the year under review, significantly enhancing the reliability of electricity supply to households and businesses. This achievement not only underscores CEB's dedication to overcoming obstacles but also highlights its crucial role in advancing national infrastructure and economic development.

Through collaborative efforts and strategic investments, we remain dedicated to realizing our vision of ensuring equitable access to electricity for all communities across the nation.

Advancing Rooftop Solar Photovoltaic (PV) Initiatives

In alignment with our commitment to optimizing the integration of green energy, we have facilitated the installation of rooftop solar photovoltaic (PV) systems for electricity consumers. Through four schemes namely Net Metering, Net Accounting, Net +, and Net ++, consumers can generate electricity on their premises and synchronize their generators with the (CEB) system. This enables them to both consume and export energy. Table D10 provides details of solar PV connections as of the end of 2023, showcasing our progress in this area.

Table D10: Details of rooftop solar PV connections - Year 2023

Division	Item	Net Metering	Net Accounting	Net +
DD1	Consumers (Nos)	3,667	6,762	1,069
	Installed Capacity (kW)	33,125.9	67,956.2	67,154.9
	Energy Exported (GWh)	20	57.7	86.8
DD2	Consumers (Nos)	2,425	7,696	662
	Installed Capacity (kW)	25,519.8	75,404.5	104,675.3
	Energy Exported (GWh)	10.2	67.6	130.4
DD3	Consumers (Nos)	2,462	5,614	760
	Installed Capacity (kW)	23,122.9	49,899.1	80,178.7
	Energy Exported (GWh)	9.8	38.9	90.7
DD4	Consumers (Nos)	2,165	5,995	550
	Installed Capacity (kW)	19,438.9	56,462.0	49,545.6
	Energy Exported (GWh)	10.3	51.5	58.1

Additionally, Figure D3 illustrates the development of energy exports from solar PV connections over the past five years. These initiatives signify our dedication to promoting renewable energy and fostering sustainable practices within our community.

Moreover, CEB successfully settled the arrears of approximately LKR 4 billion for rooftop solar installations, which had accumulated due to the financial crisis. This decisive action has encouraged consumers to set up more rooftop solar systems, thus advancing the Rooftop Solar Photovoltaic (PV) Initiatives. By facilitating the expansion of rooftop solar, CEB is not only addressing immediate energy needs but also taking significant strides towards achieving long-term energy sustainability.

Distribution Divisions (Contd.)

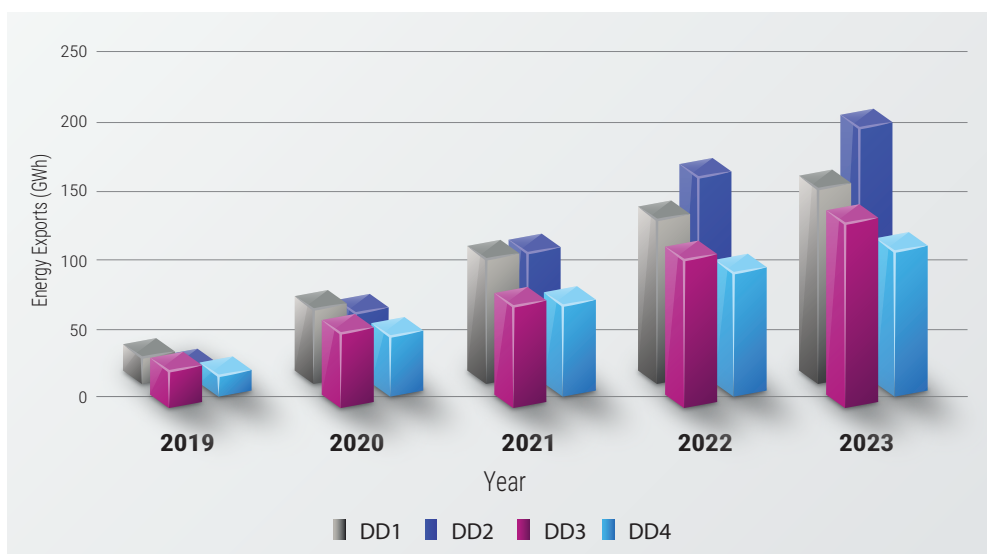


Figure D3: Development of Rooftop Solar PV contribution in GWh over last five years

Highlights

Star Rating Programs

The second edition of the Star Rating Manual for CEB Consumer Service Centers was published in March 2023, instrumental in conducting the Star Rating Program throughout the year, aimed at enhancing the service condition of CSCs to fulfill modern



Figure D4: Star Rating Award Ceremony

customer expectations. The level of service quality expected by customers from CEB has been increasing with the improvement of economic and living conditions, making the implementation of service quality a vital requirement.

As of 2023-12-31, significant progress has been demonstrated in the Star Rating Scheme of CEB. The four distribution divisions of CEB have initiated Three-Star level auditing in many CSCs, with more than 47% of CSCs reaching the Three-Star level. Following the completion of the Three-Star processes, Four-Star level auditing commenced in 2023 for eligible CSCs in Distribution Division 2. The evaluation criteria for the Four-Star level are similar to the Three-Star level, with greater emphasis placed on the reliability improvement of MV and LV networks, necessitating at least a 10% reduction in breakdowns between the last two years to qualify for the Four-Star level. Table D11 provides a detailed overview of the progress of Star Rating programs conducted in CEB.

Table D11: Detailed Overview of Star Rating Programs

Distribution Division	No. of CSC	One Star Awarded CSCs	Two Star Awarded CSCs	Three Star Awarded CSCs
DD1	61	9	28	23
DD2	91	12	32	47
DD3	53	-	11	42
DD4	42	-	37	4
Total for CEB	247	21	108	116

Distribution Divisions (Contd.)

Establishment of Transformer Repair Workshop in Southern Province II

During the year, the CEB successfully established a Transformer Repair Workshop in Southern Province II. This initiative involved acquiring a 60 perch land in Dewwimana Watta, Sitinamaluwa, Beliatta from Land Reform Commission and constructing a temporary building using obsolete poles and tower parts. The workshop commenced operations on 2023-06-08, and repaired 7 transformers, resulting in a cost-saving of LKR 20.78 million. Additionally, 126 transformers underwent minor repairs on-site, contributing to the reduction of transformer failures and enhancing power distribution reliability in the region.



Figure D5: Establishment of the Transformer Repair Workshop

Empowering Eastern Province Through Infrastructure Development

The completion of the 33 kV D/C Lynx line project from Vavunathivu Grid Substation to Urani Gantry marks a significant step towards providing stable electricity to the Batticaloa Area. Spanning 1.1 km across the lagoon, this vital link ensures uninterrupted power supply crucial for regional growth.

With a total investment of LKR 126.8 million, the project, executed between August 2022 and May 2023, highlights our commitment to timely and efficient infrastructure development.

Through collaboration with Geo Engineering CEB successfully navigated challenges to deliver essential energy infrastructure, laying the foundation for sustainable development in the Eastern Province.

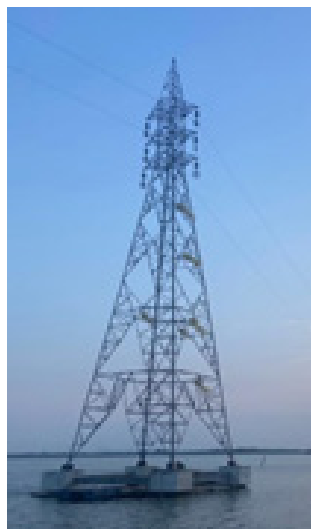


Figure D6: Line crossing the lagoon

Modernizing Infrastructure for Enhanced Service Delivery

The establishment of a SCADA supported Advanced Distribution Control Center for the Western Province South 1 (WPS1) marks a pivotal step in our commitment to improving service reliability and efficiency. Covering key cities such as Dehiwala, Mount Lavinia, Ratmalana, and industrial zones like Kalutara, this initiative caters to over 300,000 electricity customers, many of whom are high-end users. With a focus on automation and advanced management systems, including Smart Metering and SCADA, we aim to meet the growing demands for reliability and service quality. The project, funded by the Asian Development Bank, signifies our dedication to leveraging cutting-edge technology for the benefit of our customers. Progress has been significant, with most engineering design approvals and foreign training completed by the end of 2023, demonstrating our proactive approach to modernizing distribution operations.

Revolutionizing Operations Through Smart Metering

The commencement of the Dehiwala Smart Metering Project signifies a significant leap forward in our quest for operational excellence with state of art technology and enhanced services to customers. In collaboration with Yantai Dongfang Wisdom Electric Co. Ltd, China, CEB has embarked on its first commercial-scale smart metering initiative, covering approximately 50,000 consumers in the Dehiwala Area. Scheduled for completion within 19 months, this project encompasses the design, supply, installation, testing, and commissioning of a comprehensive Smart Metering System. Once operational, this system will enable real-time metering data access, facilitating remote meter reading, disconnection, and reconnection, thereby optimizing operational efficiency and streamlining processes. This pioneering endeavor underscores our commitment to leveraging innovative technology to meet the evolving needs of our consumers and drive sustainable growth.

Strengthened Revenue Collection

Over the past year, the CEB made significant strides in strengthening its revenue collection processes. Through various strategic initiatives, we enhanced our financial stability and resource management.

We decentralized the revenue collection process, delegating responsibilities to regional offices. This streamlined operations, improved accountability, and expedited collections by addressing region-specific challenges effectively.

Additionally, we operationalized the Divisions Allowed Revenue principles, setting clear revenue targets for different divisions and rigorously monitoring their performance. This approach fostered a culture of responsibility and proactive revenue management across the organization.

As a result of these efforts, we maintained our arrears position at a commendable 1.3 months. These improvements bolstered CEB's financial health and enabled reinvestment in critical infrastructure and service enhancements.

CEB remains committed to continuously refining our revenue collection mechanisms to support sustainable growth and provide reliable electricity services to our customers.

Distribution Divisions (Contd.)

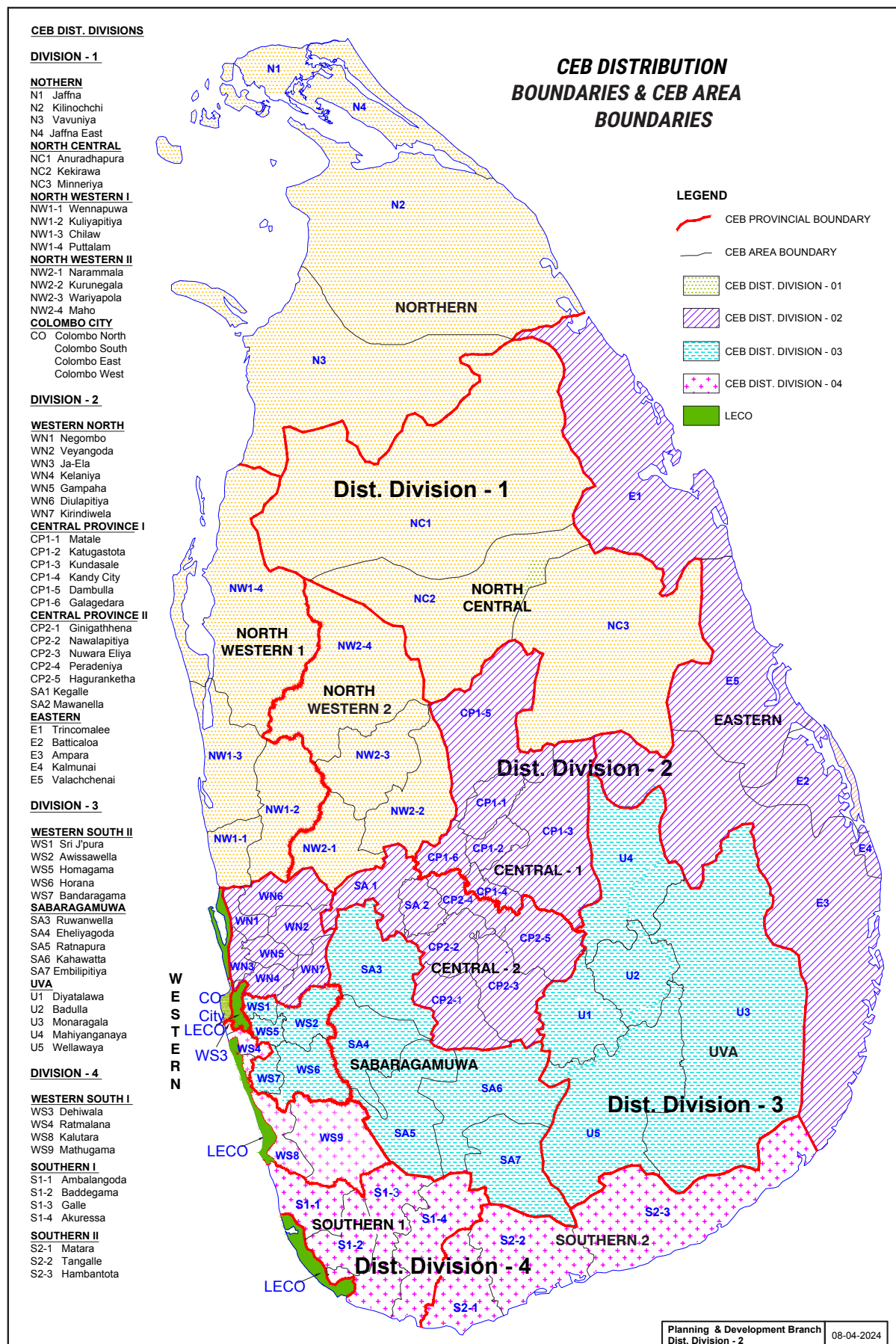


Figure D7: Distribution Map - 2023

OPERATIONAL REVIEW
**Projects
Division**

Projects Division

Established in 2010, the Projects Division of the Ceylon Electricity Board has been instrumental in implementing crucial Generation and Transmission Projects, funded by foreign entities, the Government of Sri Lanka (GOSL), and CEB itself. The successful completion of these projects plays a pivotal role in enhancing the capacity and reliability of the entire Power System.

Despite facing significant challenges posed by a global pandemic and the country's economic crisis, the year 2023 proved to be another demanding and successful year for the Projects Division. With determination and resilience, the Division effectively managed and executed project works totaling over LKR 28 billion.

Throughout 2023, the Projects Division remained steadfast in its commitment to improving the Power System's reliability. The Division undertook a variety of project activities aimed at achieving this goal.

Moragolla Hydropower Project

The Moragolla Hydropower Project, situated in the upper reaches of the Mahaweli river in central highlands, operates as a run-of-river scheme with an installed capacity of 30.5 MW, functioning as a peaking power station. The project involves constructing a 37 m high, 236 m long concrete gravity dam equipped with 5 spillway radial gates. Water will be diverted through an intake just upstream of the dam into an underground headrace tunnel, surge tank, and penstock located on the left bank of the river. From there, it will be channeled to a semi-underground powerhouse before returning to the Mahaweli river.



Figure P1: Moragolla hydropower project.

Additionally, a 132 kV transmission line from New Polpitiya GS to Kiribathkumbura GS will be connected to the Moragolla 132 kV switchyard.

Furthermore, provisions will be made for a discharge pipe in the dam to maintain a constant environmental flow, which will facilitate the operation of a micro hydro power plant with a capacity of 360 kW.

The project is divided into four lots: Lot A1 – Preparatory Works, Lot A2 – Main Civil Works, Lot B – Mechanical and Electrical Facilities, and Lot 3 – Project Management & Supervisory Support. Detailed progress reports for each lot are provided below.

Plant Capacity	30.5 MW	
Funding Arrangements	ADB Loan No. 3146 (SF)/3147-SRI)	
Estimated Project Cost	Foreign funds	USD 113.9 million
	GOSL Funds (CEB)	LKR 3,958 million
Expected date of Completion	May 2024	
Expected Annual Energy	100 GWh	
Project Component	Physical Progress	Contractor
Preparatory Works	76%	V. V. Karunaratne and Company
Main Civil Works	40%	China Gezhouba Group Co. Ltd.
Mechanical and Electrical Facilities	28%	Dongfang Electric International Corporation, China

The Uma Oya Multipurpose Development Project

The Uma Oya Multipurpose Development Project (UOMDP) in Badulla District, overseen by the Ministry of Irrigation (MOI), is nearing completion. This irrigation and hydroelectric complex include two dams across Uma Oya and a tributary, a trans-basin diversion tunnel, and an underground hydro power plant with a capacity of 120 MW. Additionally, it involves diverting water to irrigate approximately 5,000 hectares of land in Hambantota and Moneragala Districts. The project is expected to produce 290 GWh of energy annually, with power generation facilities and the Randeniya switchyard connecting to the national grid via a 22.7 km 132 kV transmission line to the Badulla GS. CEB technical staff are dedicated to the UOMDP Project Management Unit (PMU), providing expertise for the Electro-Mechanical works. Detailed project information is provided below.

Total Project Cost	USD 530 million
Contractor	FARAB Company (FC), Iran
Expected Date of Completion	April 2024
Physical Progress	98.5%

Liquefied Natural Gas Project (LNGP)

The LNG Project aligns closely with the National Policy on Natural Gas and the government's commitments outlined in the National Determined Contributors framework to mitigate Greenhouse Gas emissions. Comprising two critical components, namely the

Projects Division (Contd.)

deployment of a Floating Storage and Regasification Unit (FSRU) and the construction of Natural Gas pipelines connecting the FSRU to power plants in Kerawalapitiya and Kelanitissa, these projects are pivotal in ensuring the availability of LNG for use in LNG plants by the end of 2026. The successful execution of these projects is imperative for achieving our LNG supply objectives.

Transmission Development Projects

In its commitment to enhancing the island's electrical infrastructure, the CEB Projects Division is currently overseeing a range of transmission projects.

These initiatives are crucial for accommodating the expansions required to meet the projected increase in electricity demand and to ensure the reliability of the power supply. Some of these projects are focused on integrating the generating capacities of upcoming generation projects, while others involve interventions at the grid level to maintain system stability. Progress updates on ongoing transmission developments as of 2023-12-31, are outlined in Table P 1. The color-coded progress bars provide a clear indication of the variance between actual progress and planned milestones, facilitating effective monitoring of project advancement.

Legend : ΔD - Deviation from the target	$\Delta D < 10\%$	$10\% < \Delta D < 25\%$	$25\% < \Delta D < 50\%$	$\Delta D > 50\%$

Table P1: Physical progress of ongoing transmission projects

Project/ Branch	Package	Cost (LKR million)	Physical Progress as at 2023-12-31	Physical Target as at 2023-12-31	Expected Date of Completion
Greater Colombo Trans & Loss reduction Project	Construction of Second 220kV Cable from Kerawalapitiya to Colombo L	9,119	10.0%	64%	August 2025
	Colombo City Transmission Network Development Project - Phase 2	30,295	0.0%	10%	December 2026
	Battery Energy Storage System	1,148	5.0%	30%	December 2025
Trincomalee Coal Power Project	Construction of Habarana - Veyangoda 220kV Transmission Line Project Lot A - Substation	6,958	99.9%	100%	March 2024
	Construction of Habarana - Veyangoda 220kV Transmission Line Project Lot B - Transmission Line	17,770	99.8%	99.9%	February 2024
Green Power Dev. & Energy Eff. Imp Project- Tranche II	Package 1/Lot B - New Polpitiya -Hambantota TL	5,794	100.0%	100%	September 2023
	Package 2/Lot B2 A - Construction of Padukka-Horana 132kV TL	592	51.15%	100%	November 2023
	PMU 2-Package 3/Lot A1 - Construction of Colombo B GS, Single In & Out connection from Colombo C-Kolonnawa 132kV 800sqmm Cable & Augmentation of Colombo C & Kolonnawa GS	1,261	100.0%	100%	October 2023
	PMU2- Package 8/ Lot A- Augmentation of Nadukuka 220/33kV GS, Augmentation of Aniyakanda 132/33kV GS and Augmentation of Chunnakam 132/33 GS.	1,382			Contract terminated
	PMU 2-Package 8/Lot B - Augmentation of Ambalangoda 132/33 kV Grid Substation, Augmentation of Pannala 132/33 kV Grid Substation & Supply of 2 Spare Transformers of 132/33 kV 31.5 MVA	1,494	60.0%	65%	January 2024

Projects Division (Contd.)

Project/ Branch	Package	Cost (LKR million)	Physical Progress as at 2023-12-31	Physical Target as at 2023-12-31	Expected Date of Completion
Green Power Dev. & Energy Eff. Imp Project- Tranche II	SESRIIP: Package 7-Lot A.3: Installation of 124Mvar Breaker Switched Capacitor Banks in Colombo City Grid Substations and Replacing the detuned Breaker Switched Capacitor Banks at Thulhiriya Grid Substation	1,705			Contract terminated
	SESRIIP: Package 7-Lot A1: Installation of 100Mvar BSC at Pannipitiya Grid Substations	1,104	78.0%	100%	September 2023
	SESRIIP: Package 7-Lot A2: Installation of Static Var System (SVS) at Biyagama Grid Substation	1,681	99.00%	100%	February 2024
National Trans. & Dist. Net. Dev. & EI Project	Package 1: Construction of 400kV, 220kV and 132kV Transmission Lines	13,003	60.2%		Contract suspended
	Package 2 :Construction & Augmentation of Grid Substations	7,418	74.2%	90%	July 2025
	Package 3: Construction of Transmission Lines (220kV, 132kV)	12,000	60.0%		Contract terminated
	Package 4: Construction of Distribution Substations and Cables (33kV, 11kV, 0.4kV)	4,594	40.0%		Contract terminated
Green Power Dev. & Energy Eff. Imp Project- Tranche I	Construction of Kesbewa and Kaluthara GS and Augmentation of New Anuradhapura Old Anuradhapura GS	2,738	100.0%	100%	February 2023
	Tranche 2 - Package 9 : 220kV Switching Station at Kerawalapitiya	2,910	88.0%	96%	February 2024
Transmission Construction Projects	Reconstruction of Madagama - Ampara 132kV Transmission Line	3,206	24.0%	86%	January 2025
	Construction of Victoria - Rantembe 220kV Transmission Line	1,400	6.0%	57%	December 2024
	Augmentation of Athurugiriya - Kolonnawa 132kV Transmission Line	170	15.0%	97%	June 2024
	Construction of Poonaryn - Kilinochchi 220kV D/C Transmission Line	3,400	12.0%	37%	December 2025
	Reconstruction of Kolonnawa - Pannipitiya 132kV Transmission Line	960	10.0%	61%	June 2024
	Raising Heights of Kelanitissa - Kolonnawa 132kV Transmission line	702	9.0%	79%	April 2024
	Installation of 2x50MVA Reactor at New Anuradhapura GS and 1x50MVA Reactor at Mannar GS	1,463	100.0%	100%	March 2023
	Construction of Wagawatta Grid Substation (2x45MVA T/F with DBB)	1,898	96.0%	98%	December 2023
	Extension of Kelanitissa 132kV GIS	464	95.0%	100%	March 2024

Projects Division (Contd.)

Project/ Branch	Package	Cost (LKR million)	Physical Progress as at 2023-12-31	Physical Target as at 2023-12-31	Expected Date of Completion
Transmission Construction Projects	Construction of Two Nos. of 220kV Double Busbars Transmission Line Bay at New Polpitiya Switching Station	291	100.0%	100%	March 2023
	Kotugoda Augmantation Work	73	100.0%	100%	December 2023
	Balangoda Augmantation Work	67	56.0%	73%	December 2023
	Athurugiriya Augmantation Work	15	69.0%	82%	December 2023
	Construction of Two 33kV Feeder Bays at Rathmalana Grid Substation	148	100.0%	100%	September 2023
	Construction of 220kV GIS at Rantambe Switch Yard	2,809	6.0%	6%	December 2025
	Construction of one nos of 220kV 1 1/2 Breaker System at Victoria PP	229	16.0%	20%	December 2023
	Construction of 132kV Switch Yard at Randeniya (Umaoya Hydro Power Project)	350	97.0%	100%	July 2023
	Construction of 132kV single bus bar Transmission Line Bay at Ampara GS	85	5.0%	15%	December 2023

Challenges Faced During the Year

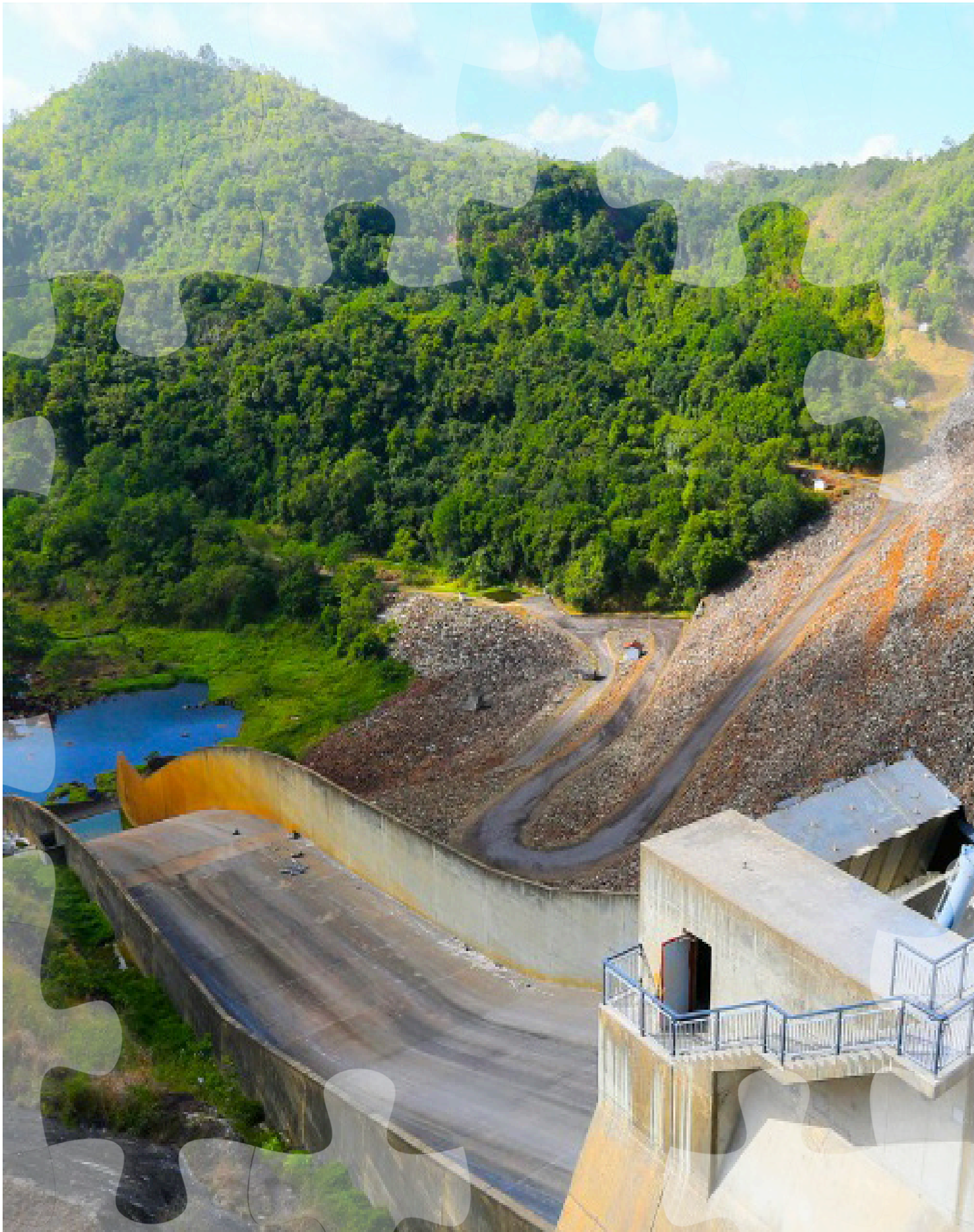
Throughout the year, the Projects Division encountered significant challenges, primarily stemming from disruptions in the supply chain due to the country's ongoing economic crisis. Delays in sourcing equipment from abroad, compounded by a shortage of foreign currencies, further intensified the situation, resulting in substantial setbacks to project timelines.

Moreover, the depreciation of the Sri Lankan Rupee led to price increases in construction materials, prompting contractors to demand extensive revisions to Bill of Quantities (BOQ) beyond acceptable levels. Delays in approving these revised BOQs further impeded construction progress and adversely impacted project timelines.

The suspension of foreign-funded loans also posed a significant hurdle, creating a funding shortfall that made it difficult to cover project expenses, including construction costs and equipment procurement. This shortfall significantly hampered project progress and completion during the review period.

Additionally, the departure of experienced technical staff from CEB led to a shortage of personnel for ongoing project works, further hindering project progress.

Furthermore, legal provisions available to distribution licensees are not extended to transmission licensees, an issue that has been raised in court cases. This discrepancy has caused delays in construction, leading to substantial operational losses for CEB.



OPERATIONAL REVIEW

Assets Management Division

Assets Management Division

The Assets Management Division oversees and maintains organizational assets to ensure their efficient utilization. This Division plays a crucial role in CEB's economic growth, social advancement, and environmental development. Comprising five Branches, each contributes uniquely to the Division's overarching goals. The Assets Management and Corporate Branch focuses on optimizing Human Resources to ensure the Division's smooth functioning. It manages CEB lands and buildings efficiently, generating additional income without compromising statutory functions. The Civil Works and Buildings Branch handles construction, renovation, and maintenance tasks, supported by a specialized Structural Design Unit. The Occupational Health and Safety Branch fosters a safety-conscious culture, aiming to reduce accidents and health issues. The Training Branch designs and delivers programs to enhance employee skills and meet evolving technical demands. The Workshop and Ancillary Services Branch manages repairs and maintenance across various operational units. Additionally, the Security Unit ensures the safety of personnel and assets within the organization.

Operational Performance

Empowering Excellence: Training and Development Initiatives in 2023

In 2023, the Training Branch played a pivotal role in fostering a culture of continuous learning and professional growth within CEB. A total of 7,593 nos. CEB trainees benefited from comprehensive training programs meticulously detailed in Table A 1. Notably, the organization demonstrated its commitment to global competence

by sending 130 executives and nine non-executives for overseas technical training, inspections, and official visits, enriching their expertise and broadening their horizons.

Furthermore, the Training Branch facilitated local training opportunities for nine executives, two Middle Level Technical Staff (MLTS) employees, and 12 field employees at esteemed institutes, enhancing their skill sets to meet the dynamic demands of the energy sector. Concurrently, the Branch contributed to the development of future talent by providing industrial training to 336 engineering undergraduate and diploma-level students, nurturing their potential within the organization.

In line with its dedication to employee well-being and operational excellence, the Training Branch conducted essential training sessions on first aid, fire safety, and productivity for 1796, 292, and 471 employees, respectively. Moreover, the Branch administered 8 promotional exams and 6 recruitment exams in 2023, ensuring a fair and transparent process for career progression within CEB.

These initiatives underscore CEB's unwavering commitment to empowering its workforce with the skills and knowledge necessary to excel in the ever-evolving energy landscape. By investing in training and development, CEB not only cultivates talent but also fosters a culture of innovation and excellence, driving the organization's success now and in the future.



Figure A1: Ongoing training activities

Table A1: No. of staff trained during the year 2023

Training Course/Category	No. of Participants	
	Piliyandala Training Centre	Castlereagh Training Centre
MLTS	314	-
Technical Grades	3,110	1,030
Clerical & Allied Service	659	-
Office Employee Service	197	-
CPD for Engineers	508	185
CPD for other executives	131	-
CPD for Clerical Service	510	460
CPD for Technical Grades	216	81
Outside Institutes	18	174
Total	5,663	1,930

Assets Management Division (Contd.)

Maintenance Overview

The maintenance activities undertaken during the year 2023 encompassed a comprehensive range of essential infrastructure elements, as detailed in Table A2. Notably, repairs and maintenance were conducted on diesel generators, AC units, lift units, and CEB vehicles, ensuring their optimal functionality and longevity.

Table A2: Details of the performance of workshops and ancillary services

Job Category	No. of Jobs	Value (LKR million)
Hiring, maintenance and repair works of diesel generators	301	525
Annual maintenance services, new installations, repairs and rehabilitations of air conditioner units	517	522
Annual maintenance services, new installations, repairs, rehabilitations, testing and consultancy of lift units	56	53.1
Fabrication jobs, production jobs, electrical jobs, vehicle repairs and vehicle servicing	452	82.8

Furthermore, significant improvements were made to the in-house vehicle servicing facility, incorporating modern service technology and quality management systems. This enhancement resulted in the servicing of 347 vehicles throughout the year, marking a remarkable 47 % increase compared to previous years.

Additionally, the performance of building constructions, maintenance, and repairs overseen by the Civil Works and Buildings Branch is documented in Table A3, providing insights into the organization's ongoing efforts to uphold infrastructure integrity and operational efficiency.

Table A3: Performance of building constructions, maintenance and repairs- Year 2023

Job Description	Value (LKR million)
Construction of Area Engineer's Office at Diyathalawa	76.0
Construction of CSC Building at Deraniyagala	34.5
Construction of Work Shop Building at Piliyandala	55.9
Modifications to CSC Building at Meerigama & Area Engineer's Office at Negombo	40.6
Renovation of Mirigama CSC, Nadukuka circuit bungalow, NSCC & WPS II stores	121.5
Refurbishment of Stores Building & R&D Branch at Kolonnawa	73.2
Total	401.7

Ensuring Workplace Safety: Health and Safety Initiatives 2023



Figure A2: Ongoing safety program

A detailed overview of occupational health and safety programs and safety inspections conducted throughout 2023 is presented in Table A4. This highlights CEB's unwavering commitment to fostering a safe and secure working environment for all employees.

Table A4: Details of health and safety programs and inspections

Division	No. of Safety Inspections	Safety Programs	
		No. of Programs	No. of Participants
Generation	10	09	433
Transmission	3	10	577
Distribution	91	80	5579
Other	-	01	83
Total	104	100	6672

Assets Management Division (Contd.)

Accident Summary

CEB upholds strategic responsibility for ensuring a safe working environment, with the Occupational Health and Safety Branch entrusted to cultivate an accident-free workplace and promote employee well-being. Figure A3 presents the organizational

accident summary for the year 2023. CEB conducts safety audits to ensure a secure working environment for all employees. Initiating proactive measures, the CEB undertakes inspections of primary substations, CSCs, work sites, and power stations nationwide to identify potential safety hazards, mitigating risks for both field employees and the general public.

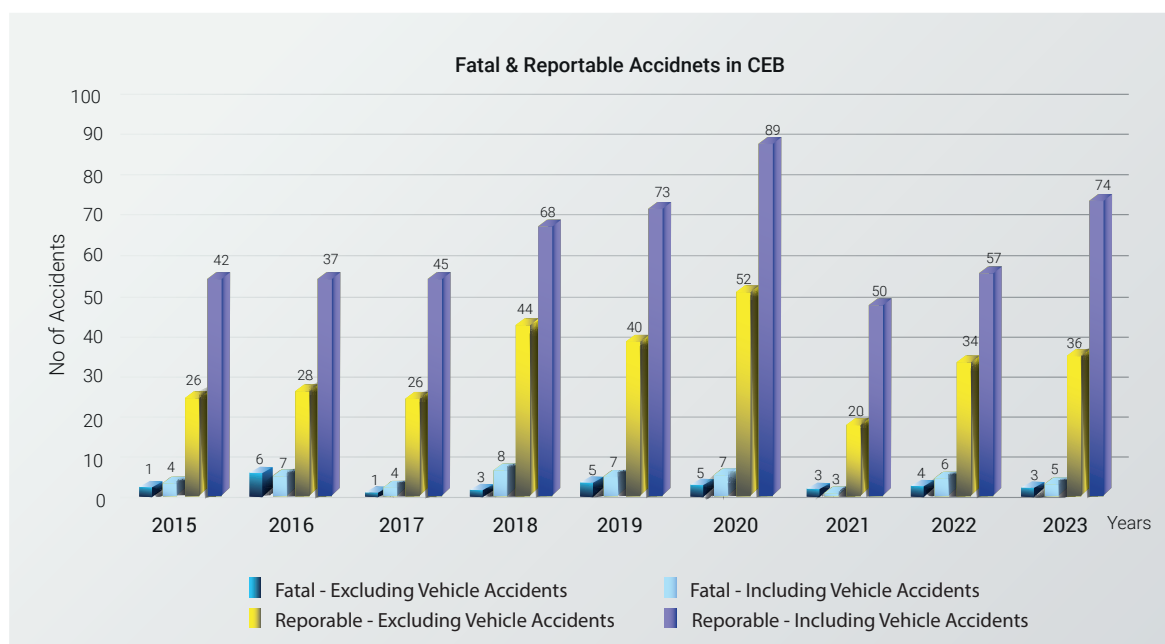


Figure A3: Fatal and reportable accidents including contractor's employees

Land and Building Inventory

In our pursuit of effective assets management, we prioritize the identification, surveying, and valuation of lands and buildings owned by CEB. As of the end of Year 2023, detailed information regarding these assets is meticulously documented in Table

A5 for lands and Table A6 for buildings. These tables provide stakeholders with a comprehensive overview of the CEB's real estate holdings, facilitating informed decision-making and strategic planning for future endeavors.

Table A5: Land details as at the end of year 2023

Division	No. of Lands	Total Area of the Lands			Value (LKR million)
		A	R	P	
Distribution Division 1	206	157	0	31.65	8,206
Distribution Division 2	398	138	1	35.51	5,252
Distribution Division 3	129	68	0	39.86	3,501
Distribution Division 4	161	66	3	1.14	3,835
Assets Management	5	45	2	14.55	5,366
Transmission	123	409	2	6.28	15,413
Generation	3,665	7,062	2	1.98	689
Total	4,687	7,948	1	10.97	42,262

Assets Management Division (Contd.)

Table A6: Building details as at the end of year 2023

Division	No. of Buildings	Area in Square Meters
Distribution Division 1	272	252,410.66
Distribution Division 2	436	308,561.71
Distribution Division 3	215	162,642.11
Distribution Division 4	170	120,715.30
Assets Management	75	20,736.04
Transmission	117	47,486.34
Generation	1,043	285,773.29
Projects	30	9,569.51
Corporate Strategy	8	7,597.32
Total	2,366	1,215,492.28

Highlights

Launching the 132 kV Line Bay Training Model

In a landmark achievement for the Training Branch, the year 2023 marked the inauguration of the 132 kV Line Bay model for training activities. This significant development fulfills a longstanding need within CEB, providing Engineers, Electrical Superintendents, and field staff with invaluable hands-on experience. The introduction of this training model represents a pivotal moment in our commitment to fostering technical excellence and equipping our workforce with the skills necessary to navigate the complexities of the energy sector.



Figure A4: Newly launched 132 kV Line Bay model.

Strategic Utilization of Hydro Reservoirs for Tourism

In alignment with CEB's strategic objective of maximizing income from underutilized resources, hydro reservoirs were leveraged for tourism and recreational activities in the year under review. This initiative saw the operation of float planes and boat services, contributing to both revenue generation and the promotion of regional tourism. The successful continuation of agreements with MJF Holdings and Farm Resort Collection (Pvt.) Ltd. for boat services at Castlereagh reservoir underscores the viability of this venture. Furthermore, a new agreement with Saffron Aviation for floatplane operations at Castlereagh reservoir signals continued growth and diversification in leveraging our assets for mutually beneficial outcomes.

Asset Register Development and Land Identification

In pursuit of comprehensive assets management, CEB continued the successful preparation of its Assets Register in the year 2023.

Notably, the Generation Division identified 573 land lots, while the Distribution Division 3 identified one land lot. This effort brings the total number of land lots identified to 3,665 in the Generation Division and 1,022 in other Divisions. This meticulous record-keeping and identification process are essential for ensuring transparency, accountability, and effective utilization of CEB's assets across all Divisions.

Community Survey for Reservoir Premises

In the pursuit of effective reservoir management, CEB successfully completed a comprehensive community survey of the Maussakele reservoir premises in the year under review. This survey aimed to identify unauthorized encroachments and gather essential details for enforcement and planning purposes. Subsequently, the community survey report was submitted to both the Land Ministry and the DS Office, facilitating necessary actions to address encroachments and ensure compliance with regulatory requirements. Additionally, recognizing the importance of proactive planning, a survey requisition was forwarded to prepare new survey plans for Polpitiya and Canyon reservoirs, demonstrating CEB's commitment to sustainable resource management and community engagement.



OPERATIONAL REVIEW

Corporate Strategy Division



Corporate Strategy Division

Evolution and Expansion of the Corporate Strategy Division

The Corporate Strategy Division was first established in 2010 to examine CEB's external and internal environments and their dynamics and align CEB's policies, processes, practices, and resources to realize its vision. Originally, the Corporate Strategy Division of CEB was to have two major arms, one arm to concentrate on the CEB's internal strategy and the other to concentrate on CEB's group strategy. However, only the internal strategy arm was established in 2010, and the CEB group strategy arm was to be developed later.

The Division's primary role was to raise CEB as a dignified viable business organization in Sri Lanka through business development strategies. The Division was initially created with three Branches, namely the Business & Operational Strategy Branch (B&OS), the Corporate Strategy & Regulatory Affairs (CS&RA) Branch, and the Functional Strategy & Process Development (FS&PD) Branch. Out of the three, only the B&OS Branch was established at the beginning in 2010. After its establishment, the B&OS Branch carried out a major gap analysis of CEB processes and identified considerable weaknesses in CEB's customer-focused service culture, safety-related performances, lack of an innovation-promoting culture, lack of the use of performance-related Key Performance Indicators (KPIs) to take management decisions, and also poor strategy execution, organizational strategy communication to all level of staff so as to align with them, and strategy execution and monitoring. The establishment of the Safety Branch, the introduction of the innovation competition, the Star Rating system to evaluate Consumer Service Centers, the introduction of the strategy monitoring tool, the "Balanced Score Card" were brought in as a result of these initiatives. Later, the FS&PD Branch and the CS&RA Branch too were established and also the Information Technology (IT) Branch, the Research & Development (R&D) Branch, and the Publicity Unit were added to the CS Division structure, expanding the role of the CS Division from organization strategy oriented to more operational aspects.

Functional Overview

As of now, the B&OS Branch is integral to CEB's strategic planning, overseeing key business and operational activities while enhancing the organization's corporate image and monitoring performance against the Corporate Plan. Notably, the Publicity Unit operates under this Branch, facilitating effective communication and stakeholder engagement.

The CS&RA Branch plays a vital role in managing matters related to licenses issued to CEB for generation, transmission, and distribution. It also coordinates with licensees and the Public

Utility Commission of Sri Lanka (PUCSL), ensuring regulatory compliance. Additionally, the Branch handles end-user tariff formulation and contributes to corporate strategy formulation, with oversight of the Statistical Unit.

Within the FS&PD Branch, focus lies on developing functional strategies, policies, and processes to enhance operational efficiency. Ensuring thorough documentation of systems and procedures is a priority, guaranteeing alignment with relevant operating manuals.

The IT Branch is dedicated to aligning CEB's business processes with appropriate technology, utilizing various strategies such as in-house development and outsourcing to meet digitalization needs effectively. This Branch plays a crucial role in enhancing efficiency and customer satisfaction through technological advancements.

The R&D Branch leads in-house and collaborative research activities, fostering partnerships with universities and undertaking specialized studies. Notably, it oversees the Regional Centre for Lighting (RCL), accredited for photometric testing, emphasizing its role in driving innovation and advancing industry standards.

Highlights

In-House Developed Billing System

Considering the urgency to replace the legacy Billing System currently used by CEB owing to the outdated technology and lack of staff familiar with legacy technology platforms, an action plan was devised to replace the Billing System with an in-house development. A Project Plan was devised, and the necessary approvals of the Board were obtained for the development of the new Billing System, under a Project Management Unit, using the mix of CEB internal project management resources and hired development resources.

Migration of Email Solution to a Cloud-Based Platform

The corporate email solution of the CEB was migrated from the on-premises infrastructure to Cloud infrastructure on a Software-as-a-Service (SaaS) mode. This procurement resulted not only in the provision of basic email solutions but also a limited quantity of Office Application suit that are essential for the higher-ranking executives to carry on their essential day-to-day duties with even more efficiency.

New Cyber Security Measures

After the compromise to the Internet Payment Gateway (IPG) of CEB in the last year, immediate measures were taken to secure the IPG and the website of CEB that are exposed to the external environments and a new payment gateway was developed. Several security measures were incorporated in to the new IPG with the advice and recommendations from the Sri Lanka CERT.

Corporate Strategy Division (Contd.)

HR Audit

A comprehensive human resource audit was conducted throughout the CEB, aligning with updated work norms, and subsequently presented to the Ministry. These new work norms were formulated in response to evolving business landscapes, technological advancements, infrastructure enhancements, and the growing trend of digitalization.



Advancements in Solar Energy Infrastructure and LV Distribution Network Capacity

In 2023, significant progress was made in advancing our renewable energy infrastructure and enhancing the capacity of our LV distribution network. The commissioning of a 75 kW rooftop solar PV system for the LVPSS administration building and a 60 kW rooftop solar PV system for the CEB Head Office Canteen Building demonstrates our commitment to sustainable energy solutions. Concurrently, the R&D Branch released a crucial Technical Observation Report in December 2023, outlining recommendations to enhance the LV distribution network hosting capacity to accommodate more rooftop solar PV connections. Anticipated implementation of these recommendations in 2024 underscores our proactive approach to addressing evolving energy needs and fostering renewable energy integration.



Figure C1: Rooftop solar PV system installed at LVPP.

Smart Metering Solution to CEB

During 2023, a smart metering solution was developed for CEB, with which the existing CEB energy meters with smart metering

functionality can be integrated into the in-house developed CEB Head-End System (HES) and CEBAssist platform. A pilot project for this smart meter solution was conducted in Ratmalana.

Navigating Towards a Sustainable Energy Future: CEB Corporate Plan 2024 - 2028

In compliance with the "Guidelines on Corporate Governance for State-Owned Enterprises" outlined by the Department of Public Enterprises, General Treasury, the CEB embarked on the vital task of formulating its Corporate Plan for the years 2024-2028. Collaborating with the esteemed Professional Service Provider, KPMG, the CEB diligently crafted a comprehensive roadmap to guide its operations and strategic endeavors for the next five years. Through a meticulous process, the organization successfully delineated a fresh set of goals, strategic objectives, and actionable strategies aligned closely with its overarching vision and mission. This milestone achievement underscores CEB's unwavering commitment to sustainable growth and excellence in service delivery within the energy sector.

Steering Tariff Revisions to Ensure Sustainable Power Supply

In adherence to the Government of Sri Lanka's General Policy Guidelines for the Power Sector, as outlined by the Ministry of Power and Energy, the CEB underwent significant tariff revisions throughout 2023, in alignment with the new semi-annual schedule established to eliminate intentional power cuts and cease reliance on government subsidies. The PUCSL granted approval for three tariff revision proposals submitted by CEB, effectively restoring a cost-reflective tariff for the first time in a decade during the initial revision. This restoration facilitated uninterrupted 24x7 power supply, crucial for the country's economic recovery and beneficial to various sectors including industry, businesses, and the general public.

However, amidst challenges such as a 14.2 % tariff reduction imposed by PUCSL for the July-December 2023 period and the impact of severe drought conditions on hydroelectric reserves, CEB navigated through extraordinary circumstances, necessitating additional tariff adjustments. With the government's decision to revise the tariff period to a quarterly basis, CEB responded with proactive proposals, including a surplus allocation towards tariff reduction, reflecting its commitment to providing relief to vulnerable groups and supporting key economic entities.

Efficient Cost Reduction Initiatives

In 2023, innovative cost-reduction strategies were implemented, including the adoption of digital publishing methods and the integration of QR codes into interruption notices. These efforts significantly decreased advertising, printing, and publication costs while improving efficiency by directing users to the CEB's corporate website for information. Moreover, the transition of CEB's official newspaper 'CEB' to a digital format further reduced reliance on paper-based communication.

Corporate Strategy Division (Contd.)

The Division's other notable achievements throughout the year 2023 are detailed below.

- During the year, the Circulars, Manuals, and Documents System (CMDS) was revamped and now includes expanded features and improved search functions, offering users a more immersive and gratifying search experience.
- Standardized application forms for numerous commonly requested services were developed in 2023, aiming to enhance efficiency, consistency, and transparency in their delivery.
- All the Personal Manuals that have remained unchanged since their initial publication in 1995 were revised in 2023 and generated revised versions. These encompass manuals such as 'Travel on Duty within the Island,' 'Salaries and Wages,' and 'Holidays, Holiday Pay/Lieu Leave, and Overtime.'
- Initiatives were taken to provide access to the Circuit Bungalow Reservation System from the Internet, so that current as well as the retired employees will be able to reserve CEB Circuit Bungalows conveniently from anywhere.
- A series of training programs on emotional intelligence, strategic sourcing, attitudes, and productivity development in a team environment was conducted, covering all categories of staff.
- A study was conducted to analyze the possibility of utilizing the (presently unutilized) Tertiary Winding of Inter-bus Transformers for connecting consumer loads and RE generation connections.
- The publication of the second edition of the Star Rating Manual for CEB Consumer Service Centers in March 2023, marked a significant milestone for our organization. As a result, the Star Rating programs outlined in the Distribution Divisions section of this report advanced inline with the guidelines set forth in the manual. This initiative underscored our commitment to improving customer service excellence and streamlining operational processes across all divisions of the company

OPERATIONAL REVIEW
Financial Risk Management
Technical Risk Management
Sustainability Report
CSR Report



Financial Risk Management



In the pursuit of sustainable financial stability, CEB meticulously navigated various risks inherent in its operational landscape during the fiscal year 2023. This chapter explains the key financial risks encountered by CEB, their respective impacts, and the proactive mitigation strategies employed.

Interest Rate Risk

CEB, knowing of the prevailing market dynamics, recognized the susceptibility to fluctuations in interest rates. Given the utilization of the maximum credit limit and the reliance on term loans tied to the Average Weighted Prime Lending Rate (AWPLR), the organization has been vigilant in managing interest rate exposures. As a countermeasure, CEB strategically issued debentures at a fixed coupon rate of 9.35% over a five-year tenure. Furthermore, adherence to timely repayment schedules for all loan installments underscores CEB's commitment to mitigating interest rate risk.

Exchange Rate Risk

Amidst a backdrop of diminishing exchange rates, CEB took proactive measures to mitigate potential adverse impacts. By methodically developing a priority list for imports and carefully managing Letters of Credit and Telegraphic Transfers in accordance with this list, CEB shielded itself from undue exchange rate volatility. This strategic approach ensured prudent management of exchange rate risk throughout the fiscal year.

Credit Risk

Recognizing the criticality of liquidity preservation, CEB addressed credit risk concerns arising from delayed customer payments. By implementing a strategy of delaying payments to suppliers commensurate with customer payment delays, CEB effectively managed its liquidity position. This prudent approach safeguarded CEB's financial stability amidst potential liquidity constraints.

Commodity Risk

The geopolitical turmoil stemming from the Russia-Ukraine conflict reverberated across global commodity markets, impacting world oil prices. However, CEB navigated this challenge adeptly by capitalizing on the favorable coal prices relative to the previous year. Furthermore, CEB maximized the utilization of hydro and other non-conventional energy sources, thereby mitigating commodity price risk and enhancing operational resilience.

Liquidity Risk

Tariff adjustments necessitated the settlement of previous dues, underscoring the importance of effective liquidity management. To address liquidity risk, CEB prioritized due payments for Non-Conventional Renewable Energy (NCRE) and Independent Power Producers (IPP). This strategic allocation of resources ensured the uninterrupted operation of essential services while fortifying CEB's liquidity position.

In conclusion, CEB's robust financial risk management framework, characterized by proactive identification, assessment, and mitigation of risks, underscores its commitment to sustaining financial resilience and operational continuity. By leveraging strategic mitigation strategies tailored to specific risk exposures, CEB navigated a complex financial landscape with prudence and agility, thereby safeguarding its financial integrity and bolstering stakeholder confidence.

Technical Risk Management

Risk Identification

By the nature of its activities and the dangers of electricity, risk mitigating procedures are part of CEB's operations. Ceylon Electricity Board has identified the risks that can impact proper functioning of the organization as a quality, reliable and economical electricity supplier.

It is vital to identify the risks and classify it according to the degree of likelihood and the extent of its consequences, negative or positive, and take appropriate measures. Some of the identified and classified high consequence risks are addressed in the Planning processes, the Corporate Plan, the Long-Term Generation Expansion Plan, the Long-Term Transmission Development Plan and the Budget. Others are dealt in emergency procedures by the responsible Divisions.

Financial Risk and its Effect on Technical Performance

Under section 30(2)(b) of the Sri Lanka Electricity Act, No. 20 of 2009, CEB is permitted to recover all reasonable costs incurred in the carrying out of the authorized activities. That clause is to ensure CEB would be able to continue its authorized core activities in financially viable manner. Under part V of the Ceylon Electricity Board Act, No. 17 of 1969, CEB had powers to set tariffs and charges to recover its costs. However, such powers were repealed under the Sri Lanka Electricity Act and were given to Public Utilities Commission of Sri Lanka (PUCSL), the regulator. As the government policy is for the entire country to have a single "Uniform National Tariff" (UNT), setting up of the end user tariff schedule as applicable to all consumers during periods where a UNT prevails was made the responsibility of PUCSL, as a single licensee cannot do so.

Following the reduction in electricity tariffs in 2014, there were no subsequent tariff adjustments until August 2022. The prolonged absence of a cost-reflective tariff mechanism over the course of seven years resulted in the accumulation of financial strain on CEB. In 2023, the "General Policy Guideline for the Electricity Industry" was amended stipulating that consumer electricity tariffs should be revised at least every six months to align with cost of electricity. This amendment is anticipated to facilitate the recovery of adverse financial situation of CEB in the foreseeable future. Furthermore, with the aggressive targets for renewable energy and the expected implementation of Natural Gas (NG) based generation, CEB anticipates a reduction in the overall cost of electricity generation.

Risk of Insufficient Generating Capacity

The power capacities (both for long-term requirements and medium term stop gap requirements) as identified in CEB's Long Term Generation Expansion Plans have not been implemented as planned, causing CEB to operate with a lower reserve capacity margin than desired. Inability to construct planned generation additions timely gives rise to a vicious cycle. Lower reserve margin prevents existing power plants from being taken off on schedule for preventive maintenance or to attend to other routine maintenance. That affects the reliability of machines and lowers further the available capacity to meet the demand. Lack of reserve capacity can lead to load shedding and in the worst case, system failure. Further, inadequate reserve generating capacity in the system causes CEB to procure short term supplementary power, during prolonged dry spells and/or to compensate outage of a large generating unit.

Network Expansion Risk - Delay in Network Expansions

To carry power from future power plants and also to serve the increasing energy demand in a more reliable manner, network expansions for high, medium and low voltages are planned. These include construction of new transmission and distribution circuits, augmentation/construction of new substations, grid quality enhancements, etc. Construction of new transmission lines to evacuate power from generating plants must be properly timed with the generation project implementation as delay in the former causes delay in power evacuation from the latter. Also, it is required to analyze the reliability of certain switchgear including compact gas insulated substations in the medium voltage network which have served 20 years or more. The reliability of such substations serving core utility services such as water supply, petroleum and to industries such as export processing areas have to be looked at with a fresh perspective to ascertain whether alternative power supply options are available to ensure uninterrupted supply to such key services and industries. Further, there are ageing grid equipment that need to be replaced to improve grid reliability. Securing funding to such replacements and obtaining interruptions to carry out such work amidst lack of redundancy in both generation and transmission networks is a severe challenge. Risks associated with network equipment are minimized to some extent by adopting asset management principles that enables to foresee failure events in advance, so that early rectification action could be initiated without down time delay or causing catastrophe.

Technical Risk Management (Contd.)

Challenge in Achieving Global Environmental Commitments

The "General Policy Guideline for the Electricity Industry" stipulates that any new additions in firm capacity shall be from environmentally sustainable energy sources, specifically emphasizing the utilization of Re-gasified Liquefied Natural Gas (R-LNG). Despite R-LNG being recognized as a viable solution for Sri Lanka, there has been a lack of advancement in the implementation process to facilitate the supply of LNG to the country through Floating Storage Regasification Units (FSRU) at competitive prices. To attain cost-effectiveness and align with Sri Lanka's Nationally Determined Contributions, there is an imperative need to establish the infrastructure and supply chain for NG.

HR Risk - Challenges in Maintaining a Skilled and Motivated Workforce

Having a skilled workforce is an intangible asset and it is vital for effective maintenance of network equipment. Worker motivation is important to maintain CEB's core business that envisages delivering a quality service to the nation. Additionally, employee satisfaction plays a pivotal role in averting industrial disputes. CEB sustains a skilled workforce through continuous training programs. Efforts have been made to carry out extensive programmes for capacity development and worker motivation for maintaining this expertise the prevailing policies of the country and the adverse economic situation have made it challenging to retain a skilled workforce. In 2023 alone, over 170 employees resigned from the organization, highlighting the severity of the issue.

Risk of Channeling Funds from Priority Areas due to Pressure from Lending Agencies

In accordance with section 38 of the Ceylon Electricity Board Act, No. 17 of 1969, Board was entrusted with the duty to ensure that revenue of the Board is sufficient to meet a reasonable proportion of the cost of development of services of the Board. However, the mechanism that was facilitating CEB to secure such finances, namely powers to set tariffs and charges, was transferred from CEB to PUCSL in 2009 by the Sri Lanka Electricity Act. Unavailability of own funds is a common problem for generation projects implementation as well as transmission/distribution network enhancement projects, particularly to those where international funding cannot be secured. Investment decisions in the power sector are shaped by a set of complex factors, including demand for electricity, changing government

policies, stakeholder expectations, supply chain issues, business synergies, as well as pressure from climate policies. Financial institutions also adhere to their funding policies, reflecting shifting global perspectives on issues such as fossil fuels and government-owned utility structures. Insistence of conditions via loan covenants has compelled the CEB to utilize even the limited borrowing space to areas such lending organizations are willing to lend than for priority areas.

Risk of Public Perception and Risk of Changing Policies

Electricity accounts for only 14% of the total energy use in the country. Nevertheless, electricity sector draws more attention from media, NGOs and environmental pressure groups possibly due to high commercial interest, than to rest of the 86%. Power system is a highly specialized area that needs in-depth experience and exposure to understand, that is often beyond the understanding of general public. Thus, justifying and convincing the public and media about utility plans and decisions proves challenging. Long lead time is an inherent nature of power projects. Hence, inconsistencies and ambiguities in policy decisions related to electricity may result in considerable economic losses for the country, especially when mature power projects face cancellation due to sudden policy shifts. This introduces significant challenges in utility planning and project execution, underscoring the need for strategic and consistent policy frameworks.

Cyber Risk

CEB has increasingly become IT oriented. Almost all the branches have become networked and interconnected. This makes them highly vulnerable to external cyber-attacks as intrusion to a single location means that this could spread through the network.

Operational IT systems that are commonly used by the electricity utilities like CEB, have widely used information technology for communication and controlling purposes. However, these operations and systems tend to operate mostly as isolated silos and have less connectivity to outside unlike management IT systems. Furthermore, when Operational IT systems are connected to the outside, they tend to have high end security devices as the Gateways. Therefore, they have a somewhat lower threat of intrusions and attacks from outside. Nevertheless, there is always a risk of cyber-attacks. This could be due to attackers exploiting loopholes in the security systems and there could be human errors and mistakes. Therefore, properly configured and managed devices as well as a stronger IT policy is required to reduce the risk of being compromised.

Our Approach for Sustainability of Electricity Industry

As we embark on our sustainability journey, we recognize the importance of balancing Environmental, Economic, and Social Sustainability pillars in all surfaces of our operations. In 2023 we have prioritized these pillars by placing emphasis on key areas such as Environmental Mitigations, Prudent Financial Management, Cost-Effective Operations, Future Plans and

Targets, Innovation and Technology and Customer Service and Satisfaction. These pillars serve as the guiding principles driving our commitment to fostering a sustainable future for generations to come. Through strategic initiatives and unwavering dedication, we aim to achieve holistic sustainability while ensuring the well-being of our planet, communities, and stakeholders.



Environmental Sustainability

As we stride towards a greener future, our commitment to environmental sustainability stands resolute. In our persistent efforts to reduce carbon emissions and minimize our ecological footprint, we have implemented a series of innovative measures within our coal power plant infrastructure. Through a strategic blend of technology, operational enhancements, and renewable energy integration, we are proud to showcase significant advancements in mitigating environmental impact while ensuring reliable electricity supply.

Dust Mitigation and Monitoring

In 2023, LVPP proudly maintained a wind barrier spanning 460 meters along the western boundary and 1,183 meters encompassing the southern and eastern perimeters of our coal yard. This strategic infrastructure investment facilitated optimal conditions, effectively mitigating dust dispersion to neighboring communities. Through meticulous practices including continuous wetting, leveling, compaction, and vegetative cover, we successfully controlled dust generation within the ash yard. Furthermore, our commitment to sustainable practices extended to the competitive sale of fly ash, utilization of bottom ash in various productions, and innovative approaches to reutilize

dumped ash in brick manufacturing. These efforts underscore our dedication to environmental stewardship and community well-being. See Figure S1 for mist blower operation at the coal yard and Figure S2 fly ash transportation for cement manufacturing.



Figure S1: Mist blower operation at coal yard



Figure S2: Fly ash transportation for cement manufacturing

Our Approach for Sustainability of Electricity Industry (Contd.)

The Figure S3 illustrates the outcomes of LVPP's fly ash management program over the preceding six years.

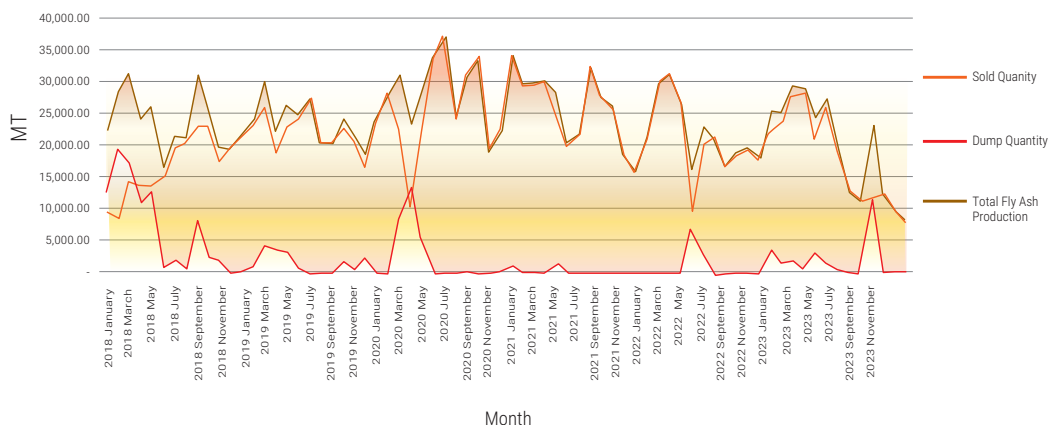


Figure S3: Outcomes of LVPP's fly ash management program.

Water Treatment and Monitoring

In 2023, LVPP continued its commitment to modern water treatment and monitoring practices, emphasizing post-treatment and reuse strategies for wastewater streams. Through our Industrial Wastewater Treatment plants, Sewage Treatment Plants, and Coal and Cinder Water Treatment Plants, we effectively generated reusable treated water output to support dust suppression activities. Water quality monitoring remained paramount throughout the year, facilitated by the Industrial Technology Institute (ITI) and Environmental Monitoring Unit (EMU). Additionally, our groundwater monitoring program, conducted quarterly by LVPP in collaboration with the Water Resources Board (WRB), ensured the sustainable utilization and preservation of this vital resource within and around the power plant premises. The release of the groundwater report for 2022 in 2023 provided reassuring findings, indicating no adverse effects from LVPP operations on groundwater quality, particularly concerning heavy metals and seawater intrusion. This positive trend underscored the efficacy of pumping patterns implemented in 2019.

Marine Environment Monitoring

In 2023, LVPP continued its rigorous environmental monitoring efforts in collaboration with esteemed Sri Lankan institutions such as ITI, NARA, and MEPA. Through extensive studies and research, these institutions evaluated the power plant's impact on the marine environment, ensuring the protection of both living and nonliving marine components. Notably, findings indicated a thriving diversity of fish near the power plant outfall, contributing positively to marine resource enhancement. Furthermore, assessments revealed no significant adverse effects on coral reefs from cooling water discharge. MEPA's issuance of the Cooling Water Dumping License for 2023 underscores the plant's adherence to environmental regulations and commitment to sustainable practices.

Ambient Air Quality and Stack Emissions Monitoring

In 2023, LVPP conducted comprehensive monitoring of ambient air quality and stack emissions. Quarterly and seasonal observations by ITI consistently demonstrated that all ambient air quality parameters remained below permissible levels throughout the year. Additionally, weekly internal checks with portable flue gas analyzers and continuous monitoring via Continuous Emission Monitoring Systems (CEMS) were carried out, with unit 01 recently upgraded to extraction type CEMS featuring remote monitoring. Furthermore, an ongoing ambient air quality monitoring program initiated in 2018 near the Jaya Sri Maha Bodhi Premises yielded twelve reports, confirming adherence to permissible levels across all parameters.



Figure S4: Ambient air quality monitoring station

Our Approach for Sustainability of Electricity Industry (Contd.)

Three permanent ambient air quality monitoring stations were established in accordance with condition 6.3.2.2 of the LVPP's Environmental Impact Assessment Study Report (EIAR). These stations, guided by the air quality expert committee appointed by the Provincial Environmental Authority North Western Province, utilize Open Path DOAS Technology. The total costs incurred for this initiative amounted to LKR 476 million.

Noise and Vibration Monitoring

In 2023, noise and vibration levels were monitored by LVPP to ensure compliance with allowable limits during operations. Results confirmed that both levels remained within permissible bounds throughout the year. Additionally, environmental licenses were obtained from the Provincial Environment Authority – North Western Province (PEA-NWP) for 2023-2024, highlighting LVPP's commitment to sustainability across economic, social, and environmental fronts. Efforts continue to reduce emissions, pollution, and conserve biodiversity through ongoing initiatives and stakeholder collaboration.

PCB Contaminated Equipment Disposal Project

The CEB embarked on a pivotal project in December 2023 aimed at Environmental Sound Management and Disposal of PCBs (Polychlorinated Biphenyl) Wastes and PCB Containing and Contaminated Equipment in Sri Lanka, in collaboration with the United Nations Industrial Development Organization (UNIDO) and funded by the Global Environment Facility (GEF). The project, aligned with Sri Lanka's commitment to the Stockholm Convention on Persistent Organic Pollutants (POPs), achieved significant milestones in ensuring the safe and environmentally sound management of PCBs.

Key Phases of the Project:

Inventory Management: CEB, with assistance from UNIDO, meticulously prepared and maintained an inventory of approximately 31,000 PCB-contaminated transformers and equipment. This involved the development of a user-friendly software application and collaboration with an accredited laboratory for testing and confirmation of PCB contamination.

Disposal and Replacement: In the second phase, contaminated equipment was safely handled and replaced, with trained personnel draining contaminated oil into Intermediate Bulk Containers (IBCs) and refilling equipment with new oil. Low concentration PCB-contaminated transformers were retro-filled with new oil, while high concentration equipment was disposed of through a designated service provider.

Impact and Future Plans: The project brought transformative impacts on CEB, including enhanced safety measures, acquisition of advanced laboratory equipment, and capacity-building

training programs for personnel. The implementation of the first transformer oil regeneration facility in CEB was achieved, enabling significant cost savings. Looking ahead, CEB aims to expand elimination efforts to include other equipment types and achieve a PCB-free status, demonstrating its commitment to environmental stewardship and safety.

The summary of the project outcomes is given in Table S1.

Table S1: Summary of the project outcomes

Division	No. of Equipment	Equipment Weight (MT)	Oil Weight in (MT)	New Oil Requirement (MT)
PCB Contaminated transformers for retro-filling	147	426.4	107.1	135.2
PCB contaminated Transformers for disposal	06	6.9	1.5	1.5
PCB contained (Pure PCB) Equipment for disposal (amended)	33	16.9	7.7	-
TOTAL	186	450.2	116.4	137.2

Addressing Plastic Pollution in Water Reservoirs

Plastic bottles and polythene continually find their way into Dickoya, a tributary of the Castlereigh Reservoir, originating from nearby urban areas. This influx of waste results in a significant accumulation of plastic debris across the reservoir's surface. Despite annual cleanup efforts through Shramadana activities, effectively managing this pollution remains a daunting challenge. To mitigate the spread of polythene waste, a floating barrier has been strategically installed in the river's bay. This innovative solution aids in the containment and removal of plastic waste, enhancing the sustainability of Castlereigh Reservoir's ecosystem.

Economic Sustainability

Prudent Financial Management

Economic sustainability was steadfastly maintained and enhanced through rigorous financial stewardship. Prudent financial management practices, including diligent budgeting, streamlined procurement processes, and proactive cost containment measures, played a pivotal role in safeguarding our financial health amidst evolving market dynamics. By diligently monitoring expenses and optimizing operational efficiencies, we were able to mitigate risks, enhance resilience, and fortify our position for long-term growth and stability.

Our Approach for Sustainability of Electricity Industry (Contd.)

Cost-Effective Operations

Our commitment to cost-effective operations remained unwavering, as we continuously sought opportunities to streamline processes, enhance productivity, and minimize wastage throughout our value chain. Investments in technological innovations, such as advanced metering infrastructure and smart grid technologies, enabled us to optimize energy delivery, reduce losses, and maximize operational efficiency. Furthermore, strategic partnerships and collaborative initiatives with suppliers and stakeholders facilitated synergies, driving down costs and enhancing overall competitiveness in the market.

Future Plans and Targets

In our pursuit of sustainability, we are committed to optimizing our renewable energy mix, enhancing transmission infrastructure, and modernizing distribution networks to meet evolving customer needs. This involves strategic investments in renewable energy projects, leveraging technological innovations for efficiency and cost reduction. Our roadmap includes developing robust transmission systems to integrate diverse generation sources seamlessly, bolstering grid resilience. Additionally, we're planning MV and LV development initiatives to enhance grid flexibility, upgrade infrastructure, and deploy smart grid solutions for optimized load management. Through these efforts, we aim to improve power supply reliability and quality, exceeding customer expectations. Furthermore, in alignment with corporate governance guidelines, we've formulated a comprehensive Corporate Plan for 2024-2028, collaborating with KPMG. This plan outlines clear goals and strategies, reflecting our commitment to sustainable growth and excellence in service delivery.

Social Sustainability

Innovation and Technology

Innovation and technology play pivotal roles in our sustainability journey at CEB. In 2023, we made significant strides towards modernization with the development of a smart metering solution, seamlessly integrating existing CEB energy meters into our in-house developed CEB Head-End System (HES) and CEBAssist platform. A pilot project conducted in Ratmalana demonstrated the effectiveness of this solution in improving metering efficiency and accuracy. Additionally, recognizing the imperative to replace our outdated Billing System, we devised an action plan for an in-house development, approved by the Board, leveraging a mix of internal and external resources under a dedicated Project Management Unit. This strategic initiative ensures the alignment of our billing processes with contemporary technology standards, enhancing operational efficiency. Moreover, our commitment to innovation is reflected in the proactive efforts of our R&D branch, which released a crucial Technical Observation Report in December 2023. This report outlines recommendations to enhance the hosting capacity of our LV distribution network for rooftop solar PV connections, anticipating implementation

in 2024. These forward-thinking measures underscore our dedication to addressing evolving energy needs and facilitating the seamless integration of renewable energy sources into our grid infrastructure.

Customer Service and Satisfaction

At CEB, our commitment to customer service and satisfaction remains unwavering, guided by a series of initiatives aimed at enhancing service quality and operational efficiency. The publication of the second edition of the Star Rating Manual for CEB Consumer Service Centers in March 2023 marked a significant milestone, facilitating the advancement of the Star Rating programs across all divisions. This initiative reflects the dedication to improving customer service excellence and optimizing operational processes to meet modern expectations. As of December 31, 2023, substantial progress has been achieved in the Star Rating Scheme, with over 47% of Consumer Service Centers reaching the Three-Star level across the four distribution divisions. Building upon this success, Four-Star level auditing commenced in eligible centers, with criteria emphasizing reliability improvements in MV and LV networks, further demonstrating our commitment to elevating service quality and meeting evolving customer needs. This progress made in the Star Rating programs, underscoring our relentless pursuit of customer satisfaction and service excellence.

As part of the ongoing commitment to sustainability achievements, we're dedicated to elevating customer service standards. In 2023, we introduced standardized application forms for commonly requested services, streamlining processes to ensure efficiency, consistency, and transparency. This initiative underscores our pledge to meet modern customer expectations while optimizing internal operations for enhanced service delivery in a sustainable manner.



Corporate Social Responsibility Report

Introduction

At Ceylon Electricity Board, we acknowledge the pivotal role as the primary electricity utility in the nation and embrace our responsibilities towards the environment and society. Our commitment lies in conducting operations that are not only reliable and affordable but also responsible and sustainable. This report encapsulates the Corporate Social Responsibility (CSR) endeavors throughout the year 2023, illuminating their impact on both the environment and society.

Environmental Initiatives

Tree Planting at Lakvijaya Power Plant, Norochcholai

Since 2017, CEB's Lakvijaya Power Plant located in Norochcholai has embarked on a commendable initiative, having planted approximately 43,000 plants, including 10,000 mangrove plants at the Puttalam Lagoon area. These concerted efforts are dedicated to the preservation of biodiversity and the sustenance of natural habitats.



Figure CSR1: Tree planting and mangroves planting activities at the buffer zone and the Puttalam Lagoon

Roadside Tree Planting

In addition, CEB has spearheaded tree planting activities along the Palavi – Kalpitiya main road. These initiatives are aimed at enriching the scenic beauty of the roadside areas, thereby fostering environmental conservation and advocating sustainable urban development.

Social Initiatives

Construction of School Buildings

CEB's commitment to social welfare is symbolized by the completion of the upper floor of a 25' x 80' building at Ilanthadiya Government Sinhala School, with a total expenditure of LKR 12.5 million. This initiative underscores the dedication to facilitating access to quality education, promoting social inclusivity, and enhancing the overall well-being of students and educators alike. Furthermore, ongoing construction efforts are underway for a

classroom building at Paniadiya Tamil School, with an estimated cost of LKR 8 million. This endeavor is aimed at providing essential infrastructure facilities for primary students, while concurrently fostering social equity among the diverse ethnic groups within the locality.



Figure CSR2: Two story building at Ilanthadiya Government Sinhala School

Construction of Community Halls

CEB has also played a pivotal role in community development through the construction of a community hall in Narakkalliya, at an estimated cost of LKR 6 million. This initiative embodies the commitment to fostering a sense of community cohesion and social connectedness, which are indispensable for the cultivation of a healthy and vibrant societal fabric.



Figure CSR3: Narakkalliya community hall.

In conclusion, CEB remains unwavering in its dedication to Corporate Social Responsibility, steadfastly pursuing initiatives aimed at environmental sustainability, social development, and community well-being. Through these endeavors, we aspire to make a meaningful and lasting impact on both the environment and society, thereby upholding our commitment to responsible business practices and contributing to the holistic welfare of the communities we serve.



OPERATIONAL REVIEW
Finance Division

Finance Division

The Finance Division within CEB is responsible for managing the financial aspects of the business, ensuring its financial health, and supporting strategic decision-making. The Finance Division plays a critical role in managing the organization's financial resources, optimizing performance, and ensuring compliance with financial

regulations and standards. Its functions are essential for driving sustainable growth and maintaining financial stability. An outline of the key functions performed by the Finance Division is given in the figure below.



Figure F1: Outline of Key Functions

Year Under Review

Faced with significantly constrained cash flow, CEB took decisive action in 2023 by transitioning all payments related to coal to the Bank of Ceylon (BOC). This strategic move primarily involved transferring the responsibilities for Distribution Division 04 and LECO collections to BOC, which now handles the coal payments. Concurrently, the revolving coal facilities previously secured from People's Bank were completely repaid. This measure not only reduced CEB's reliance on People's Bank but also minimized the institution's exposure to higher risks associated with coal transactions.

At the beginning of the year, CEB faced a significant backlog of foreign currency payments. However, through diligent efforts, this backlog was successfully cleared, and the necessary opening of Letters of Credit (LC) was initiated within the fiscal year. Previously, CEB had access to a Letter of Credit facility of LKR 15 billion from People's Bank, which was reduced to LKR 7.5 billion in 2023.

Finance Division (Contd.)

CEB Provident Fund

Despite the tumultuous and uncertain macroeconomic landscape that persisted throughout the year, the Fund achieved a robust Performance during the period under review. This success can be attributed to its steadfast commitment to enhancing resilience within its investment portfolios, rigorous risk Management practices, prudent and discerning investment strategies and the ongoing pursuit of productivity enhancements and cost saving measures.

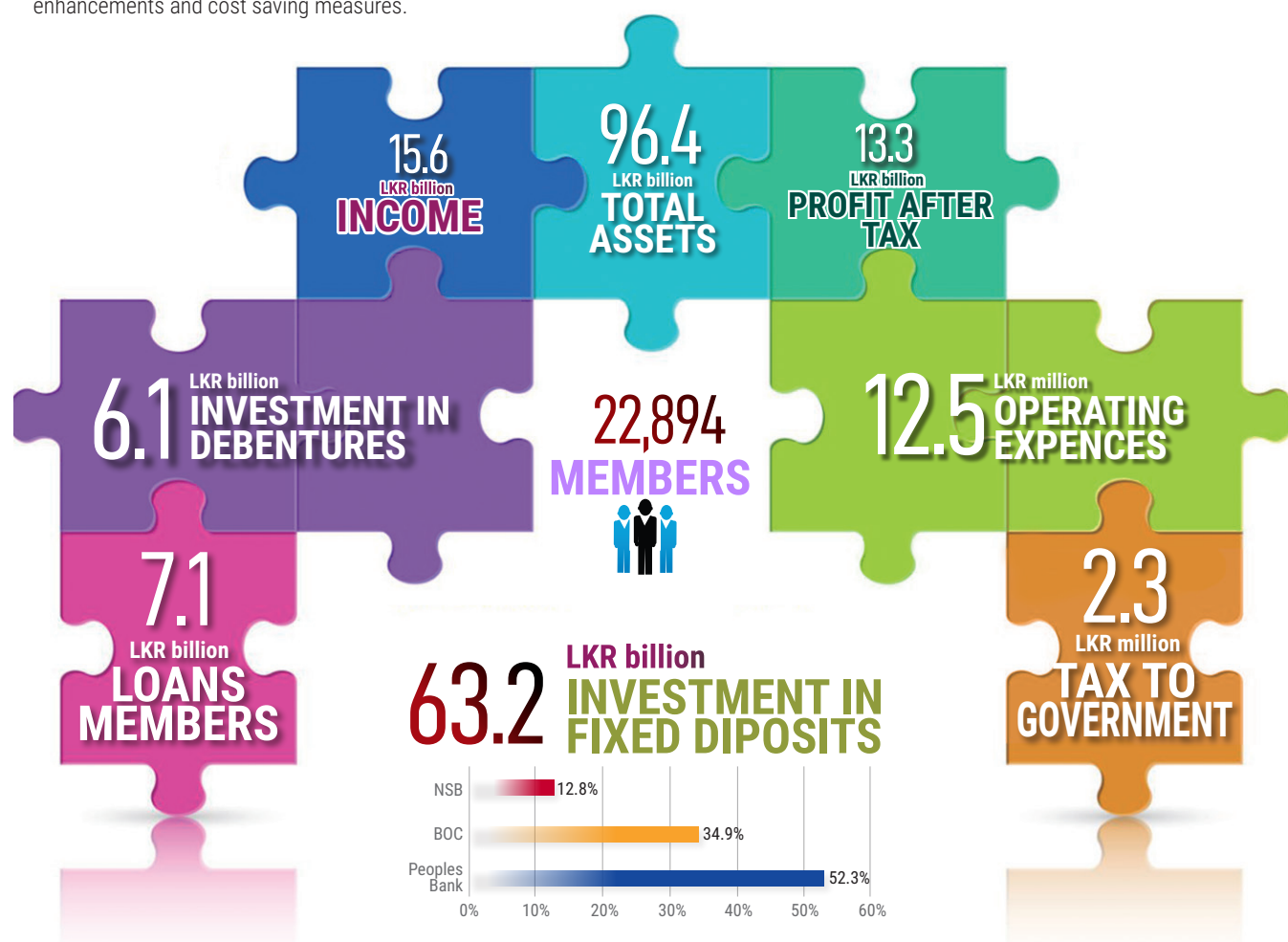


Figure F2: The Provident Fund in Numbers as at end 2023.

Amidst the persistent disruptions caused by economic and political issues throughout 2023, the CEB Provident Fund navigated another year marked by volatility and uncertainty. Nevertheless, despite these formidable challenges, the Fund exhibited resilience, leveraging its strategic insights and adaptability to effectively navigate external obstacles. This resilience translated into record-high profitability, maintaining stability, and fostering value creation for all its members, underscoring the Fund's unwavering commitment to their financial well-being amidst turbulent times.

Despite facing higher impairments, pre-tax profits expanded by 46%, reaching the CEB Provident Fund's highest-ever profits of LKR 15.6 billion, reflective of the effective management of its cost of funding. However, post-tax profits increased by 36% to LKR 13.3 billion due to higher tax payments. The CEB Provident Fund is poised to announce its highest dividend rate for 2023 at 16.1%, marking a historic milestone as the highest rate ever recorded in the Fund's history.

The Fund experienced a significant spike in tax expenses for the year 2023, soaring by 142.7%. The rise in investment income led to elevated taxes for the year, with the total tax liability amounting to LKR 2.3 billion, consequently impacting the fund's financial health.

The Fund's asset base grew by 18% to LKR 87.2 billion during 2023. In optimizing the risk-return dynamics, the Fund pursued only selective investment opportunities. Given the prevailing operating conditions, investments accounted for 76% of total assets. Total liabilities declined by 9.1%, while member balances increased by 6.4% to LKR 79.4 billion.

As of December 31, 2023, the Fund boasted an active contributor base of 22,894 members. Throughout the year, total contributions to the Fund reached LKR 6.1 billion, while member refunds amounted to LKR 10.1 billion during the same period. Notably, the Fund achieved its highest dividend rate for 2023, declaring an impressive 16.2% to its members.

Finance Division (Contd.)

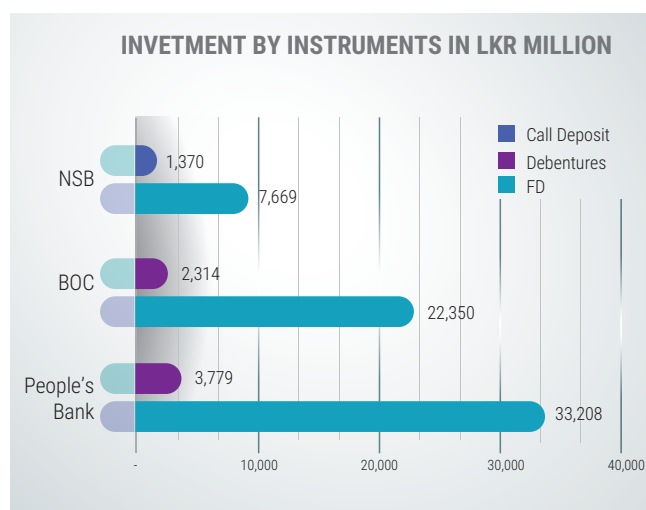
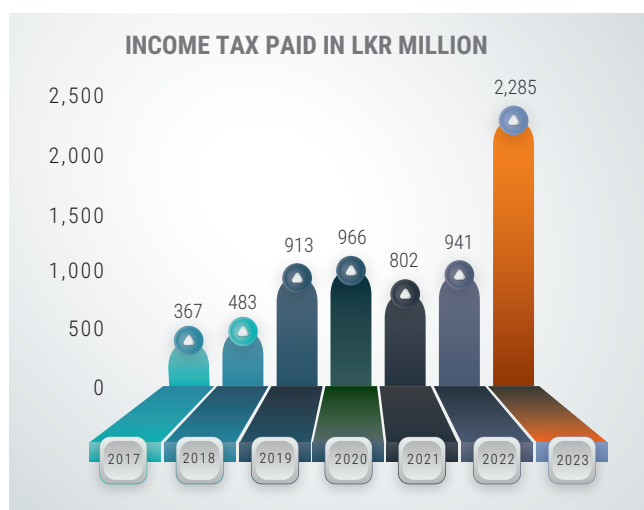
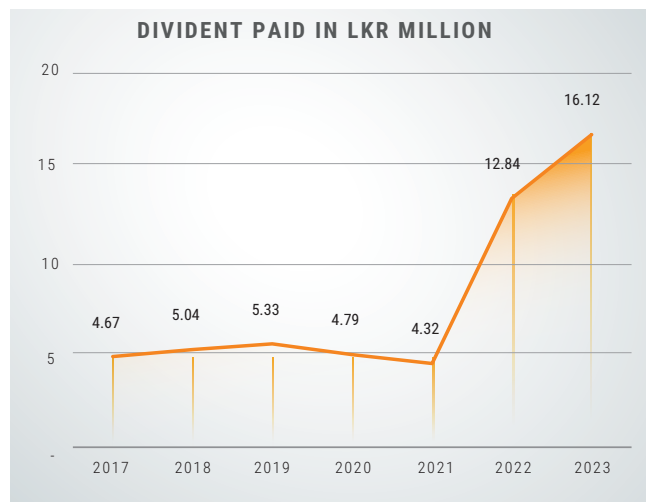
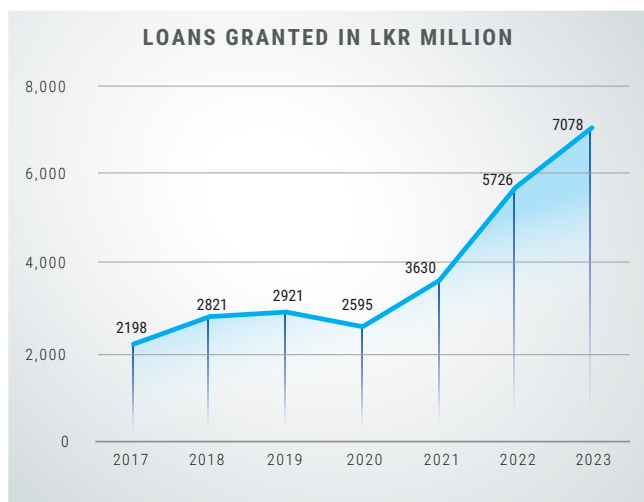


Figure F3: Value to Members and Economic Value Creation.

Finance Division (Contd.)

CEB Pension Fund

The Pension Fund was established on January 1, 1994, under the provisions of Section 12(j) of the Ceylon Electricity Board Act No. 17 of 1969. It is managed by a Committee of Management, appointed by the Custodian, the Ceylon Electricity Board.

As of the end of 2023, the number of pensioners was 8,534, with 8,031 actively claiming benefits from the fund. The figures below

summarize the movement of pensioners, funds in amounts over the last five years and investment portfolio as at end 2023. It indicates that the percentage increase in the number of pensioners from 2019 to 2022 declined significantly. However, there was an increase in the number of pensioners in 2023, primarily due to the government's policy of reversing the retirement age to 60 years, applicable to the CEB.

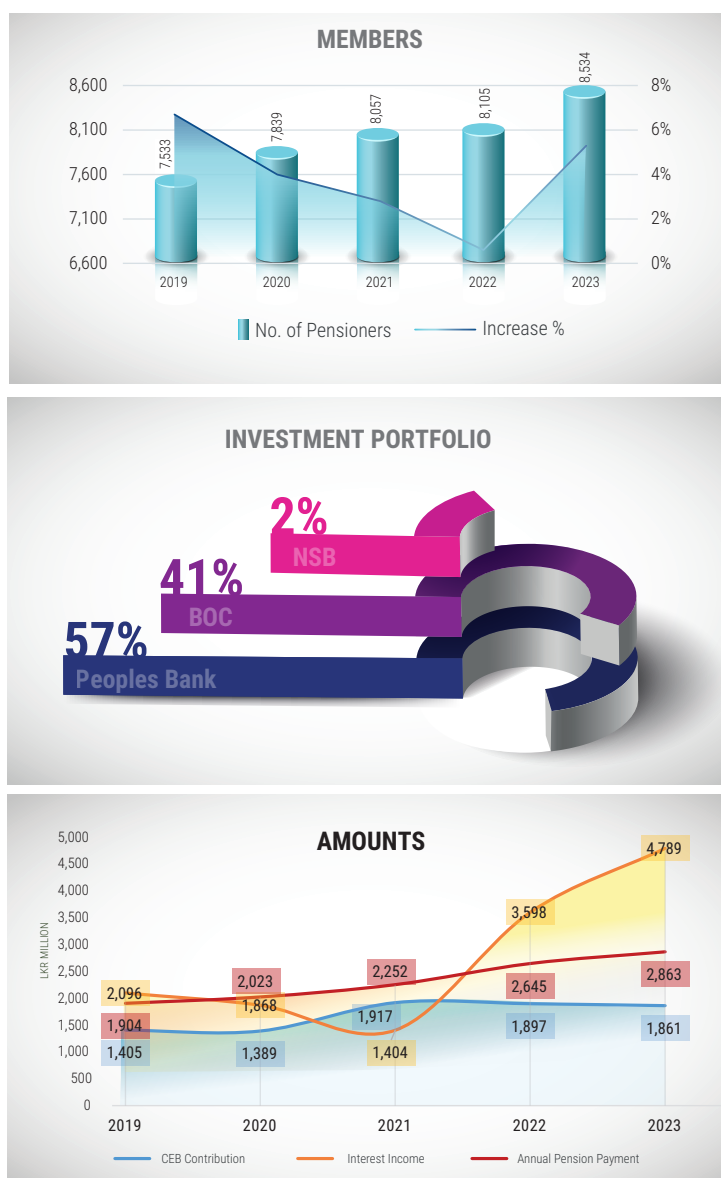


Figure F4: Pension Fund Details

Furthermore, the yield from investments has not been adequate to settle pension liabilities over the past four years, and a declining trend in contributions was observed in 2023. These circumstances

prompted a reassessment of the strategies adopted by the fund and the development of new strategies aimed at ensuring its sustainability.

Financial Review

The Ceylon Electricity Board has remained steadfast in its commitment to meeting the energy needs of industrial, commercial, and residential customers amidst the robust economic recovery. The significant contributions made over the year to grow the renewable energy portfolio have enabled CEB to continue providing sustainable and reliable energy.

Financial Performance

Revenue

CEB demonstrated a revenue growth of 97% to LKR 606.6 billion during the year under review, marking the highest revenue in its illustrious history of 54 years. Top-line growth during the year reflects biannual upward tariff revisions made by the Government as per the policy decision to implement cost-reflective tariffs, which are reviewed and revised biannually. The Public Utility Commission of Sri Lanka (PUCSL) granted approval to implement biannual tariff revisions, with effect from 2023-02-15, which is an upward revision, and 2023-07-01, which is a downward tariff revision. While CEB requested an interim tariff revision in October 2023 to offset the costs incurred during periods of arid weather conditions in the country, PUCSL granted approval for an upward price revision with effect from 2023-10-20.

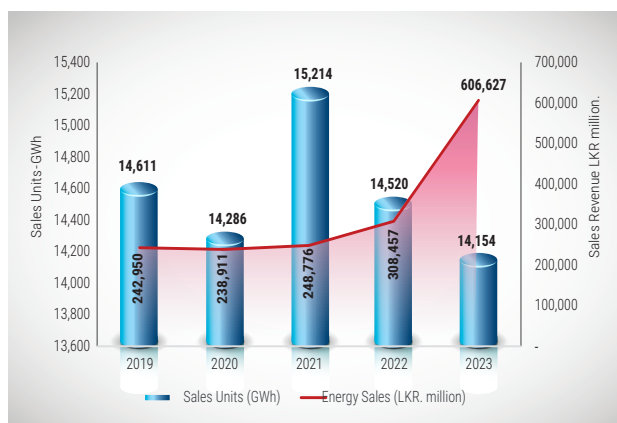


Figure FR1: Sales and Revenue

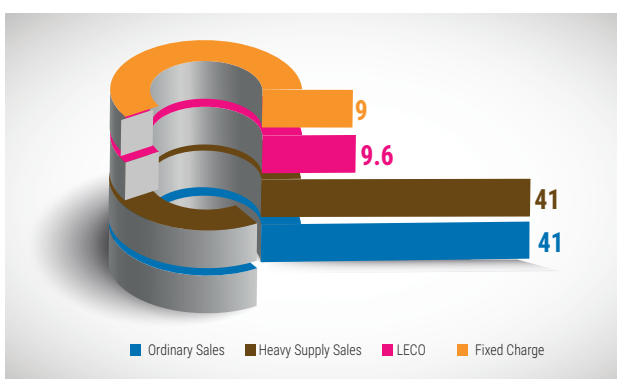


Figure FR2: Revenue composition -2023

Revenue from Ordinary Supply and Heavy Supply equally contributed, each with a share of 41%. Electricity demand in the country declined for the second consecutive year by 3% year-on-year, driven by reduced consumption by both retail and bulk customers due to manual load shedding up to 2023-02-15, and against the backdrop of extreme turbulence, uncertainty, and volatility in the country in preceding years. Amidst the implementation of revised tariffs since 2023-02-15, CEB commenced the supply of uninterrupted power to the country.

Net Profit / (Loss)

Net profit for the year recorded LKR 61.2 billion, displaying the highest profit in the operating history of CEB, surged by 121%, representing a year-on-year decrease in losses by LKR 359.4 billion. Upward tariff revisions imposed during 2023 predominantly supported CEB in withstanding considerable volatilities in input prices amidst poor hydro generation in 2023.

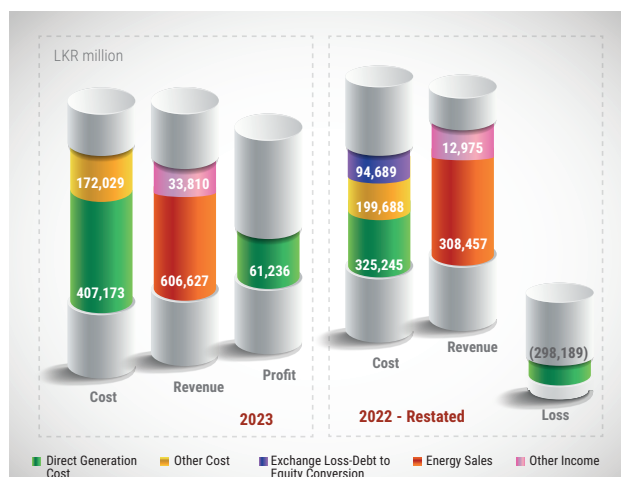


Figure FR3: Financial Performance 2023/2022

Table FR1: Financial Performance Comparison for 2023 vs. 2022 (LKR million)

	2023 (LKR million)	2022- Restated (LKR million)	Variance (%)
Electricity Sales	606,627	308,457	97%
Other Income	33,810	12,975	161%
Direct Generation Cost	(407,173)	(325,245)	25%
Exchange Loss resulting from Debt-to-Equity conversion from the Government	-	(94,689)	-100%
Actuarial Loss on Defined Benefit Obligations	(3,154)	(11,059)	-71%

The electricity generation for the year under review experienced a 2% decline compared to the previous year, coinciding with a 3% reduction in electricity demand.

Finance Review (Contd.)

Other Comprehensive Income

CEB's Other Comprehensive Loss decreased to LKR 3.1 billion, primarily resulting from a reduction in actuarial losses on defined benefit obligations, mainly due to a decline in the actuarial loss of the pension fund liability. CEB's Total Comprehensive Income increased to LKR 58 billion from a total comprehensive loss of LKR 309 billion in the year 2022.

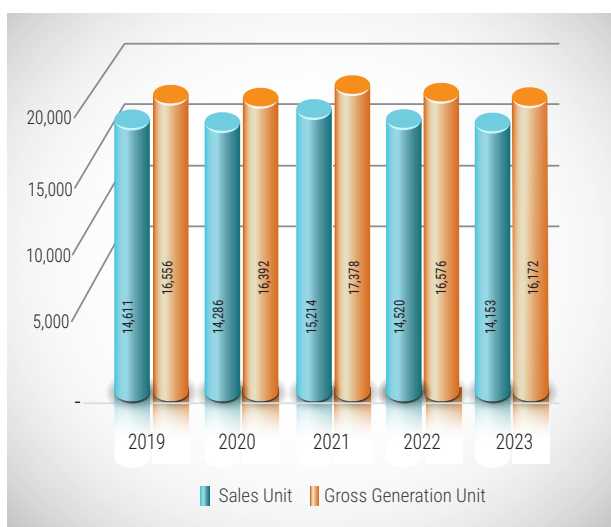


Figure FR4: Generation and Sales (GWh)

The composition of the generation mixes slightly varied compared to the year 2022, with the contribution from hydropower generation being impaired in the year under review. The Lakvijaya Coal Plant (LVPP) units experienced outage time to time due to maintenance, resulting in a 10% decline in generated units accordingly. CEB's thermal plants operated more to fulfill the energy demand in 2023. Increased input from NCRE into the generation mix positively impacted the financial performance compared to the previous year. The demand for connections for solar rooftop energy generation steadily grew, with Net Plus/Net Accounting schemes increasing compared to the previous year.

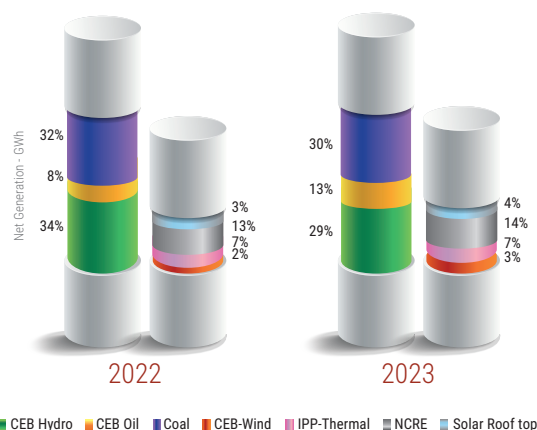


Figure FR5: Generation mix- 2022/2023

Cost Structure

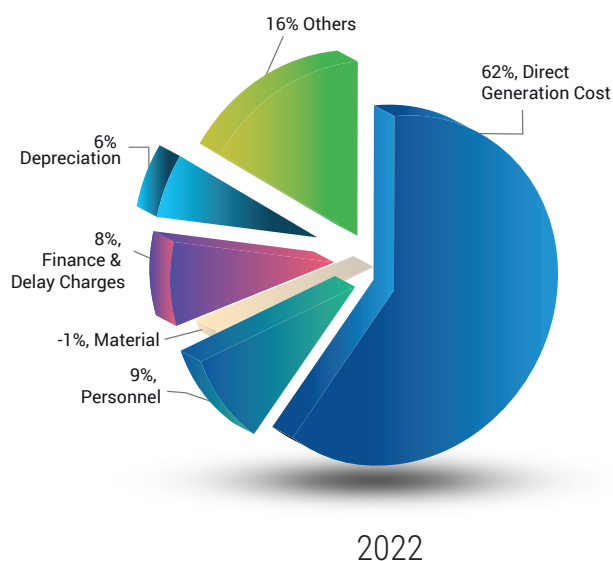
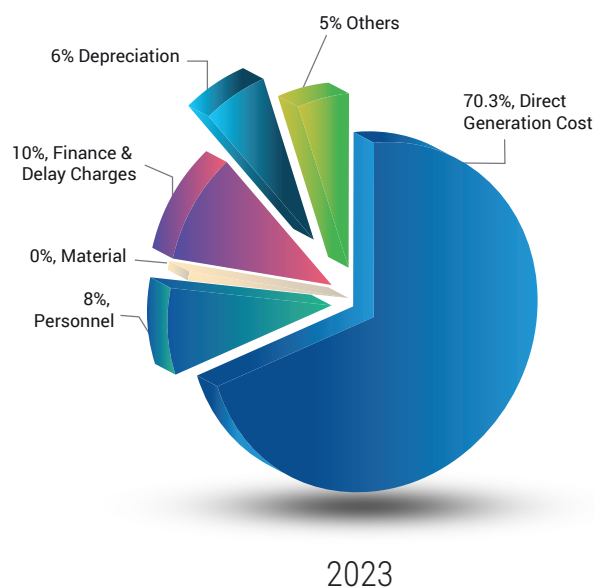


Figure FR6: Cost Structure 2023/2022

Finance Review (Contd.)

CEB's cost structure was dominated by the Direct Generation Cost, which accounted for 70.3% of the total cost in the year under review, marking a 25% increase year-on-year to LKR 407 billion from LKR 325 billion, amidst soaring inflation, mainly in fuel and coal prices during 2023. A 17% cost escalation was evident in coal expenses in 2023 compared to the previous year, despite a 10% drop in energy generation. Fuel costs surged by 76% to LKR 121 billion from LKR 68.9 billion in contrast to 2022, reflecting a 47% increase in generated units' year-on-year, marking the highest Direct Generation cost in CEB's history due to the rise in commodity prices, alongside pressure from interest rates, while exchange rate inflation mitigated the impact on operating costs. Tariff revisions implemented during the year largely assisted CEB in withstanding these challenges and transforming continuous Net Loss into a Net Profit. CEB's Overhead Expenses decreased by 29% during the year, reflecting exchange rate inflation in 2023 compared to 2022.

The significant increase in Direct Generation adversely affected the rise in cost per unit at the generation point in 2023, recorded at LKR 29.18/kWh compared to LKR 24.65/kWh in 2022 (Restated). At the point of sale to the end consumer, the cost per unit of CEB stood at LKR 40.92/- for 2023 against LKR 36.16/kWh in 2022 (Restated). Accordingly, the Operating Cost inclusive of Direct Generation Cost increased by 10% compared to the previous financial year.

Borrowings and Cost of Finance

CEB's finance costs amounted to LKR 59.9 billion during the year under review, driven by a 85% increase in delayed interest on payments to Independent Power Producers (amounting to LKR 12.1 billion), while delayed interest to Ceylon Petroleum Corporation (CPC) decreased by 37% (LKR 3.3 billion) along with the settlements of past dues. The prevailing high interest rates in the reviewed period contributed to the increase in interest charges on borrowings. The non-availability of a cost-reflective tariff and disturbances in the collection process due to the pandemic in preceding years severely affected CEB's already hindered cash flows, obstructing settlements with major suppliers, including independent power producers, resulting in increased delayed interest.

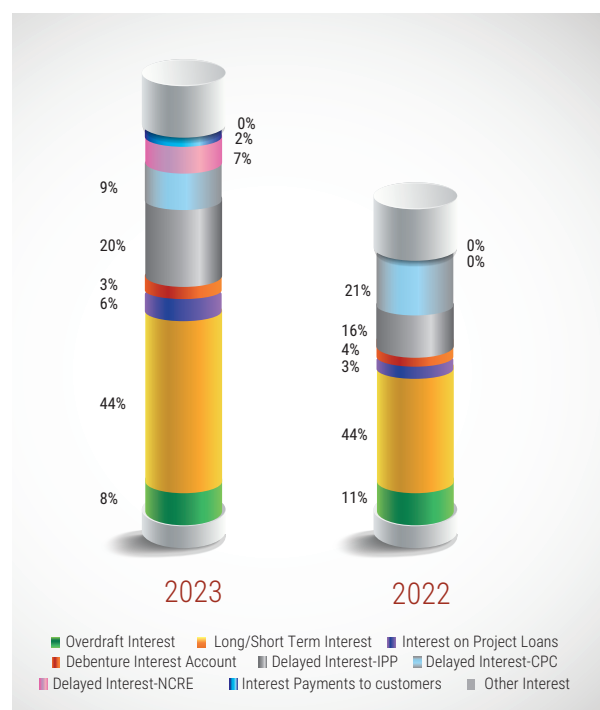


Figure FR7: Finance Cost Analysis-2022/2023 (LKR million)

Amidst new borrowings amounting to LKR 48.35 billion in 2023, the interest cost surged by 40% to LKR 36.9 billion, reflecting an increase in interest rates as well. The Central Bank raised interest rates in the year under review, negatively affecting Finance Cost. The enhanced overdraft facility to meet the working capital requirements of CEB has adversely affected Finance Cost.

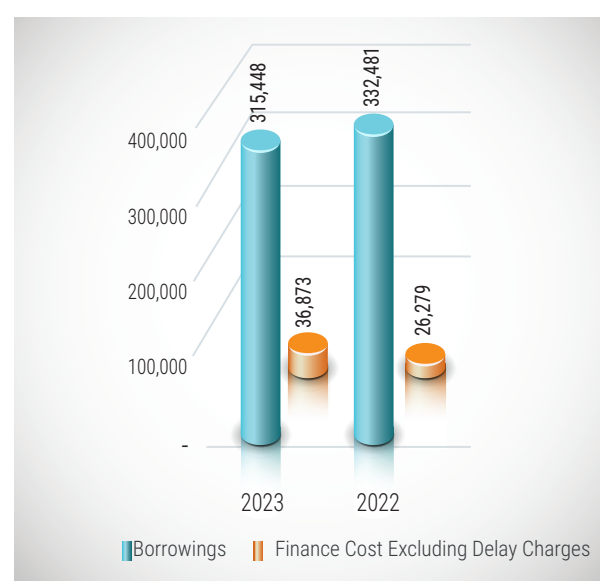


Figure FR8: Borrowings vs Finance Cost-2023/2022

Finance Review (Contd.)

Financial Position

Despite the challenging operating landscape that prevailed, assets grew by 12% to LKR 1,204 billion, reflecting ongoing expansion and developments in Generation, Transmission, and Distribution, as well as increased working capital. Non-Current Assets and Current Assets grew by 4% and 58% respectively during the year, with key contributors being Property, Plant & Equipment, and Trade and Other Receivables. Cash and cash equivalents for the year 2023 increased due to improvements in cash inflows followed by upward tariff revisions. Trade & Other Receivables increased by LKR 50 billion (63%) due to upward tariff revisions, while CEB has taken proactive efforts across the distribution divisions to strengthen collections and shore up liquidity.



Figure FR9: Assets growth- 2023/2022

Property, Plant & Equipment increased by 4% compared to the previous year, representing 77% of CEB's total asset base. This growth was primarily driven by investments in transmission & distribution lines and civil works. Trade & Other Receivables also saw a significant increase of 63% equivalent to LKR 49.6 billion, mainly due to Trade Receivables. As a result, current assets accounted for 21% of CEB's total asset base, up from 15% in the previous year. Additionally, 'non-related electricity debtors' grew by 46%, influenced by the upward tariff revision implemented in 2023 and other prevailing socio-economic conditions in the country.

Through healthy profit retention and Government Capital infusion in 2023, CEB bolstered its capital position. Continuous losses stemming from the absence of a cost-reflective tariff in recent years have weakened CEB's capital position and funding profile. However, the biannual tariff revisions and an interim tariff revision in 2023 led to a 60% increase in Total Equity, amounting to LKR 498 billion. Furthermore, the Government transferred LKR 126.27 billion as Additional Equity Investment for CPC payments. Consequently, Total Equity funded 41% of Total Assets in 2023, compared to 29% in 2022.

Debt funded 26% of CEB's Total Assets, showing an improvement from the previous year's 31% due to debt-to-equity conversion. CEB continued to pursue debt-funded project implementation, resulting in borrowings of LKR 24.4 billion for financing projects, along with an additional LKR 24 billion borrowed for working capital. Despite acquiring new Term loans during the year, short-term loans decreased by 27% by LKR 23 billion, thanks to improved cash inflows resulting from the imposition of a cost-reflective tariff.

Furthermore, Total Liabilities decreased by 8% year-on-year to LKR 706 billion, with total interest-bearing loans & borrowings being lower than equity. This reduction in liabilities contributed to a decrease in CEB's Debt/Equity ratio by the end of 2023.

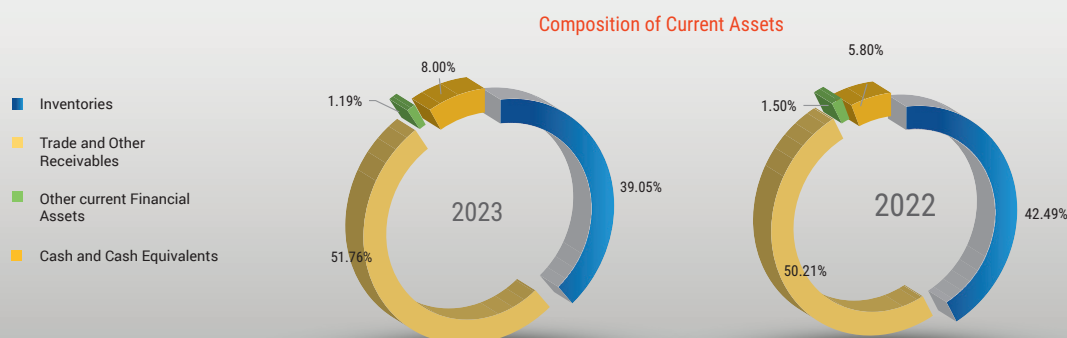
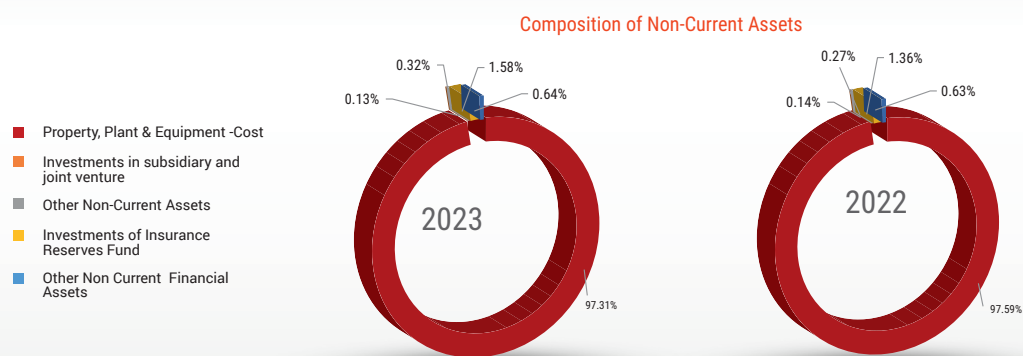
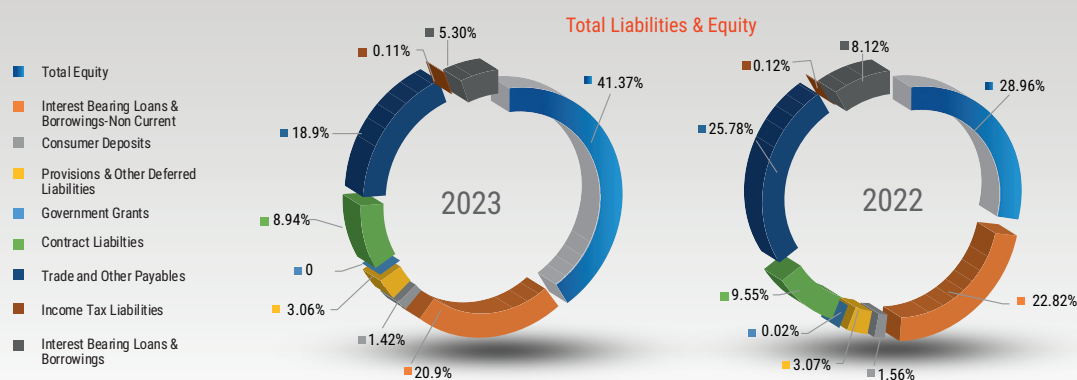
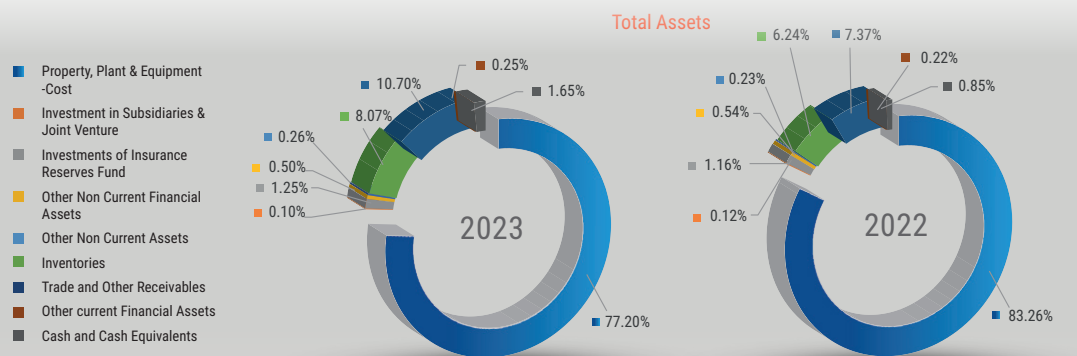
Financial Ratios

Ratio	2023	2022 (Restated)
Return on Assets	5%	29
Return on Equity	15%	-125%
Debt to Equity	63%	107%
Debt to Assets	27%	31%
Current Ratio	0.83:1	0.43:1
Quick Ratio	0.44:1	0.25:1
Interest Cover	0.50	-0.26
DSCR	1.77	-3.78

Figure FR10: Financial Ratios

Finance Review (Contd.)

Financial Position (Highlights)



Ten Year Summary

The Result of the Operations and the assets position of the Ceylon Electricity Board for the last ten years are given below

For the year ended 31 December	2023 (LKR million)	2022 (Restated) LKR million	2021 (Restated) LKR million	2020 (Restated) LKR million	2019 (Restated) LKR million	2018 (Restated) LKR million	2017 (Restated) LKR million	2016 (Restated) LKR million	2015 (Restated) LKR million	2014 (Restated) LKR million	2013 (Restated) LKR million
Result of operation											
Revenue	606,627	308,457	248,776	238,911	242,950	229,571	218,450	206,811	188,684	202,645	194,147
Consession provided to Domestic Customers	(0.1)	(1)	(196)	(5,908)	-	-	-	-	-	-	-
Cost of sales	(506,966)	(444,625)	(266,596)	(276,938)	(322,521)	(251,964)	(260,273)	(222,097)	(168,781)	(213,646)	(165,509)
Gross Profit / (loss)	99,661	(136,168)	(18,016)	(43,935)	(79,571)	(22,393)	(41,823)	(15,286)	19,903	(11,001)	28,638
Other Income & Gain	31,579	11,581	11,466	8,817	10,307	9,450	8,143	10,323	8,292	5,871	5,107
Administrative Expenses	(12,301)	(38,458)	(8,290)	(7,131)	(7,280)	(5,832)	(5,110)	(4,965)	(4,086)	(3,146)	(2,556)
Finance Income	2,231	1,394	1,131	1,338	1,751	1,466	1,194	1,049	434	304	1,677
Finance Cost	(59,935)	(41,850)	(20,431)	(19,522)	(22,526)	(13,036)	(8,415)	(4,312)	(5,134)	(7,030)	(10,601)
Profit / (Loss) After Net Finance Cost	61,236	(203,501)	(34,139)	(60,433)	(97,319)	(30,345)	(46,011)	(13,191)	19,409	(15,002)	22,265
Exchange Loss resulting from Debt to Equity conversion from the Government	-	(94,689)	-	-	-	-	-	-	-	-	-
Profit / (Loss) Before Income tax	61,236	(298,189)	(34,139)	(60,433)	(97,319)	(30,345)	(46,011)	(13,191)	19,409	(15,002)	22,265
Income Tax Expenses	-	-	-	(53)	(39)	(50)	(232)	(263)	(61)	(95)	-
Deferred Tax (Charge)/ Reversal	-	-	-	-	-	-	-	-	-	995	(1,326)
Actuarial gain/(loss) on defined benefit obligations	(3,154)	(11,059)	(505)	(8,678)	(64)	(1,541)	(1,338)	(1,003)	952	(3,183)	(39)
Total Comprehensive Income / Loss for the period	58,082	(309,248)	(34,644)	(69,164)	(97,422)	(31,936)	(47,581)	(14,457)	20,300	(17,285)	20,900
As at 31 December											
Assets											
Property Plant & Equipment	929,742	894,674	851,938	819,086	781,409	747,012	724,068	704,695	694,415	681,471	648,130
Intangible assets	166	142	134	162	108	-	-	-	-	-	-
Investment in Subsidiaries	912	912	912	912	912	912	912	912	912	785	785
Investment in Joint Venture	349	349	329	329	329	329	329	329	329	150	150
Investment of Insurance reserve fund	15,111	12,460	10,658	9,981	8,997	8,070	7,246	6,496	6,036	5,653	5,250
Other financial Assets	6,079	5,783	7,700	8,859	9,951	10,204	8,912	8,983	3,848	2,291	-
Other non-current Assets	3,095	2,496	851	1,074	1,489	1,242	961	949	896	-	-
Non-current Assets held for sale	0.076	0.076	0.076	0.076	0.076	0.076	0.655	1,022	1,025	1,023	1,021
Current Assets	248,921	157,733	131,446	116,617	110,576	102,338	89,065	80,968	69,391	72,662	91,423
Total Assets	1,204,374	1,074,548	1,003,967	957,020	913,771	870,107	831,494	804,354	776,852	764,035	746,759
Liabilities											
Interest bearing loan and Borrowings	251,559	245,221	403,592	352,094	318,149	281,262	236,129	220,476	214,299	221,735	355,043
Consumer Deposits	17,081	16,720	16,300	15,641	15,014	14,311	13,557	12,753	11,484	10,458	9,722
Provision & other Differed Liabilities	36,809	33,001	21,615	20,121	10,482	10,038	8,622	7,262	6,116	6,572	3,236
Government Grants	225	241	188	200	213	228	243	211	-	-	-
Deferred Income	-	-	-	-	-	-	-	-	71,696	66,292	60,343
Contract liabilities	107,622	102,613	99,518	95,771	89,746	86,335	82,564	77,628	-	-	-
Deferred Taxation	-	-	-	-	-	-	-	-	-	-	22,182
Current liabilities	292,779	365,563	289,037	208,447	223,803	145,712	123,682	72,661	43,630	64,147	69,134
Total Liabilities	706,076	763,358	830,250	692,274	657,407	537,886	464,797	390,991	347,225	369,204	519,660
Equity											
Contributed Capital	991,430	865,159	413,055	391,731	323,194	302,695	302,695	302,695	302,228	289,038	121,708
Reserves	48,204	44,077	41,223	39,254	37,110	34,881	32,783	30,283	28,463	27,434	25,999
Retained Earnings	(541,336)	(598,047)	(280,560)	(166,239)	(103,940)	(5,355)	31,219	80,385	98,936	78,359	79,392
Total Equity	498,298	311,189	173,717	264,746	256,364	332,221	366,697	413,363	429,627	394,831	227,099
Total Equity & Liabilities	1,204,374	1,074,548	1,003,967	957,020	913,771	870,107	831,494	804,354	776,852	764,035	746,759

Value Added Statement

	2023 In Rs. LKR million	2022 In Rs. LKR million (Restated)
Value Created		
Revenue	606,627	308,457
Other Income	31,579	11,581
Finance Income	2,231	1,394
Cost of resources provided by outsiders	(416,337)	(277,272)
Total Value Created by the Entity	224,101	44,161
Value distributed		
To Employees as Remuneration and Other Benefits	46,600	44,980
To Government Revenue		
Income Tax	-	-
Other Taxes	23,863	15,315
To Lenders of Capital		
Interest on Borrowing	59,935	41,850
To the Community		
Corporate Social Responsibility	693	784
Concessions provided due to COVID	-	-
Electricity provided at subsidized tariff	-	-
Value Retained for Growth and Expansion		
Retained	58,082	(309,248)
Depreciation	34,928	34,004
Total Value Distributed by the Entity	224,101	44,161

Corporate Governance Report

Introduction

In the pursuit of maintaining transparent and effective governance practices, CEB presents its comprehensive governance report for the fiscal year 2023. This report encapsulates our commitment to upholding the highest standards of corporate governance, ensuring accountability, transparency, and efficiency across all facets of our operations.

Governance Framework

At CEB, the governance framework is meticulously designed to foster transparency, ethical conduct, and accountability. Key components of our framework include:

Board of Directors

Comprising independent, non-executive directors, the board oversees the organization's affairs collectively. Regular meetings are convened to review performance, establish strategic direction, and offer guidance to the management team.

Management

Our management team is entrusted with the responsibility of executing the decisions of the board and managing operations in an efficient, effective, and transparent manner. They are held accountable for performance and are dedicated, responsible, and committed to driving sustainable growth through their actions and decisions.

Policies and Procedures

CEB has meticulously crafted and implemented comprehensive policies and procedures to govern its operations, recognizing its role not merely as a business entity but as a vital state-owned enterprise entrusted with the provision of essential services. These policies underscore our unwavering commitment to compliance with legal requirements and regulations while ensuring the secure handling of funds earned from the public through the provision of electricity services.

In the sphere of risk management, our policies are meticulously designed to identify, assess, and mitigate risks effectively, safeguarding both public funds and the reliability of our services. By adhering to stringent financial reporting standards, we maintain transparency and accuracy in our financial disclosures, reinforcing accountability and trust among stakeholders.

Moreover, ethical conduct lies at the core of our organizational values. Our policies emphasize the utmost importance of integrity, fairness, and ethical behavior in all our interactions and operations. Upholding these standards not only strengthens our reputation as a trusted state-owned enterprise but also fosters a culture of responsibility and respect within the organization.

Through the implementation of these robust policies and procedures, CEB reaffirms its commitment to operating with integrity, transparency, and accountability in every aspect of its service provision, ensuring the efficient and secure delivery of electricity as a vital state-owned enterprise.

Stakeholder Engagement

We actively engage with stakeholders, including customers, employees, shareholders and the community, to understand their concerns and expectations. Transparent and open communication channels are maintained to address stakeholder interests.

Internal Audit Performance

As we delve into our organizational performance and governance practices, it is imperative to shed light on the critical role played by our Internal Audit function. Throughout the fiscal year, our Internal Audit team has been steadfast in its commitment to upholding the highest standards of corporate governance, ensuring transparency, accountability, and efficiency across all facets of our operations.

Audit Focus

Throughout 2023, our audit activities primarily focused on system audits to ensure the continuity and effectiveness of implemented systems within CEB. Furthermore, management controls, procurement processes, store management systems, and debtor collection systems underwent thorough monitoring and review.

Audit Activities

During the financial year 2023, the Internal Audit Branch conducted various audits with a focus on ensuring the robustness of risk management processes and the effectiveness of controls. The breakdown of the total number of audits conducted is as follows:

Table CGR1: Details of Audits Performed during the Year 2023

Type	No.
Routine Audits	12
System Audits	59
Board Information	05
Special Investigations	23
Audit Committee Reports	19
Total	118

Corporate Governance Report (Contd.)

Governance Practices

During the year, CEB has remained committed to upholding the highest standards of good governance through the facilitation of various internal and external audit functions, effective management of audit committees, timely preparation of accounts, and adherence to regulatory requirements. The Chief Internal Auditor and the Government Auditor were provided with requested information and documentation promptly to support the audit process. Necessary resources were allocated to facilitate comprehensive and efficient internal audits.

CEB management supported the Audit and Management Committee in overseeing financial reporting, internal control, and risk management processes. During the year, three preparatory meetings were held to address the concerns raised by the Committee on Public Enterprises (COPE), and detailed reports were produced to assist COPE in reviewing the financial performance and governance practices of the CEB. Follow-up actions based on COPE recommendations were implemented to enhance governance and operational efficiency.

CEB management also attended other Parliamentary Committees to provide information and insights on operations and governance practices. The organization liaised effectively with the Public Utilities Commission of Sri Lanka to ensure regulatory compliance and operational efficiency. Statutory and Regulatory Accounts were prepared in accordance with relevant accounting standards and regulatory requirements on time, maintaining the highest levels of accuracy and integrity in financial reporting to ensure stakeholders' confidence.

Conclusion

CEB remains steadfast in its commitment to upholding exemplary standards of corporate governance. Through the diligent implementation of our governance framework and the unwavering dedication of our management and board, we continue to foster an environment of transparency, accountability, and efficiency across all facets of our operations.



Profile of the Members of the Board

N. S. ILANGAKOON	
Designation	Chairman
Tenure	From 13 th June 2022
Skills and Experience	A Qualified Commercial Pilot with instrument rating and seaplane rating in both Sri Lanka and the USA. He holds a Diploma in Human Resource Management from the National Institute of Business Management, Sri Lanka, and a Master's Degree from the UK. He has 16 years of experience in Business Management as Chairman, Director, and Senior Manager in both Government and Private Sector organizations, and established good corporate governance practices and procedures and works to promote the highest standards of integrity and probity.
Role in Other Entities	Chairman - Sri Lanka Energies (Pvt.) Ltd. Chairman - Trincomalee Power Company Ltd. Director - Lanka Electricity Company (Pvt.) Ltd. Director - LTL Holdings Ltd. Director - LTL Transformers (Pvt.) Ltd. Director - LTL Galvanizers (Pvt.) Ltd. Director - Lanka Coal Company (Pvt) Ltd.

D. K. P. U. GUNATHILAKE	
Designation	Vice Chairman
Tenure	From 10 th May 2023
Skills and Experience	A distinguished professional with over 30 years' experience at the CEB, he is a Chartered Engineer in the UK and Sri Lanka and a Fellow of both the Institution of Engineering and Technology (FIET, UK) and the Institution of Engineers Sri Lanka (FIE, SL). He holds a Master's Degree in Engineering, an MBA, a Postgraduate Diploma, and advanced certifications in management (CIMA Adv Dip MA). He is also a Senior Member of the IEEE (US) and a Fellow of the Chartered Management Institute (UK). Throughout his career, he has demonstrated a comprehensive understanding of power system operations, maintenance, system design, and utility management, along with extensive experience in the construction of power lines and substations, showcasing his dedication to strengthening the nation's power infrastructure.
Role in Other Entities	Director-Trincomalee Coal Power Company Ltd. Director-Sri Lanka Energies (Pvt.) Ltd

M. R. V. R. MEEPURA	
Designation	Board Member
Tenure	From 11 th January 2022
Skills and Experience	A distinguish professional with a Master's Degree in Finance & Business Economics from the University of Adelaide and a Master of Business Studies from the University of Colombo. He also holds a Special Degree in Human Resources Management from the University of Sri Jayawardenapura. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, an Associate Member of the Institute of Public Finance and Development Accountancy, a Member of the Institute of Certified Management Accountants of Sri Lanka, a Senior Member of Association of Accounting Technicians Sri Lanka and Member of Accountants Service Sri Lanka. He recently served as Acting Additional Director General in the Department of Public Enterprises from 2021-01-18 to 2021-07-21 and as Director (Policy Decision) in the Department of Public Enterprises from 2013-05-15 to 2019-01-20. These appointments highlight his vast experience in public financial management, policy development, and strategic decision-making. Over a career spanning more than two decades, he has gained comprehensive expertise in financial governance, revenue administration, audit practices, and public enterprise management, holding numerous key positions across various government departments and ministries.
Role in Other Entities	Director- LTL Holdings Ltd. Director- LTL Galvanizes (Pvt.) Ltd. Director- Transformers (Pvt.) Ltd

(Dr.) B. WIJAYRATHNE	
Designation	Board Member
Tenure	From 7 th January 2021
Skills and Experience	A distinguish professional with a Doctor of Philosophy (USA), Master of Public Administration, and Special Public Administration Degree from the University of Sri Jayawardenaapura. He has more than 35 years of experience in the Public Sector as a member of the Sri Lanka Administrative Service. He served as the Secretary of the Ministry of Agriculture before his appointment to the CEB Board. He held the posts of Secretary of the Ministry of Youth and Skill Development, Additional Secretary of the Ministry of Economic Development, Director General of the Sri Lanka Institute of Development Administration, and Commissioner General of Motor Traffic.
Role in Other Entities	

Profile of the Members of the Board (Contd.)

G. P. N. M. ABESEKARA	
Designation	Board Member
Tenure	From 24 th December 2021
Skills and Experience	A distinguish professional with a Master's Degree in Arts (Sociology), Post Graduate Diploma in Business Management, and Diploma in Monitoring & Evaluation, Certificate in General Management, and Certificate in Public Management. He has more than 22 years of experience in Public Service as a Member of the Sri Lanka Administrative Service (SLAS), and he has prior experience as an Additional Secretary in the Ministry of Justice and Ministry of Urban Development. In addition, he possessed posts of Senior Assistant Secretary and Director in a number of Ministries and Government Departments as well.
Role in Other Entities	Additional Secretary in the Ministry of Industries.

(Prof.) P. B. R. DISSANAYAKE	
Designation	Board Member
Tenure	From 23 rd March 2023
Skills and Experience	A Senior Professor in Civil Engineering with extensive experience in academia, public sector leadership, and professional organizations. Currently the President of the Institution of Engineers, Sri Lanka (IESL), he previously chaired the Green Building Council of Sri Lanka (2017–2024) and served as a Board Member of the Sri Lanka Transport Board (SLTB). His public sector roles include Secretary positions at the State Ministries for Rural Roads Development, Urban Development, and Infrastructure. With a Ph.D. and M.Eng. from Ehime University, Japan, and a B.Sc. in Engineering from the University of Peradeniya, he has also held roles at IESL, including Chair of the Civil Engineering Sectional Committee and Head of Civil Engineering at the University of Peradeniya. His career reflects a commitment to advancing engineering standards, sustainability, and public service in Sri Lanka.
Role in Other Entities	Member of the Board-State Development & Construction Corporation Member of the Board -National Science Foundation Chairman & Founder- Lego International Pvt Ltd Chairman & Founder- International Centre for Sustainable Built Environment (ICB) Pvt Ltd Chairman & Founder- Graduate Associate Professional (gap Pvt Ltd) Chairman & Founder- Wrangler Solutions (WSP Pvt Ltd) Founder & Director-Lanka AAC Pvt Ltd Vice President- Chamber of Construction Industry (CCI), Sri Lanka

E. S. G. EDIRISINGHE	
Designation	Board Member
Tenure	From 31 st January 2023
Skills and Experience	A distinguished professional with a wealth of qualifications and extensive experience, he currently serves as the Additional Director General (Admin) at the Department of Census and Statistics. His career has been marked by significant contributions to both government and private sector organizations. His academic background includes a Master of Arts in Sociology (2008) from the University of Kelaniya, a Bachelor of Arts (Special) Degree with Second Upper Division (1993), and a Post Graduate Diploma in Education from the University of Colombo. He has further honed his expertise with specialized certifications from the Sri Lanka Institute of Development Administration (SLIDA), including certificates in Public Administration and General Management (2004). Additionally, he possesses a National Diploma in Teaching (1990) from the Mahaweli Training College of Education and has undergone training in Human Resource Management and National Disaster Management (2002) at the National Disaster Management Centre. His comprehensive educational foundation, combined with years of experience in high-responsibility roles, makes him a seasoned leader in public administration.
Role in Other Entities	-

Report of the Members of the Board

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 (the Board) has pleasure in presenting audited Consolidated Financial Statements for the year ended 31st December 2023.

Principal Activities

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

Subsidiaries and Joint Ventures

The principal activities of Subsidiaries and Joint Venture are given under Notes to the Financial Statements on page 93. There were no significant changes in the nature of the principal activities of the Board and the Group during the year under review.

Changes to the Group Structure

The changes to the Group structure during the year are given in Notes 12 and 13 to the Financial Statements on pages 122 to 123 of this Annual Report.

Review of the Year's Performance

The Chairman's Message on pages 12 to 13 incorporates the year's performance of the Board/Group. The General Manager's Review on pages 14 to 19 provides a detailed description of the operations of the Board during the year under review. The section titled "Finance Review" on pages 70 to 74 provides a detailed analysis of Financial performance and Position of the Board. These reports that provide a fair review of the Board's affairs form an integral part of the Annual Report.

Contributed Capital

The contributed capital 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. Details of Contributed capital is given in note no 22 of the Financial Statements on page 128.

Issue and Utilization of Debentures

During the year in April 2021, CEB issued LKR 20 Billion worth of senior unsecured listed redeemable rated debentures with the issue price of LKR 100 at a fixed coupon rate of 9.35% and the maturity period of 5 Years.

The funds raised through the Debenture Issue (LKR 20 Billion) was fully utilized to settle the credit facilities obtained from Ceylon Petroleum Corporation (30% of the funds) and other Independent Power Producers (IPP's) (70% of the funds).

Debenture Trading Information

Trading Information for the year ended December 31 st 2023	
Highest Price	88.66
Lowest Price	88.66
Last Traded Price	88.66
Traded Quantity	100
Last Traded Date	January 18 th 2023

In 2023, no funding was obtained through an Initial Public Offering (IPO) or additional issuances of securities.

Credit rating

National Long-Term Rating of CEB has downgraded to 'B(lka)' from 'AA-(lka)' on 12th January 2023. This rating action follows the downgrade of the Sri Lankan sovereign's Long-Term Local-Currency Issuer Default Rating (IDR) to 'CC' from 'CCC' on 1 December 2022.

Corporate Social Responsibility (CSR)

Activities carried out related to Corporate Social Responsibility, during the period under review are given in page 64 with the section titled Corporate Social Responsibility Report.

Sustainability

CEB has committed to perform its operations while maintaining a right balance of Social, Economic and Environmental sustainability. CEB's approach to achieve Social, Economic and Environmental Sustainability is stated in page nos 60 -63.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements that will reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards and Ceylon Electricity Board Act No. 17 of 1969. In the case of Subsidiaries, the Financial Statements are prepared also in accordance with the provisions of the Companies Act No. 07 of 2007.

Auditor's Report

The Auditor General is the Auditor of Ceylon Electricity Board in terms of the provisions of Article 154 of the Constitution of the Democratic Socialist Republic of Sri Lanka and Section 51 of the Ceylon Electricity Board Act No. 17 of 1969. Report of the Auditor General on the Consolidated Financial Statements of the Board and its Subsidiaries as at 31 December 2023 is given on page 160 of this Annual Report.

Accounting Policies

The Group and the Board prepared their Financial Statements in accordance with Sri Lanka Accounting Standards (LKASs) and Sri

Report of the Members of the Board (Contd.)

Lanka Financial Reporting Standards (SLFRSs). The accounting policies adopted in the preparation of Financial Statements are given on pages 93 to 110. There have been no material changes in the accounting policies adopted by the Board during the year under review.

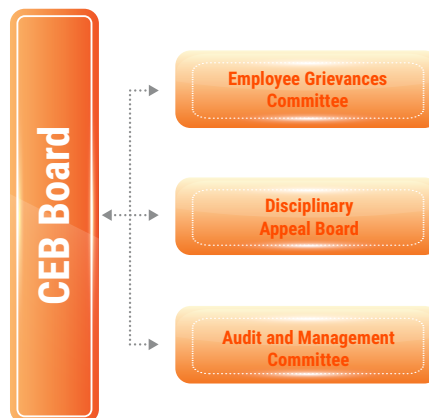
Board members' Interest in Contracts with the Board

The Directors have no direct or indirect interest in any contract or proposed contract with the Board for the year ended 31 December 2023 other than those disclosed in Note 39.4 in the financial Statements.

Remuneration Committee

Ceylon Electricity Board is a government institute established by a Parliament Act. Accordingly administrative practices and control procedures are governed by Circulars, Acts etc. CEB does not require to hold a Remuneration Committee as the remuneration of the Directors of the CEB are decided based on Public Enterprise Circular No: PED 3/ 2015 issued by the Ministry of Finance. The above mentioned circular can be viewed in the following URL <https://www.treasury.gov.lk/web/public-enterprises-department-circular/section/2015>.

The following Sub Committees have been appointed by the Board.



Employees Grievances Committee

Employees Grievances Committee (EGC) is a Sub-Committee appointed by the Board to handle individual Grievances of Employees of the CEB.

The Grievances Committee comprises of 02 Board Members and several Senior Executives of CEB.

The Board Member composition of the Committee for the year 2023 is given below.

Name	Designation in CEB	Designation in Committee	Tenure
Mr. D.K.P.U. Gunathilake,	Vice Chairman, CEB	Chairman	From January 2023
Mr. E.S.G. Edirisinghe	Board Member	Member	From September 2023

Other members are as follows;

Name	Designation in CEB
Eng. H.M.K.J. Weerasuriya	DGM - C&C/DD - 02
Eng. R.K.P.S. Gunathilake	DGM - CA/Gen
Eng. P.A.J.P.K. Perera	DGM-P
Ms. W.P.G.C.S. Jayalath	AFM-Corporate
Eng. D.M.K.M. Premathilake	CE-Policy
Ms. P.R. Handapangoda	HRM/DGM-P

The Committee formally met 05 times during the year 2023 and reviewed 86 Nos. of individual Grievances of Employees/Ex-employees of the CEB.

The Minutes of the meetings will be tabled at the Board Meetings for approval and subsequently, the General Manager/CEB will take early action to implement the said decisions accordingly.

The Secretary to the Board is the Convener of this Sub Committee.

Disciplinary Appeals Board

The Disciplinary Appeals Board is a sub-committee of the Board. This Committee is formed to handle disciplinary matters of employees of CEB. The Committee had formally met 02 times during the financial year 2023 and handled 11 cases.

The Minutes of the Committee meetings will be tabled at Board Meetings for approval and subsequently, the General Manager/CEB will take early necessary actions to implement the said decisions accordingly.

Report of the Members of the Board (Contd.)

The composition of the committee for the year 2023 was as follows.

Name	Designation in CEB /Other	Designation in Committee	Tenure
Dr. B. Wijayaratne	Board Member	Chairman	From 06 th October 2021
Eng. D.K.P.U. Gunathilake	Vice Chairman	Member	From 27 th June 2023
Mr. G.P.N.M. Abeysekera	Board Member	Member	From 28 th October 2022
Mr. L.K.S.U. Dharmakeerthi	Observer to the board	Member	From 06 th October 2021
Mr. P.S. Pathirathna	Retired Additional Commissioner General of Labour	Member	From 07 th December 2018

The Board Secretary is the Convener of this Sub Committee.

Audit Committee

The Audit Committee, functioning as a sub-committee of the governing body, holds a comprehensive responsibility for reviewing the organization's governance and risk management systems. The committee monitors internal control processes and oversees the functions of both Internal Audit and Statutory Audit.

Composition:

The Audit Committee comprises four independent directors with substantial skills and extensive experience in finance, audit, and related areas. The Head of Internal Audit Branch serves as the convener to the committee. In addition, the General Manager, Finance Manager, and representatives from the Auditor General's Department and the Ministry of Power & Renewable Energy attended meetings by invitation.

The members for the audit committee for the year 2023 is given in the below table.

Name	Designation	Designation in Committee	Tenure
Mr. M.R.V.R. Meepura	Board Member	Chairman	From 11 th January 2022 to date
Dr. B. Wijerathne	Board Member	Member	From 07 th January 2021 to date
Mr. R. Wickramaarchchi	Board Member	Member	Until 30 th May 2023
Mr. E.S.G. Edirisinghe	Board Member	Member	From 31 st January 2023
Prof. P.B.R. Dissanayake	Board Member	Member	From 23 rd March 2023

Activities of the Audit Committee:

The Audit Committee actively reviewed reports submitted by both Internal Audit and Statutory Audit, focusing on operational and financial reviews. Leveraging their extensive experience and expertise, the committee recommended additional controls and risk mitigation strategies where necessary.

This approach aimed to strengthen internal control systems, thereby minimizing the occurrence and impact of fraud, errors, and operational and financial risks faced by the entity.

The Audit Committee held four formal meetings during the year 2023, underscoring its commitment to diligent oversight and strategic guidance.

Name of the Board Member	Date of AMC held on year 2023			
	2023-02-28	2023-04-04	2023-09-15	2023-12-12
Mr. M.R.V.R. Meepura	✓	✓	✓	✓
Dr. B. Wijerathne	✓	✓	✓	✓
Mr. R. Wickramaarchchi	✓			
Mr. E.S.G. Edirisinghe	✓	✓	✓	
Prof. P.B.R. Dissanayake	✓	✓	✓	

In conclusion, the Internal Audit Branch and the Audit Committee have collectively played a crucial role in ensuring the entity's adherence to corporate governance standards and the continual improvement of operational processes. Their collaborative efforts

have contributed to the entity's resilience against emerging risks and uncertainties, fostering a culture of accountability and efficiency.

Report of the Members of the Board (Contd.)

The committee reviews the organization's overall framework for internal control over financial reporting, risk management, and review of external and internal audit functions. The committee met four times in the year 2023 and reviewed the internal and external audit reports using their extensive experience and expertise, recommending additional controls and risk mitigation strategies that could be implemented where necessary to strengthen the existing internal control systems.

Related Party Transactions

Related party Disclosures as required by the Sri Lanka Accounting Standard – LKAS 24 are detailed in note no 39 of the consolidated financial statements.

Compliance with Laws and Regulations

The Directors, to the best of their knowledge and belief confirm that the Group has not engaged in any activities contravening the laws and regulations.

Outstanding Litigation

Contingent liability that arise due to pending litigations is mentioned in note no 37.1 of Consolidated Financial Statements.

Statutory Payments

The Board confirms that all statutory payments due to the Government and in relation to employees have been made on time.

Post Balance Sheet Events

Events occurring after the Statement of Financial Positions are detailed in note no 36 of the consolidated Financial Statements.

Going Concern

The Directors are confident that the resources of the Board are adequate to continue its operations. Therefore, it has applied the going concern basis in preparing the Financial Statements.

Compliance to CSE Listing Requirements related to contents of Annual Report

Listing Rules No.	Disclosure Requirements	Reference / Comments	Page No.
7.6 (i)	Names of persons who during the financial year were Directors of the entity.	Report of the Members of the Board	80-81
7.6 (ii)	Principal activities of the entity and its subsidiaries during the Year and any changes therein.	Report of the Members of the Board and note 12.1 of Audited Consolidated Financial statements	82,122
7.6 (iii)	The names and the number of shares held by the 20 largest Holders of voting and non-voting shares and the percentage of such shares held.	Not Applicable	-
7.6 (iv)	The public holding percentage.	Not applicable	-
7.6 (v)	A statement of each Director's holding and Chief Executive Officer's holding in shares of the entity at the beginning and end of each financial year.	Not applicable	-
7.6 (vi)	Information pertaining to material foreseeable risk factors of the entity.	Risk Management Report	57 - 59
7.6 (vii)	Details of material issues pertaining to employees and Industrial relations of the entity.	No material issues occurred during the year	-
7.6 (viii)	Extents, locations, valuations and the number of buildings of the entity's land holdings and investment properties.	Asset management Division	50 - 51
7.6 (ix)	Number of shares representing the entity's stated capital	Not Applicable	-
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities and percentage of their total holdings.	Not applicable	-
7.6 (xi)	Ratios and market price information:		
	Interest rate of comparable government securities , Debt /Equity Ratio , Interest cover , Quick asset ratio	Financial Review	73
	Market price and yield during the year (Highest price / Lowest price /Last traded price	Report of the Members of the Board	82
	Any Changes in credit rating	Report of the Members of the Board	82
7.6 (xii)	Significant changes in the entity's or its subsidiaries' fixed assets and the market value of the land, if the value differs substantially from the book value.	Not Applicable	-
7.6 (xiii)	During the year the entity has raised funds either through a public issue, rights issue and private placement.	Not applicable	-
7.6 (xiv)	Information in respect of each employee share ownership or stock option scheme.	Not applicable	-
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 (c) and 7.10.6 (c) of Section7 of the Rules.	Profile of the Members of the Board and Report of the Members of the Board	80-85
7.6 (xvi)	Related party transactions exceeding 10% of the equity or 5% of the total assets of the entity as per Audited Financial Statements, whichever is lower.	Note no 39 of Audited Consolidated Financial Statements	155-156

Audited Consolidated Financial Statement

Statement of Profit or Loss

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

	Note	2023	Group 2022 Restated	Board 2023	2022 Restated
Revenue	4	679,864,385	374,626,062	606,627,159	308,457,234
Concession Provided to Domestic Customers	5	(113)	(765)	(113)	(765)
Cost of Sales		(548,294,213)	(485,466,446)	(506,965,962)	(444,624,784)
Gross Profit / (Loss)		131,570,058	(110,841,149)	99,661,084	(136,168,315)
Other Operating Income and Gains	6	38,264,250	27,282,467	31,579,488	11,581,152
Distribution Cost		(193,590)	(288,296)	-	-
Other Expenses		(9,476,759)	(8,565,929)	-	-
Administrative Expenses		(19,921,280)	(44,924,962)	(12,300,916)	(38,457,817)
Operating Profit/(Loss)		140,242,679	(137,337,869)	118,939,656	(163,044,980)
Finance Income	7.1	5,330,043	4,228,389	2,230,917	1,394,312
Finance Cost	7.2	(66,720,448)	(46,801,012)	(59,934,893)	(41,849,854)
Finance Cost-Net		(61,390,407)	(42,572,623)	(57,703,976)	(40,455,542)
Share of loss of Joint Venture	13	(8,760)	(6,373)	-	-
-					
Profit / (Loss) After Net Finance Cost		78,843,514	(179,916,865)	61,235,680	(203,500,522)
Exchange Loss resulting from Debt to Equity conversion from the Government	22.1	-	(94,688,683)	-	(94,688,683)
Profit / (Loss) Before Income tax	8	78,843,514	(274,605,548)	61,235,680	(298,189,205)
Income Tax Expense	9.1	(5,355,752)	(1,827,397)	-	-
Deferred Tax (Charge)/Reversal	9.2	404,552	756,684	-	-
Profit / (Loss) for the Year		73,892,315	(275,676,261)	61,235,680	(298,189,205)
Attributable to:					
Equity Holders of the Parent		67,184,968	(286,992,611)		
Non Controlling Interest		6,707,346	11,316,350		
		73,892,315	(275,676,261)		

The Notes on Pages 93 to 159 form an integral part of the Financial Statements

Audited Consolidated Financial Statement

Statement of Comprehensive Income

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

Note	2023	Group 2022 Restated	Board 2023	2022 Restated
Profit/ (Loss) for the Year	73,892,315	(275,676,261)	61,235,680	(298,189,205)
Other Comprehensive Income				
Actuarial loss on post employment benefit obligation	(3,407,804)	(10,948,707)	(3,154,172)	(11,058,850)
Deferred Tax Impact on Actuarial gain / loss	64,279	(34,876)	-	-
Exchange differences on translation of foreign subsidiary operations	(3,346,392)	8,307,720	-	-
Fair value gain on FVOCI financial assets	2,754,759	411,257	-	-
Deferred tax on net changes in fair value of FVOCI instruments	(501,980)	(93,831)		
Differences on Cash Flow Hedge Reserve	(914,879)	(3,172,261)		
Total Comprehensive Income for the year	68,540,298	(281,206,959)	58,081,508	(309,248,055)
Attributable to:				
Equity Holders of the Parent	63,769,295	(295,973,740)		
Non Controlling Interest	4,771,003	14,766,781		
	68,540,298	(281,206,959)		

The Notes on Pages 93 to 159 form an integral part of the Financial Statements

Audited Consolidated Financial Statement

Statement of Financial Position

As at 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

			Group	As at 1st January 2022 Restated	2023	Board 2022 Restated	As at 1st January 2022 Restated
ASSETS	Note	2023	2022 Restated				
Non-Current Assets							
Property, Plant & Equipment	10	993,182,643	928,207,459	872,427,093	929,741,640	894,673,623	851,903,328
Intangible assets	11	570,863	509,747	513,347	166,018	141,626	133,997
Investments in Subsidiaries	12	-	-	-	911,813	911,813	911,813
Investment in Joint Venture	13	30,544	39,304	25,677	348,606	348,606	328,606
Finance Lease Receivables	14	26,002,647	31,452,406	20,465,468	-	-	-
Other Non Current Financial Assets	15	27,528,492	28,870,304	28,054,665	6,078,732	5,782,582	7,700,399
Other Non-Current Assets	16	4,294,065	3,625,768	1,830,583	3,094,503	2,495,752	851,383
Investments of Insurance Reserve	17	15,111,471	12,460,350	10,657,598	15,111,471	12,460,350	10,657,598
Total Non-Current Assets		1,066,720,725	1,005,165,338	933,974,431	955,452,782	916,814,352	872,487,124
Non Current Assets held for sale	18	76	76	76	76	76	76
Current Assets							
Inventories	19	110,388,129	76,310,878	74,986,599	97,213,145	67,026,536	63,926,113
Trade and Other Receivables	20	126,589,356	122,392,233	82,740,177	120,183,688	65,896,565	54,695,953
Amounts Due from Related Parties	21	-	-	-	8,658,174	13,304,651	3,619,179
Finance Lease Receivables	14	412,282	688,914	825,121	-	-	-
Other Current Financial Assets	15	29,546,670	25,575,581	29,922,547	2,958,920	2,358,209	2,601,739
Cash and Bank Balances	32	33,904,095	22,122,521	15,309,470	19,907,019	9,147,367	5,439,757
Total Current Assets		300,840,532	247,090,127	203,783,914	248,920,945	157,733,328	130,282,741
Total Assets		1,367,561,333	1,252,255,542	1,137,758,421	1,204,373,803	1,074,547,756	1,002,769,941
EQUITY AND LIABILITIES							
Capital and Equity							
Contributed Capital	22	991,430,291	865,159,371	413,054,569	991,430,291	865,159,371	413,054,569
Reserves	23	71,624,608	63,975,736	59,080,516	48,203,517	44,077,094	41,222,600
Retained Earnings / (Loss)		(510,157,714)	(568,272,027)	(268,438,227)	(541,335,938)	(598,047,175)	(287,477,317)
Equity Attributable to the Equity Holders of the Parent		552,897,185	360,863,080	203,696,858	498,297,870	311,189,290	166,799,852
Non Controlling Interest		57,144,294	52,515,406	39,335,587	-	-	-
Total Equity		610,041,479	413,378,486	243,032,445	498,297,870	311,189,290	166,799,852
Non-Current Liabilities and Deferred Income							
Interest Bearing Loans & Borrowings	24	277,108,124	272,748,704	427,957,749	251,559,491	245,221,304	409,900,540
Consumer Deposits	25	17,080,993	16,719,938	16,299,865	17,080,993	16,719,938	16,299,865
Provisions and Other Deferred Liabilities	26	38,818,687	34,529,132	23,289,438	36,809,065	33,001,021	21,615,201
Government Grant	27	717,603	718,372	491,359	224,894	240,578	188,347
Contract Liabilities	28	113,049,979	108,215,342	104,566,763	107,622,267	102,613,051	99,518,157
Deferred Taxation	29	616,219	84,699	712,684	-	-	-
		447,391,605	433,016,187	573,317,858	413,296,711	397,795,892	547,522,110
Current Liabilities							
Trade and Other Payables	30	191,992,955	290,277,110	244,778,965	193,937,377	271,325,346	221,727,114
Dividend Payables		715,990	1,373,813	1,618,538	-	-	-
Amounts Due to Related Parties	31	-	-	-	33,682,665	5,706,618	5,706,616
Interest Bearing Loans & Borrowings	24	112,276,326	110,989,797	71,042,881	63,888,414	87,259,844	59,743,483
Income Tax Payable		5,142,978	3,220,149	3,967,734	1,270,766	1,270,766	1,270,766
		310,128,249	405,860,869	321,408,118	292,779,222	365,562,574	288,447,979
Total Equity and Liabilities		1,367,561,333	1,252,255,542	1,137,758,421	1,204,373,803	1,074,547,756	1,002,769,941

The Notes on Pages 93 to 159 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


Director


General Manager


Finance Manager

Date: 11 - 10 - 2024
Colombo

Audited Consolidated Financial Statement

Statement of Cash Flows

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

	2023	Group 2022 Restated	2023	Board 2022 Restated
Cash Flows From / (Used in) Operating Activities				
Profit/(loss) before tax	78,843,515	(274,605,548)	61,235,680	(298,189,205)
Adjustments for				
Depreciation -Charged for the year	37,385,427	35,918,650	34,928,235	34,004,239
Adjustments	(22,285)	12,536		
Amortization of Consumer Contribution	(4,548,194)	(4,281,308)	(4,548,194)	(4,281,308)
Amortization of Government Grant	(495,755)	(471,096)	(15,685)	(15,685)
Income from Investments	(1,179,081)	(1,519,355)	-	-
(Profit)/Loss on sales of Property, Plant & Equipment	(447,416)	58,394	(414,814)	25,654
Lease Interest	6,685	10,747	6,685	10,747
Finance Costs	66,713,762	46,790,269	59,928,208	41,839,107
Provision for Obsolete & Unserviceable Cost	866,900	(343,274)	865,136	(342,386)
Provision for price Variance	(10,305,501)	(13,197,379)	(10,305,501)	(13,197,379)
Provision for Impairment of Debtors	6,323,363	1,589,841	4,170,283	(1,578,762)
Bad Debt Write off	1,389,331	907,163	1,389,331	907,163
Electric vehicle Charging Revenue	(3,517)	(4,488)	(3,517)	(4,488)
Share of (Profit)/ loss of Joint Venture	8,760	6,373	-	-
Amortization of Intangible Assets	56,950	33,202	-	-
Finance Income	(4,141,814)	(2,702,202)	(2,230,916)	(1,394,313)
Dividend Income	(2,070,058)	(516,129)	(877,507)	(274,221)
Foreign Currency Gain or Loss	(18,768,419)	147,754,427	(13,733,478)	144,062,716
Income adjustment on Finance Lease Receivable	767,984	1,853,641	-	-
Defined Benefit Plans	2,045,456	1,655,664	1,688,012	1,380,133
Personnel Cost on Pension Fund	174,174	(110,953)	174,174	(110,953)
Prepaid Staff Cost	1,503,387	863,216	1,503,387	863,216
WHT expenses on Dividend	131,626	-	131,626	-
Property Plant & Equipment writeoff	2,636	-	2,636	-
Operating Profit/(Loss) before Working Capital Changes	154,237,916	(60,297,609)	133,893,781	(96,295,724)
(Increase)/ Decrease in Inventories	(24,488,261)	12,615,931	(20,591,243)	10,844,322
(Increase)/ Decrease in Trade and Other Receivables	4,362,375	(40,494,675)	(56,289,747)	(19,323,187)
Increase/ (Decrease) in Trade and Other Payables	(99,611,637)	71,027,659	(51,357,374)	73,679,892
Cash Generated from Operations	34,500,393	(17,148,694)	5,655,416	(31,094,698)
Finance Cost paid	(66,627,645)	(45,408,340)	(59,928,208)	(40,467,431)
Retirement Benefit Obligation	(1,344,710)	(1,271,929)	(1,208,315)	(942,210)
Income Tax Paid	(3,494,228)	(2,367,502)	-	-
Net Cash From/(Used in) Operating Activities	(36,966,190)	(66,196,465)	(55,481,106)	(72,504,338)
Cash Flows from / (Used in) Investing Activities				
Acquisition of Property, Plant & Equipment and capital work in progress	(103,515,844)	(90,242,299)	(70,477,485)	(77,900,802)
Acquisition of Intangible Assets	(76,970)	(57,075)	(76,970)	(57,075)
Investment in Joint Ventures	-	(20,000)	-	(20,000)
Re- Investment in Insurance Reserves Fund	(2,651,120)	(1,802,752)	(2,651,120)	(1,802,752)
Interest Income on Insurance Escrow Fund	2,754,729	1,523,707	2,754,729	1,523,707
Investment in Financial Assets	896,393	1,425,188	-	-
Acquisition of Non-Controlling Interest	-	67,500	-	-
Dividend Received	1,938,432	957,041	745,881	715,133
Interest Received	3,550,448	3,417,261	727,529	531,097
Sale Proceeds of Fixed Assets Disposals	509,193	167,171	480,584	120,374
Dividend Paid	(1,964,614)	(5,990,339)	-	-
Net Cash Flows from/(Used in) Investing Activities	(98,559,353)	(90,554,597)	(68,496,851)	(76,890,318)
Cash Flows from (Used in) Financing Activities				
Proceeds From Contributed capital	126,270,920	80,000,000	126,270,920	80,000,000
Consumer Contribution	11,502,413	7,642,888	11,502,413	7,642,888
Electric Vehicle E-card Prepayments	3,972	4,488	3,972	4,488
Funds received for RHCP Project	1,423	8,986	1,423	8,986
Consumer deposit - refund	(153,864)	(341,275)	(153,864)	(341,275)
Consumer deposit Received	514,919	761,348	514,919	761,348
Net Movement in Lease Creditors/(Lease Payment)	(254,580)	(147,740)	(140,679)	(44,776)
Proceeds From Interest Bearing Loans & Borrowings	84,350,738	103,686,181	51,047,908	78,997,829
Repayment of Interest Bearing Loans & Borrowings	(72,185,511)	(47,772,310)	(50,236,608)	(35,705,960)
Redemption of preference shares	-	(1,657,331)	-	-
Net Cash Flows from/(Used in) Financing Activities	150,050,430	142,185,235	138,810,405	131,323,528
Net Increase/(Decrease) in Cash and Cash Equivalents	14,524,887	(14,565,827)	14,832,449	(18,071,129)
Cash and Cash Equivalents at the beginning of the year	(17,603,634)	(3,037,807)	(26,773,096)	(8,701,967)
Cash and Cash Equivalents at the end of the year	(3,078,747)	(17,603,634)	(11,940,647)	(26,773,096)

The Notes on Pages 93 to 159 form an integral part of the Financial Statements

Audited Consolidated Financial Statement

Statement of Changes in Equity

Year Ended 31st December 2023

The Group	Contributed Capital	Capital Reserve	Depreciation Reserve	Asset Replacement Reserve
Balance as at 31 December 2021	413,054,569	19,669,107	26,000	88,526
Prior Year Adjustment made during the Period				
Balance as at 01st January 2022 (Restated)	413,054,569	19,669,107	26,000	88,526
Profit/(Loss) for the period	-	-	-	-
Actuarial Gain/loss on retirement benefits	-	-	-	-
Net gain loss on Fair Value through OCI Investments	-	-	-	-
Exchange Equalization Reserve	-	2,779,173	-	-
Cashflow hedge Reserve	-	-	-	-
Total Comprehensive income	-	2,779,173	-	-
Debt to equity conversion	251,629,768	-	-	-
Puttalam Coal Power Project	120,475,034	-	-	-
Additional Equity Investment for CPC payments	80,000,000	-	-	-
Transferred to Depreciation Reserve	-	-	1,000	-
Interest received from customers	-	8,986	-	-
Interest income from Insurance Reserve Fund	-	-	-	-
Transfer to self insurance reserve	-	-	-	-
Assets Replacement Reserve	-	-	-	-
Development Reserve	-	-	-	-
Surcharge Tax	-	-	-	-
LECO adjustments	-	-	-	-
Issue of shares of subsidiaries	-	-	-	-
Dividend Payment -LTL	-	-	-	-
Balance as at 31 December 2022	865,159,371	22,457,266	27,000	88,526
Balance as at 01 January 2023 (Restated)	865,159,371	22,457,266	27,000	88,526
Profit/(Loss) for the period	-	-	-	-
Actuarial Gain/loss on retirement benefits	-	-	-	-
Net gain loss on Fair Value through OCI Investments	-	-	-	-
Exchange Equalization Reserve	-	(1,092,764)	-	-
Cashflow hedge Reserve	-	-	-	-
Total Comprehensive income	-	(1,092,764)	-	-
Debt to equity conversion	-	-	-	-
Investment Reserve	-	-	-	-
Interest income from Insurance Reserve Fund	-	-	-	-
Additional Equity Investment for CPC payments	126,270,920	-	-	-
Transfer to self insurance reserve	-	-	-	-
Transferred to Depreciation Reserve	-	-	1,000	-
Interest received from customers	-	1,423	-	-
Surcharge Tax	-	-	-	-
Development Reserve	-	-	-	-
Acquisition of Non- Controlling Interest	-	-	-	-
Dividend Payment - LECO	-	-	-	-
Dividend Payment - LTL	-	-	-	-
Balance as at 31 December 2022	991,430,291	21,365,925	28,000	88,526

The Notes on Pages 93 to 159 form an integral part of the Financial Statements

Audited Consolidated Financial Statement

Statement of Changes in Equity

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

Investment Reserve	Self Insurance Reserve	Fair Value Reserve	Development Reserve	Cashflow Hedge Reserve	Retained Earnings	Non Controlling Interest	Total
10,001,863	22,590,245	6,667,451	37,325	-	(261,521,211)	39,335,587	249,949,462
				-	(6,917,017)	-	(6,917,017)
10,001,863	22,590,245	6,667,451	37,325	-	(268,438,227)	39,335,587	243,032,445
-	-	-	-	-	(286,992,611)	11,316,350	(275,676,261)
-	-	-	-	-	(11,019,462)	35,769	(10,983,693)
-	-	171,547	-	-	-	145,879	317,426
-	-	-	-	-	-	5,528,547	8,307,720
-	-	-	-	(912,497)	-	(2,259,764)	(3,172,261)
-	-	171,547	-	(912,497)	(298,012,073)	14,766,781	(281,207,069)
-	-	-	-	-	-	-	251,629,768
-	-	-	-	-	-	-	120,475,034
-	-	-	-	-	-	-	80,000,000
-	-	-	-	-	(1,000)	-	-
-	-	-	-	-	-	-	8,986
-	1,523,707	-	-	-	-	-	1,523,707
-	1,320,803	-	-	-	(1,320,803)	-	-
-	-	-	-	-	-	-	-
-	-	-	2,500	-	(2,500)	-	-
-	-	-	-	-	(511,782)	(461,498)	(973,280)
-	-	-	-	-	14,359	14,280	28,639
-	-	-	-	-	-	67,500	67,500
-	-	-	-	-	-	(1,207,244)	(1,207,244)
10,001,863	25,434,755	6,838,998	39,825	(912,497)	(568,272,027)	52,515,406	413,378,486
10,001,863	25,434,755	6,838,998	39,825	(912,497)	(568,272,027)	52,515,406	413,378,486
-	-	-	-	-	67,184,968	6,707,346	73,892,314
-	-	-	-	-	(3,261,625)	(81,901)	(3,343,526)
-	-	1,203,205	-	-	-	1,049,572	2,252,777
-	-	-	-	-	-	(2,253,627)	(3,346,391)
-	-	-	-	(264,490)	-	(650,388)	(914,878)
-	-	1,203,205	-	(264,490)	63,923,344	4,771,003	68,540,298
-	-	-	-	-	-	-	-
3,676,500	-	-	-	-	(3,676,500)	-	-
-	2,754,729	-	-	-	-	-	2,754,729
-	-	-	-	-	-	-	126,270,920
-	1,369,269	-	-	-	(1,369,269)	-	-
-	-	-	-	-	(1,000)	-	-
-	-	-	-	-	-	-	1,423
-	-	-	-	-	(34,344)	(49,525)	(83,869)
-	-	-	-	-	-	-	-
-	-	-	-	-	(11,118)	(22,499)	(33,617)
-	-	-	-	-	(716,800)	-	(716,800)
-	-	-	-	-	-	(70,091)	(70,091)
13,678,363	29,558,753	8,042,203	39,825	(1,176,987)	(510,157,714)	57,144,294	610,041,479

Audited Consolidated Financial Statement

Statement of Changes in Equity

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

The Board	Contributed Capital	Other Capital reserves	RHCP Reserve	Loan Redemption Reserve	Depreciation Reserves	Self Insurance Reserves	Retained Earnings	Total
Balance as at 31.12.2021	413,054,569	165,446	1,009,797	17,447,062	26,000	22,574,295	(280,560,300)	173,716,869
Prior year adjustment made during the period							(6,917,017)	(6,917,017)
Balance as at 1st January 2022 (restated)	413,054,569	165,446	1,009,797	17,447,062	26,000	22,574,295	(287,477,317)	166,799,852
Profit/(Loss) for the period	-	-	-	-	-	-	(309,248,054)	(309,248,054)
Additional Equity Investment for CPC payments	80,000,000	-	-	-	-	-	-	80,000,000
Puttalam Coal Power Project	120,475,034	-	-	-	-	-	-	120,475,034
Debt to Equity Conversion	251,629,768	-	-	-	-	-	-	251,629,768
Interest income from Insurance Reserve Fund	-	-	-	-	-	1,523,707	-	1,523,707
Transferred to Depreciation reserve	-	-	-	-	1,000	-	(1,000)	-
Transfer to self insurance reserve	-	-	-	-	-	1,320,803	(1,320,803)	-
Interest received from customers	-	-	8,986	-	-	-	-	-
Balance as at 31 December 2022 (Restated)	865,159,371	165,446	1,018,783	17,447,062	27,000	25,418,805	(598,047,175)	311,189,293
Balance as at 1st January 2023 (Restated)	865,159,371	165,446	1,018,783	17,447,062	27,000	25,418,805	(598,047,175)	311,189,293
Profit/(Loss) for the period	-	-	-	-	-	-	58,081,507	58,081,507
Additional Equity Investment for CPC payments	126,270,920	-	-	-	-	-	-	126,270,920
Interest income from Insurance Reserve Fund	-	-	-	-	-	2,754,729	-	2,754,729
Transferred to depreciation reserve	-	-	-	-	1,000	-	(1,000)	-
Transfer to self insurance reserve	-	-	-	-	-	1,369,269	(1,369,269)	-
Interest received from customers	-	-	1,423	-	-	-	-	1,423
Balance as at 31 December 2023	991,430,291	165,446	1,020,206	17,447,062	28,000	29,542,803	(541,335,938)	498,297,870

The Notes on Pages 93 to 159 form an integral part of the Financial Statements

Notes to the Consolidated Financial Statements

Year Ended 31st December 2023

1. CORPORATE INFORMATION

1.1 Reporting Entity

Ceylon Electricity Board ("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. "However, the process of restructuring is currently underway in accordance with the provisions of Act No. 36 of 2024, which was certified on June 27, 2024."

1.2 Consolidated Financial Statements

The Consolidated Financial Statements of the Board for the year ended 31 December 2023 comprises of Ceylon Electricity Board (the Board) and all its Subsidiaries whose financial statements have been consolidated therein (the Group).

1.3 Principal Activities and Nature of Operations

Board

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

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

1.3.1 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. Subsidiaries of the group are engaged in providing infrastructure facilities for electricity distribution including manufacturing and trading of electricity meters.

b) LTL Holdings Ltd

During the year, the principal activities of the company were to hold investments of its subsidiary undertakings. Subsidiaries of the group are engaged in power generation, providing related infrastructure facilities to the power generation, manufacturing of transformers and feeder pillars and galvanizing operations.

c) Lanka Coal Company (Pvt) Ltd

Supplying of high quality, low sulphur coal for the power generation at Lakvijaya Coal power plant at Norochcholai.

d) Sri Lanka Energies (Pvt) Ltd

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

However, during the current year the Company has engaged in a project which is for the production of meter enclosures. For this purpose the company has constructed a factory in Galigamuwa and currently engaged in commercial operations.

1.3.2 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 Board. The company has abandoned the project to construct a coal power plant and cabinet approval has now been received to set up a 50MW solar power plant in Sampur.

1.4 Parent Entity and the ultimate parent of the Board

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

1.5 Date of Authorization for Issue

The financial statements of Ceylon Electricity Board, for the year ended 31 December 2023 were authorized for issue by the Board of Directors on 19.02.2024.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING 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 measured at fair value through comprehensive income. The consolidated financial statements are presented in Sri Lanka Rupees and all values are rounded to the nearest thousand (Rs.000), except where indicated otherwise.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective application of an accounting policy, a retrospective restatement in financial statements. An additional statement of financial position as at 1 January 2022 is presented in these financial statements due to the reasons disclosed in Note 34.

2.2 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. (CA Sri Lanka)

2.3 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 2003 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.

Going Concern - Sri Lanka Energies HR (Pvt) Ltd

Majority of its man power employees were appointed under Ceylon Electricity Board as permanent employees and with that particular decision, revenue of the company has dropped drastically subsequent to this transfer. However, the financial statements have been prepared on the basis of the company being a going concern since the Directors have not made any decision on what they intend to do with the company as at the reporting date and have no intention either to liquidate.

2.4 Comparative Information

The presentation and classification of the financial statements of the previous years have been amended, where relevant including the following for better presentation and to be comparable with those of the current year.

2.5 Basis of Consolidation

The consolidated financial statements of the group comprise of the financial statements of the Board and its subsidiaries ("The group") for the year ended 31 December 2023. 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 an 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 returns from its involvement with the investee
- The ability to use 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 the 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(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

The details of the subsidiaries are given below.

Name of the Subsidiary	Country of Incorporation	Percentage of Holding
LTL Holdings 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 Ltd have been incorporated outside Sri Lanka.

Name of the Subsidiary	Country of Incorporation
Bright International Power (Pte) Ltd	Singapore
Raj Lanka Power Company Limited	Bangladesh
Lakdhanavi Bangala Power Limited	Bangladesh
Lakdhanavi Limited (Branch Office)	Bangladesh
Lakdhanavi Limited (Branch Office)	Nepal
Makarigad Hydro Power (Pvt) Ltd	Nepal
Asiatic Electrical & Switchgear (Pvt) Ltd	India
Feni Lanka Power Limited	Bangladesh
Infra & Engineering (Pvt) Limited – Branch Office	Bangladesh

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 Ltd and Trincomalee Power Company Limited is 31st March. However, the Financial Statements of the said companies have been prepared for 31st December 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 statement 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 shareholders of the 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 Group re-assesses whether or not it controls an 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

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

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 derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any result in gain or loss is recognized in profit or loss. Any investment retained is recognised at fair value.

2.6 Summary of Significant Accounting Policies

The Principal Accounting Policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.6.1 Current versus non-current classification

The Board presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Board classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.6.2 Business Combinations, Acquisition of Non-Controlling Interests and Goodwill

When the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of consideration transferred measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedure used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of the impairment testing, goodwill

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based in the relative values of the operation disposed of and the portion of the cash-generating unit retained.

2.6.3 Investment in Joint Venture

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 the 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 statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in OCI of the investee is presented as part of the Group'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 statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the joint venture.

2.6.4 Foreign Currency Translation, Foreign Currency transactions and Balances

a). Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees (LKR), which is the Group'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. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the Statement of Profit or Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (Translation differences on items whose gain or loss is recognised in Other Comprehensive Income or Statement of Profit or Loss is also recognised in Other Comprehensive Income or Profit or Loss respectively).

In terms of sub section 06 of the 42 of the Ceylon Electricity Board Act No: 17 of 1969, Board does not take account of any gains or losses arising from exchange fluctuations, in respect of the capital and interest on foreign currency loans obtained through the Treasury as the exchange rate risk is 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 the Board.

c). Foreign operations

The statement of financial position and income statement of overseas subsidiaries and joint ventures which are deemed to be foreign operations are translated to Sri Lanka rupees at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that particular foreign operation is recognised in the income statement.

2.6.5 Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in 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.

a) Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date the Board generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss.

Provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, effective from 01 April 2018.

b). Deferred Taxation

Deferred 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 tax liabilities are recognised for all taxable temporary differences except,

- (i) 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 the transaction, affects neither the accounting profit nor taxable profit or loss; and
- (ii) In respect of taxable temporary differences associated with investments

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.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits 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,

- (i) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business

combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- (ii) In respect of deductible temporary differences associated with investments in Subsidiaries, Associates and interests in Joint Ventures, deferred tax assets are only recognised 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 utilised.

The carrying amount of deferred 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 tax asset to be utilized.

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

Deferred 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.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. 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.

Tax on Dividend income

Tax on dividend income from subsidiaries is recognised as an expense in the Statement of Profit or Loss.

Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on the purchase of an asset or service is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Where receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.6.6 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.

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.

Lanka Electricity Co. Limited

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

Goods in transits and other stocks	-	at actual cost
Raw materials	-	at actual cost on weighted average basis
Finished Goods and Work in Progress	-	at the cost of direct materials, direct labour and appropriate proportion of fixed and variable overheads based on normal operating capacity in producing the products.

LTL Holdings 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 on specific identification basis
Consumables & Spares	-	at actual cost on first-in-first-out basis
Goods in Transit	-	at actual cost

2.6.7 Property, Plant and Equipment

a) Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

b) Basis of measurement

Property, Plant and Equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Construction in progress is stated at cost net of impairment losses, if any. Such cost includes

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

the cost of replacing component parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Board derecognises the net book value of 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 and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit or Loss as incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

c) Capital Work in Progress

Capital expenditure incurred in relation to fixed assets which are not completed as at the reporting date are shown as capital work-in progress and is stated at cost. On completion, the related assets are transferred to Property, Plant and Equipment.

d) De-recognition

An Item of Property, Plant & Equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss in the year the asset is de-recognised.

e) Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets. The depreciation of the asset ceases at the earlier of the date that the asset is classified as held for sale as described under 2.6.7 and the date that the asset is derecognised.

The estimated useful lives of the property, plant and equipment is as follows:

Board

Freehold Buildings & Leasehold Land & Buildings	40 Years
Civil Works:	
Spillways & Dams	100Years
Steel water pipes & pens stock	40Years
Substation & Switch Yard	35 Years
Generation Plants:	
Power Stations including Plant (Hydro)	35 Years
Power Stations including Plant (Thermal)	25 Years
Power Stations including Plant (Diesel)	12-15 Years
Power Stations including Plant (Gas Turbine)	12 Years
Power Stations including Plant (Coal)	30 Years
Power Stations including Plant (Wind)	20 Years
Transmission Lines at 220Kv, 132Kv, and 66Kv	35 Years
Distribution Lines:	
HT Underground-33	50 Years
HT Underground-132	50 Years
HT Underground-11	40 Years
HT Overhead Lines	35 Years
LT Underground	40 Years
LT Overhead Lines	35 Years
LT Feeder Pillar	35 Years
Consumer Substation	35 Years
HT Switchgear	35 Years
Primary & Grid Substation	35Years
Service Main - Overhead	35 Years
Service Main - Underground	40 Years
SCADA (Central Facilities) & Communication Equipment	15 Years
Vehicles - Passenger Transport - Two or three wheelers	15 Years
Vehicles - Passenger Transport - Other	14 Years
Heavy Vehicles	20 Years
Motor Boats	07 Years
Machinery & Tools	05 Years
Office Equipment	05 - 15 Years
Furniture & Fittings	05 Years
Solar PV Plan	10 - 25 years

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

LTL Holdings Ltd

Buildings	over 25 - 50 years
Plant & Machinery	over 8 - 20 years
Power Plants	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 Vehicles including Browsers	over 04 years
Operation and maintenance spares	Actual Usage
Solar PV Plant	over 15 years

Lanka Electricity Co. (Pvt) Ltd.

Buildings	40 years
Supply of Infrastructure	
Substations, Overhead lines & Service Lines taken Over from Local Authorities & CEB	10 years
Substations, Overhead lines & Service Lines Constructed by LECO	20 - 25 years
Motor Vehicles	05-20 years
Computers	03- 05 years
Office Equipment	03- 07 years
Plant & Machinery	03- 04 years
Plant & Machinery- Research & Development project at UoM	20 Years

Lanka Coal Co. (Pvt) Ltd.

Furniture & Fittings	5 years
Equipment	4 years
Motor Vehicles	4 years
Computers	4 years
Leasehold Improvements	2 years
Network System	2 years

Sri Lanka Energies (Pvt) Ltd

Buildings	20 years
Power Plant Machinery	20 years
Furniture, Equipment and Tools	5 years
Motor Vehicles	5 years
Office and Other Equipment	5 years
Computer Equipment	5 years
Injection Moulding Machines	5 years
Roof- Top Solar	10 years

Trincomalee Power Company Limited

Land and Development	20 years
Furniture and fittings	5 years
Equipment	5 years
Computers	3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

(f) Borrowing Costs

Borrowing costs consist of interest and other costs that the Group 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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.6.8 Non-current Assets Held for Sale

The Group classifies non-current assets as held for sale if the carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The Board's criteria for held for sale classification is regarded as met only when the sale is highly probable on the approval granted by the management (Board of Directors) and the asset is available for immediate sale in its present condition.

Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. The management must be committed to the sale expected within six months of the date of classification.

The Depreciation is ceased upon the classification of the Property Plant and equipment as held for sale.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

Asset and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

De-recognition

The failure to dispose the assets which are classified as "non-current assets held for sale" within six months from the Board decision, to be reclassified again under Property Plant & Equipment (PPE) along with the depreciation adjustment for the period cease for depreciation.

2.6.9 Impairment of Non-Financial Assets

Group assesses at each reporting date whether there is an indication that an asset may be impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or Cash-Generating Unit (CGU) to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. In assessing the 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 risks specific to the asset.

For the purposes of assessing impairment, Board as a whole is considered as a separate Cash Generating Unit.

Impairment losses of continuing operations are recognised in the statement of profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the assets is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the assets in prior years. Such reversal is recognised in the Statement of profit or loss.

2.6.10 Leases

At inception of a contract, the Board assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Board uses the definition of a lease in SLFRS 16.

2.6.10.1 Group as a Lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right of Use Assets

The Group recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Board is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

The Group's Right of Use Assets are included in the Property, Plant & Equipment.

Lease Liabilities

At the commencement date of the lease, the Group recognises Lease Liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Board uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of Lease Liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of Lease Liabilities is remeasured if there is a modification, a change in the lease term, a change in the substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Group's Lease Liabilities are included in Interest-Bearing Loans and Borrowings.

2.6.10.2 Group as a Lessor - LTL Holdings Ltd

Operating Lease

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

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

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.

Finance Lease

The group is of the view that the substance of the arrangements between Raj Lanka Power Company Ltd and Bangladesh Power Development Board and Lakdhanavi Bangala Power Ltd and Bangladesh Power Development Board fall within the purview of "IFRIC 4- Determining whether an arrangement contains a Lease" and to be accounted as a lease under "SLFRS-16- Leases" due to the satisfaction of following criterion;

- The fulfilment of the arrangement under the Power Purchase Agreement is dependent on the exclusive use of the specific power plant of the Group situated in 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 other 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 arrangement is accounted as a "Finance Lease" under "SLFRS 16 – Leases" where Raj Lanka Company Ltd and Lakdhanavi Bangala Power Ltd as the lessor and Bangladesh Power Development Board as the Lessee as all the risks and rewards incidental to legal ownership of the power plant of the group are transferred to Bangladesh Power Development Board.

2.6.11 Intangible Assets

Basis of Recognition

Intangible Assets are recognised if it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured.

Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recognised at 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 statement of profit or loss in the year in which the expenditure is incurred.

Amortisation/Impairment

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.

Board

Software is amortised over a useful life of 5 years and Licenses are amortized over the useful life time stipulated in the term of agreements.

LTL Holdings Ltd

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

Lanka Electricity Co. (Pvt) Ltd

Computer software licenses are amortised over the useful life of 5 years.

Technical Know-how is amortised over the contract period of 15 years.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

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.

De-recognition

Gains or losses arising from derecognition 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.

2.6.12 Financial Assets and Liabilities

2.6.12.1 Financial Assets

Financial Assets Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVPL, transaction costs that are directly attributable to its acquisition or issue.

A trade receivable without a significant financing component is initially measured at the transaction price.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial Assets at Amortised Cost (Debt Instruments)

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables, loans to employees, loans to related parties and other investments included under other financial assets.

Financial Assets at Fair Value Through OCI (Debt Instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows
- And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the Statement of Profit or Loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial Assets Designated at Fair Value Through OCI (Equity Instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments that are neither held for trading nor contingent consideration under SLFRS 3, as equity instruments designated at fair value through OCI. The classification is determined on an instrument by instrument basis.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

Gains and losses on these financial assets are never recycled to the Statement of Profit or Loss. Dividends are recognised as other income in the Statement of Profit or Loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Re-classification of financial assets

The group reclassified its financial assets when, and only when, the Group changes its business model for managing financial assets. If the Group reclassifies financial assets which were measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss, the Group applies the reclassification prospectively from the reclassification date. The Group does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

If the Group reclassifies a financial asset out of the amortized cost measurement category and in to the fair value through profit or loss measurement category, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognized in Profit or Loss.

If the Group reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category and into fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date, any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognised in Other Comprehensive Income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and in to the amortised cost measurement category, the financial asset is reclassified at its fair value at the reclassification date. However, the cumulative gain or loss previously recognized in Other Comprehensive Income is removed from equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at

the reclassification date. As a result, the financial asset is measured at the reclassification date as if it had always been measured at amortised cost. This adjustment affects Other Comprehensive Income but does not affect Profit or Loss and therefore is not a reclassification adjustment. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

If the Group reclassifies a financial asset out of the fair value through other comprehensive income measurement category and in to the fair value through profit or loss measurement category, the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other Comprehensive Income is reclassified from equity to Profit or Loss as a reclassification adjustment at the reclassification date.

Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired.
 - 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; and either
- (a) the Group has transferred substantially all the risks and rewards of the asset

or

- (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receives cash flows from an asset or has entered a pass-through arrangement, it revaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes a 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.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

2.6.12.2 Impairment of Financial Assets

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

The Company recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a

provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors to the economic environment.

2.6.12.3 Financial Liabilities

Initial Recognition and measurement

Financial liabilities within the scope of SLFRS 9 are classified, at initial recognition, as 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 borrowing, carried at amortised cost. This includes directly attributable transaction costs.

Subsequent Measurement

The measurement of financial liabilities depends on their classifications as follows.

Financial liabilities classified as 'fair value through profit or loss' will be subsequently measured at fair value and financial liabilities classified as 'other liabilities' will be subsequently measured at amortised cost.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

2.6.12.4 Off Setting Financial Instruments

Financial Assets and Liabilities are offset and the net amount reported in the Statement of Financial Position when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the asset and settle the liability simultaneously.

2.6.12.5 Fair Value of Financial Instruments

The Group measures financial instruments such as available for sale and financial assets at fair value through profit or loss at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted financial assets measured through other comprehensive income.

For the fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.6.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the passage of time is recognised as finance cost.

2.6.14 Retirement Benefit Obligations

Defined Benefit Plan - Pension Obligation

An employee will receive the pension benefit on retirement, usually dependent on one or more factors such as age, 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 outflows 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 terms to maturity approximating to the terms of the related pension obligation.

Any actuarial gains or losses arising are recognised immediately in other comprehensive income.

Past service cost is recognised immediately in statement of profit or loss, 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.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

Defined Benefit Plan - Gratuity

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

The gratuity liability recognised in the statement of financial position, is the present value of the defined benefit obligation at the date of the statement of financial position measured using the projected unit credit method by independent actuaries.

Any actuarial gains or losses arising are recognised immediately in other comprehensive income.

The gratuity liability is not externally funded.

Defined Contribution Plans –Employees’ Provident Fund & Employees’ Trust Fund

Employees are eligible for Employees’ Provident Fund Contributions 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. The Board contributes 15% and 3% of gross emoluments of employees to Ceylon Electricity Board Provident Fund and Employees’ Trust Fund respectively.

2.6.15 Self Insurance Reserve

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

2.6.16 Government Grants

Government grants are recognised initially at fair value where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

2.6.17 Cash and Cash Equivalents

Cash and Cash Equivalents in the statement of financial position comprise cash at banks and on hand - term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and deposits in banks net of outstanding bank overdrafts.

2.6.18 Revenue from contracts with customers

The Group recognises revenue when it satisfies a performance obligation by transferring a promised good or service to the customer at the amount of consideration to which the Group expects to be entitled in exchange for transferring such goods or services to a customer. Accordingly, the Group recognizes Revenue as follows.

a) Sale of Electricity

Group's performance obligation of delivering electricity represents a promise to deliver a series of distinct services that should be accounted for as a single performance obligation. The performance obligation is satisfied over time. The Group recognizes the revenue from sale of electricity when the customers use the electricity through the service connections provided by the Group. The price at which the revenue is recognized will be decided based on the tariff category and the rates gazetted by the Public Utility Commission of Sri Lanka.

Group measures the progress of performance obligations using the output method. Output method recognised revenue is based on direct measurements of value transferred to the customer. Accordingly, Group records turnover on a monthly basis, based on the amount of KWh of electricity delivered.

b) Consumer Contribution

The consideration received from the customers at the inception to create the asset which facilitate the provision of electricity over the period is recognized as revenue over time, since the customers simultaneously receive and consume the benefit of the asset provided by the Group in consuming electricity over the period. Hence, the consideration received is recognized as revenue over the useful life of the asset.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

c) Electric Vehicle Charging Revenue

The electricity consumed by the customers who charge their electric vehicles in the Electric Vehicle Charging Stations established by the Board through the use of prepaid e-cards provided for the same are recognized as revenue once the electric vehicles are charged.

d) Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group executed performance obligation under the contract.

2.6.19 Finance cost and Income

Interest income or expense is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

2.6.20 Dividend Income

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

2.6.21 Other Operating income and expenses

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments in subsidiaries, joint ventures and associates, are accounted in the income statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Other income and expenses

Other income and expenses are recognised on an accrual basis.

2.6.22 Expenditure Recognition

- a) Expenses including expenses arising on power purchase agreement (PPA) are recognized in the Statement of comprehensive income on the basis of a direct association between, the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to the statement of profit or loss.
- b) For the purpose of presentation of Statement of profit or loss the directors are of the opinion that "Function of Expenses" method present fairly the element of the Board's performance and hence such presentation method is adopted.

3. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements of the Group require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Group's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the financial statements have been discussed below;

Determining the lease term of contracts which renewal and termination options -Group as lease

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

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.

Review 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.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

4. REVENUE	Group		Board	
	2023	2022	2023	2022
Sales	679,864,385	374,626,063	606,627,159	308,457,234
	679,864,385	374,626,062	606,627,159	308,457,234

4.1 Segmental Revenue	Group		Board	
	2023	2022	2023	2022
Sale of Electricity	621,188,714	317,421,015	606,627,159	308,457,234
Sale of Goods	13,994,546	7,669,372	-	-
Galvanizing Operations	2,301,168	1,911,510	-	-
Income on Hiring of Power Plants	29,602,793	36,830,225	-	-
Finance Lease & Power Generation	4,861,320	5,725,037	-	-
Operational & Maintenance Services for Power Plants	7,647,458	5,068,702	-	-
Other Operations	268,386	201	-	-
	679,864,385	374,626,062	606,627,159	308,457,234

5. CONSESSION PROVIDED TO DOMESTIC CUSTOMERS

The amount of Rs. 112,847/- (2023) and Rs. 764,928/- (2022) represent the rebate given to the domestic consumers based on the cabinet decision Ref. No. 20/1063/226/062 dated 15th July 2020 for the payment of electricity bills during the period from March to May 2020 due to Covid- 19 pandemic situation.

6. OTHER OPERATING INCOME AND GAIN	Group		Board	
	2023	2022	2023	2022
Dividend Income	1,192,551	516,129	877,507	274,221
Penalty on Electricity Consumption	5,374	35,073	5,374	35,073
Recoveries from Consumers	1,080,568	643,575	-	-
Profit on Disposal of Property Plant and Equipment	485,460	607,304	452,859	640,044
Amortization of Consumer Contribution	5,022,475	4,730,906	4,548,194	4,281,308
Amortization of Government Grants	44,186	21,498	15,685	15,685
Miscellaneous Income	9,485,163	1,883,225	4,740,399	1,769,206
Government Grant related Income	-	84	-	84
Government Department Income	227,980	527,969	227,980	527,969
Liquidated Damages	192,262	1,291,086	192,262	1,291,086
Sale of Ash	1,149,180	669,461	1,149,180	669,461
Tender Fee /Non Refundable Deposits/Forfeiture of Guarantees	431,610	291,747	431,610	291,747
Income on Cost Recovery jobs	1,656,080	1,353,176	1,656,080	1,353,176
Service Main Application Fee	9,685	6,337	9,685	6,337
Surcharge on Electricity Bills	1,304,290	425,755	1,304,290	425,755
Gain/(loss) on exchange of currencies	15,977,386	14,279,142	15,968,383	-
	38,264,250	27,282,467	31,579,488	11,581,152

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

7.1 FINANCE INCOME	Group		Board	
	2023	2022	2023	2022
Interest on Deposits	2,311,975	2,169,875	-	-
Interest on Borrowings	-	25,649	-	-
Interest on Government Securities	549,660	700,317	-	-
Interest Income from Investments	174,131	221	174,131	221
Gain/(Loss) from Financial Assets at Fair Value through Profit & Loss	1,622,295	(58,920)	1,503,387	-
Interest Income from Staff Loans	598,445	1,305,878	531,369	1,308,722
Interest on Samurdi Loans	15,670	57,714	15,670	57,714
Interest Income on Related Party Loans	51,507	22,202	-	22,202
Interest on Other Consumer Loans	6,360	5,453	6,360	5,453
	5,330,043	4,228,389	2,230,917	1,394,312

7.2 FINANCE COST	Group		Board	
	2023	2022 Restated	2023	2022
Interest Expense on Overdrafts	5,963,810	5,061,952	4,909,672	4,399,216
Interest Expense on Long Term/Short term Borrowings	32,132,821	22,711,850	26,513,635	18,579,029
Interest Expense on Project Loans	3,571,937	1,419,582	3,571,937	1,419,582
Debenture Interest Account	1,871,507	1,870,266	1,871,507	1,870,266
Lease Interest	34,224	51,293	6,685	10,747
Delayed Interest on IPP Payments	12,097,926	6,547,727	12,097,926	6,547,727
Delayed Interest on CPC Payments	5,620,636	8,922,460	5,620,636	8,922,460
Delayed Interest on NCRE Payments	4,222,096	100,827	4,222,096	100,827
Interest on Loans obtained to finance consumer loans	558,623	84,748	546,396	-
Interest Expense on Consumer Deposit	619,465	30,307	574,403	-
Loss on Translation of Foreign Currency	27,403	-	-	-
	66,720,448	46,801,012	59,934,893	41,849,854

8. PROFIT/(LOSS) BEFORE TAX Stated after Charging /(Crediting)	Group		Board	
	2023	2022 Restated	2023	2022 Restated
Auditors' Remuneration - Current Year Fees and Expenses	20,221	23,471	3,062	9,038
Director's Emoluments	9,054	9,136	3,498	3,580
Depreciation	35,798,479	35,850,511	33,993,651	33,993,651
Personnel Costs includes				
- Defined Benefit Plan Costs -Gratuity	2,045,456	1,301,341	1,688,012	1,380,133
- Defined Contribution Plan Costs - EPF & ETF	4,794,071	4,884,690	4,272,236	4,404,433
- Other Staff Costs	45,368,255	45,672,648	40,583,256	39,130,466
(Profit)/Loss on Disposal of Property, Plant and Equipment	(447,416)	149,507	(414,814)	25,654
Amortization of Intangible Assets	(7,969)	78,818	(52,578)	45,616
Public Relation and Advertising	29,448	16,771	-	-
Donations	363	363	-	-
Government Grant	495,755	15,068	15,685	(15,685)
Impairment of obsolete and slow moving inventories	866,900	337,770	865,136	(342,386)
Provision for Impairment of Debtors	6,323,363	1,649,777	4,170,283	(1,578,762)

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

9. INCOME TAX EXPENSE	Group		Board	
	2023	2022	2023	2022
9.1 Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year	5,453,414	2,084,757	-	-
Under/(Over) Provision of Current Taxes in respect of Prior Years	(97,662)	(257,360)	-	-
	5,355,752	1,827,397	-	-
9.2 Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (Note 29)	(404,552)	(756,684)	-	-
Income Tax Expense reported in the Income Statement	4,951,200	1,070,713	-	-
9.3 Reconciliation between current tax expenses and Accounting Profit				
	2023	2022	2023	2022
Profit before tax	79,735,471	(238,261,579)	61,235,680	(261,868,690)
Disallowable Expenses / (Income) for Taxation	27,650,804	133,501,835	23,600,161	128,938,436
Net impact of Pension Fund	174,174	(110,953)	174,174	(110,953)
Allowable Expenses / (Income) for Taxation	(58,270,119)	(81,162,844)	(56,446,265)	(78,772,407)
Non business income/Exempted income	(4,874,966)	(5,216,579)	(1,073,667)	(359,812)
Business loss for the year	27,490,082	(212,173,426)	27,490,083	(212,173,426)
Taxable Business Profit for the year	16,925,282	20,923,307	-	-
Other sources of Income	7,388,155	3,651,297	5,074,977	1,013,401
Total Statutory Income	24,313,437	24,574,605	5,074,977	1,013,401
Tax loss utilized during the year	(32,565,060)	(1,013,401)	(32,565,060)	(1,013,401)
Taxable Income	(8,251,623)	23,561,204	(27,490,083)	-
Income tax expense at				
Corporate Tax rate at (24% & 30% during the year)	5,205,491	1,681,743	-	-
Concessionary Tax rates	74,951	57,430	-	-
Dividend Tax at 14%	75,310	88,223	-	-
Current Tax charge	5,355,752	1,827,396	-	-

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

9.3.2 Applicable rates of Income Tax

The tax liability of resident companies are computed at the standard rate of 30% for the year 2023 (24% - for 1st nine months and 30% for next three months in year 2022) except for the following businesses of the subsidiaries which enjoy full or partial exemptions and concessions.

Subsidiary/sub-subsidiary	Business operation	Tax rate
Infra & Engineering (Pvt) Ltd	Overseas Construction and Infrastructure Projects	Exempt
Nividu & Nividu Asupiniella	Electricity Generation	14%
Overseas Sub-subsidiaries		
Raj Lanka Power Company Ltd	Electricity Generation - Bangladesh	Exempt
Lakdhanavi Bangla Power Company Ltd	Electricity Generation - Bangladesh	Exempt
Feni Lanka Power Limited	Electricity Generation - Bangladesh	Exempt
Asiatic Electrical & Switchgear (Pvt) Ltd	Sale of Switchgears - India	33%
Bright International Power (Pvt) Ltd	Power plant Operation and supply of Power generation ancillaries - Singapore	17.5%

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT & EQUIPMENT

10.1 Group

10.1.1 Freehold Assets Gross Carrying Amounts At Cost	Balance As At 01.01.2023 Restated	Additions / Transfers / Acquisitions	Additions Adjustments	Disposals / Transfers	Disposals Adjustments	Balance As at 31.12.2023
Freehold Land	11,851,068	396,262	492,995	(8,750)	-	12,731,575
Building	24,437,428	1,102,054	(36,471)	-	-	25,503,011
Civil Works	234,385,399	4,708	-	-	-	234,390,107
Plant & Machinery	2,471,457	44,795	3,099,120	(7,829)	(3,164,680)	2,442,863
Generation Power Plant	330,862,054	19,232,640	3,164,680	(619,154)	(3,164,680)	349,475,540
Solar Systems	241,397	20,827	3,803	-	-	266,027
Transmission & Distribution Lines	698,339,767	33,817,020	11,015	(387,340)	(9,379)	731,771,083
Motor Vehicles	14,940,116	878,377	247,451	(378,051)	-	15,687,893
Other Supply Infrastructure	26,126,341	1,939,131	-	(259,933)	-	27,805,539
Office & Other Equipment	8,589,686	1,213,161	2,446	(260,455)	(3,844)	9,540,994
Furniture and Fittings	723,425	35,091	(11,759)	(982)	-	745,775
Machinery and Tools	7,410,296	532,572	49,289	(914)	(1,982)	7,989,261
Container Accommodation	6,744	-	-	-	-	6,744
	1,360,385,178	59,216,638	7,022,569	(1,923,408)	(6,344,565)	1,418,356,412

10.1.2 Project Assets Gross Carrying Amount At Cost or Valuation	Balance As At 01.01.2023 Restated	Additions / Transfers / Acquisitions	Additions Adjustments	Disposals / Transfers	Disposals Adjustments	Balance As at 31.12.2023
Freehold Land	238,287	114,891	-	(146,847)	-	206,331
Building	194,030	-	-	-	(793)	193,237
Transmission & Distribution Lines	-	-	-	-	-	-
Motor Vehicles	2,724,871	515,353	185,198	(712,734)	(314,106)	2,398,582
Office & Other Equipment	117,319	6,335	-	(3,968)	(15,370)	104,316
Furniture and Fittings	7,955	569	-	(150)	(2,069)	6,305
Machinery and Tools	61,769	3,575	-	-	(49,289)	16,055
	3,344,231	640,723	185,198	(863,699)	(381,627)	2,924,826

10.1.3 Capital Work in Progress	Balance As At 01.01.2023 Restated	Incurred During the Year	Adjustments	Transfer to PPE	Reclassified/ Transferred	Balance As at 31.12.2023
Capital Work in Progress (Refer 10.3)	216,891,987	98,556,536	(778,104)	(40,705,085)	(13,365,674)	260,599,660
Total Gross Carrying Amount	216,891,987	98,556,536	(778,104)	(40,705,085)	(13,365,674)	260,599,660

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT & EQUIPMENT (Contd..)

10.1 Group (Contd..)

10.1.4 Depreciation

	Balance As At 01.01.2023 Restated	Charge for the year	Additions Adjustments	Disposals / Transfers	Disposals Adjustments	Balance As at 31.12.2023
Freehold Assets						
Freehold Land						
Building	8,958,564	700,513	(5,978)	-	-	9,653,099
Civil Works	90,242,480	3,576,709	-	-	-	93,819,189
Plant & Machinery	1,764,583	175,331	765,377	(2,825)	(812,554)	1,889,912
Generation Power Plant	204,657,963	11,487,806	811,421	(1,181)	(805,383)	216,150,626
Solar Systems	59,066	15,720			45	74,831
Transmission & Distribution Lines	306,975,641	17,859,170	3,149	(170,722)	-	324,667,238
Motor Vehicles	9,461,349	1,275,052	150,919	(275,804)	-	10,611,516
Other Supply Infrastructure	17,097,687	733,881	-	(204,064)	-	17,627,504
Office & Other Equipment	6,215,114	654,796	241	(163,103)	(53)	6,706,995
Furniture and Fittings	560,690	55,920	(5,893)	(982)	(200)	609,535
Machinery and Tools	5,791,359	592,375	47,893	(738)	(15)	6,430,874
Container Accommodation	6,744	-	-	-	-	6,744
	651,791,240	37,127,273	1,767,129	(819,419)	(1,618,160)	688,248,063

10.1.5 Depreciation

	Balance As At 01.01.2023 Restated	Charge to WIP / Transfers	Additions Adjustments	Disposals / Transfers	Disposals Adjustments	Balance As at 31.12.2023
Project						
Building	4,948	4,833	-	-	(117)	9,664
Motor Vehicles	1,190,935	203,528	185,198	(259,223)	(200,192)	1,120,246
Office & Other Equipment	88,793	9,701	-	(3,497)	(9,757)	85,240
Furniture and Fittings	5,535	992	-	(150)	(1,224)	5,153
Machinery and Tools	58,293	1,830	-	-	(47,684)	12,439
	1,348,504	220,884	185,198	(262,870)	(258,974)	1,232,742

10.1.6 Net Book Values At Cost or Valuation

2023

Freehold Land	12,937,905
Building	16,033,484
Civil Works	140,570,918
Plant & Machinery	552,951
Generation Power Plant	133,324,913
Solar Plant	191,197
Transmission & Distribution Lines	407,103,845
Motor Vehicles	6,354,713
Other Supply Infrastructure	10,178,035
Office & Other Equipment	2,853,077
Furniture and Fittings	137,393
Machinery and Tools	1,562,002
	731,800,433

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT & EQUIPMENT (Contd..)

10.1 Group (Contd..)

10.1.7 Right of Use Assets	Balance As At 01.01.2023	Additions / Adjustments	Terminations/ Adjustments	Balance as at 31.12.2023
Cost				
Land & Building	1,071,549	139,611	(175,150)	1,036,010
Motor Vehicles	256,138	17,592	(17,592)	256,138
	1,327,687	157,203	(192,740)	1,292,148
Depreciation				
	Balance As At 01.01.2023	Charge for the year	Adjustments	Balance as at 31.12.2023
Land & Building	549,080	97,386	(208,609)	437,857
Motor Vehicles	52,800	24,177	(5,236)	71,741
	601,880	121,564	(213,845)	509,598
Net Book Values			2023	2022
Land & Building			598,153	522,469
Motor Vehicles			184,397	203,338
			782,550	725,807
10.1.8 Property, Plant & Equipment including Right of Use Assets			2023	2022
Net Book Values				
Property, Plant & Equipment (note 10.1.6)			731,800,433	710,589,665
Capital Work in Progress (note 10.3)			260,599,660	216,891,987
Right of Use Assets (Note 10.1.7)			782,550	725,807
Total Value of Property Plant & Equipment including Right-of-use Assets			993,182,643	928,207,459

10.1.9 Carrying amount of fully depreciated Property, plant and equipment of the Group as at 31.12.2023 Rs. 11,849,869 Mn (31.12.2022 Rs 222,050 Mn)

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT & EQUIPMENT (Contd..)

10.2 Board

10.2.1 Gross Carrying Amounts

Freehold Assets At Cost or Valuation	Balance As At 01.01.2023 Restated	Additions / Transfers / Acquisitions	Additions Adjustment	Disposals / Transfers	Disposals Adjust- ments	Balance As at 31.12.2023
Freehold Land	9,579,504	167,534	759,266	-	-	10,506,304
Building	22,872,716	848,751	-	-	-	23,721,467
Civil Works	234,385,399	4,708	-	-	-	234,390,107
Plant & Machinery	779,432	14,940	3,164,680	(4,325)	(3,164,680)	790,047
Generation Power Plant	327,006,319	12,196,993	3,164,680	(619,154)	(3,164,680)	338,584,158
Solar Systems	124,969	19,207	3,803	-	-	147,979
Transmission & Distribution Lines	698,339,767	33,817,020	11,015	(387,340)	(9,379)	731,771,083
Motor Vehicles	12,855,666	830,538	314,106	(335,973)	-	13,664,337
Office & Other Equipment	3,767,132	413,973	15,370	(23,781)	(3,844)	4,168,850
Furniture and Fittings	588,877	20,274	2,069	(982)	-	610,238
Machinery and Tools	7,410,296	532,572	49,289	(914)	(1,982)	7,989,254
	1,317,710,077	48,866,510	7,484,278	(1,372,469)	(6,344,565)	1,366,343,829

10.2.2 Project Assets

Gross Carrying Amounts

At Cost or Valuation	Balance As At 01.01.2023	Additions / Transfers / Acquisitions	Additions Adjustment	Disposals / Transfers	Disposals Adjust- ments	Balance As at 31.12.2023
Freehold Land	238,287	114,891	-	(146,847)	-	206,331
Building	194,030	-	-	-	(793)	193,237
Motor Vehicles	2,724,871	515,353	185,198	(712,734)	(314,106)	2,398,582
Office & Other Equipment	117,319	6,335	-	(3,968)	(15,370)	104,316
Furniture and Fittings	7,955	569	-	(150)	(2,069)	6,305
Machinery and Tools	61,769	3,575	-	-	(49,289)	16,055
	3,344,231	640,723	185,198	(863,699)	(381,627)	2,924,826
Total value of depreciable assets	1,321,054,308	49,507,233	7,669,476	(2,236,168)	(6,726,192)	1,369,268,655

10.2.3 Capital work in Progress

	Balance As At 01.01.2023	Incurred During the Year	Transfer to PPE	Reclassified / Transferred	Balance As at 31.12.2023
Capital Work in Progress	201,089,070	67,041,740	(38,065,750)	(7,189,720)	222,875,340
Total Gross Carrying Amount	201,089,070	67,041,740	(38,065,750)	(7,189,720)	222,875,340

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT & EQUIPMENT (Contd..)

10.2 Board

10.2.4 Depreciation

At Cost or Valuation

	Balance As At 01.01.2023 Restated	Charge for the year	Adjustments	Disposals / Transfers / Discontinued	Disposals Adjustments	Balance As at 31.12.2023
Building	8,618,175	647,058	117	-	-	9,265,350
Civil Works	90,249,367	3,576,709	-	-	-	93,826,076
Plant & Machinery	677,715	27,267	805,383	-	(812,554)	697,811
Generation Power Plant	202,785,813	11,107,100	811,421	-	(805,383)	213,898,951
Solar Systems	21,652	8,706	-	-	45	30,403
Transmission & Distribution Lines	306,975,641	17,859,170	3,149	(170,722)	-	324,667,238
Motor Vehicles	7,606,958	1,128,139	200,198	(235,492)	-	8,699,803
Office & Other Equipment	3,145,069	289,626	9,913	(5,904)	(53)	3,438,651
Furniture and Fittings	485,449	41,687	1,232	(982)	(200)	527,186
Machinery and Tools	5,791,359	592,375	47,893	(738)	(15)	6,430,874
	626,357,198	35,277,837	1,879,306	(413,838)	(1,618,160)	661,482,343

10.2.5 Depreciation

Project Assets

	Balance As At 01.01.2023	Charge to WIP / Transfers	Additions Adjustment	Disposals / Transfers / Discontinued	Disposals Adjustments	Balance As at 31.12.2023
Building	4,948	4,833	-	-	(117)	9,663
Motor Vehicles	1,190,935	203,528	185,198	(259,223)	(200,192)	1,120,246
Office & Other Equipment	88,793	9,701	-	(3,497)	(9,757)	85,240
Furniture and Fittings	5,535	992	-	(150)	(1,224)	5,153
Machinery and Tools	58,293	1,830	-	-	(47,684)	12,439
	1,348,504	220,884	185,198	(262,870)	(258,974)	1,232,742
Total value of Depreciation	627,705,702	35,498,721	2,064,504	(676,708)	(1,877,134)	662,715,085

10.2.6 Net Book Values

At Cost or Valuation

2023

2022
Restated

Freehold Land	10,712,635	9,817,790
Building	14,639,690	14,443,622
Civil Works	140,564,031	144,136,032
Plant & Machinery	92,236	101,718
Generation Power Plant	124,685,207	124,220,505
Solar Systems	117,576	103,317
Transmission & Distribution Lines	407,103,845	391,364,126
Motor Vehicles	6,242,869	6,782,644
Office & Other Equipment	749,275	650,589
Furniture and Fittings	84,204	105,848
Machinery and Tools	1,561,995	1,622,413
	706,553,563	693,348,604

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT & EQUIPMENT (Contd..)

10.2 Board

10.2.7 Right of Use Assets	Balance As At 01.01.2023	Additions / Adjustments	Terminations/ Adjustments	Balance as at 31.12.2023
Cost				
Land & Building	32,609	95,723	-	128,332
Motor Vehicles	256,138	17,592	(17,592)	256,138
	288,747	113,315	(17,592)	384,470
Depreciation				
Land & Building	-	-	-	-
Motor Vehicles	52,800	24,177	(5,236)	71,741
	52,800	24,177	(5,236)	71,741
Net Book Values			2023	2022
Land & Building			128,332	32,609
Motor Vehicles			184,397	203,338
			312,728	235,947
10.2.8 Property, Plant & Equipment including Right of Use Assets			2023	2022 Restated
Net Book Values				
Property, Plant & Equipment (Note 10.2.6)			706,553,571	693,348,604
Capital Work in Progress (Note 10.3)			222,875,340	201,089,072
Right of use Assets (Notes 10.6.1 and 10.6.2)			312,728	235,947
Total Value of Property Plant & Equipment including Right-of-use Assets			929,741,640	894,673,623

10.2.9 Total Gross carrying value of fully depreciated Property, plant and equipment of the Board as at 31.12.2023 Rs. 214,809 Mn (31.12.2022 Rs. 211,811 Mn)

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

10 PROPERTY, PLANT & EQUIPMENT (Contd..)

10.3 Capital Work in Progress represents the following.

Projects	2023	Group 2022 Restated	2023	Board 2022 Restated
Generation Projects	5,405,064	5,037,469	5,405,064	5,037,469
Transmission projects	402,255	202,949	402,255	202,949
Distribution Projects	38,117,922	42,395,464	38,117,922	42,395,464
Renewable Energy Absorption Transmission Development Project	14,128	19,574	14,128	19,574
Green Power Development and Energy Efficiency Improvement Project-TII	41,743,686	33,778,351	41,743,686	33,778,351
Puttalam Coal Power Project PII	124,303	124,303	124,303	124,303
Habarana Veyangoda Transmission Line Project	17,067,589	16,948,983	17,067,589	16,948,983
Uma Oya Hydro Power Project	665,002	599,296	665,002	599,296
Clean Enegy and Network Efficiency Improvement Project - Mannar	-	15,483	-	15,483
Transmission Infrastructure Projects - P1				
Clean Enegy and Network Efficiency Improvement Project - 132 KV	1,850,582	1,879,956	1,850,582	1,879,956
Transmission Infrastructure Project - P2				
Clean Enegy and Network Efficiency Improvement Project - 220KV	3,331,223	9,033,564	3,331,223	9,033,564
Transmission Infrastructure Project - P3				
Green Power Development and Energy Efficiency Improvement Project TI	7,339,672	7,345,230	7,339,672	7,345,230
Seethawaka Ganga Hydro Power Project	301,192	301,192	301,192	301,192
National Transmission & Distribution Network Development Energy Efficiency Improvement Project	46,277,271	43,123,274	46,277,271	43,123,274
Mannar Wind Power Project	1,793,180	1,335,951	1,793,180	1,335,951
Liquid Natural Gas (LNG) Project	124,662	96,218	124,662	96,218
Mannar wind power project phase 111	-	138,113	-	138,113
Mannar Nadukuda and Embilipitiya Grid Sub Aug Project	75,252	67,248	75,252	67,248
Transmission Construction Projects	8,821,357	6,184,639	8,821,357	6,184,639
Moragolla Hydro Power Project	13,946,547	8,205,772	13,946,547	8,205,772
Broadland Hydro Power Project	24,171,062	22,521,401	24,171,062	22,521,401
Power System Reliability Strengthening Project	867,809	741,525	867,809	741,525
New Coal Power Plant Project	167,618	167,618	167,618	167,618
Greater Colombo Transmission and Distribution loss reduction Project	87,539	474,462	87,539	474,462
Clean Enegy Absorption Transmission Project- PMU 1	142,966	69,583	142,966	69,583
Clean Enegy Absorption Transmission Project- PMU 2	22,232	25,511	22,232	25,511
Enterprise Resource Planning System	155,337	155,159	155,337	155,159
Projects in Asset Management Division	11,015	95,497	11,015	95,497
Power System Reliability Strengthening Project Phase- II Package 2 - PMU 1	23,782	1,803	23,782	1,803
Power System Reliability Strengthening Project Phase- II Package 2 - PMU 2	22,064	1,210	22,064	1,210
Power System Reliability Strengthening Project Phase- II Package 2 - PMU 3	140,731	2,274	140,731	2,274
SESRIIP (Package 4)	8,126,422	-	8,126,422	-
Vidulakpaya Project	1,484,939	-	1,484,939	-
SCADA Supported Advance Distribution Control Center for WPS	377	-	377	-
Sampur Kaappalthurai Transmission Development Project	50,563	-	50,563	-
Work in progress-LECO	1,656,117	1,711,301	-	-
Work in progress-LTL	36,030,163	14,058,698	-	-
Work in progress-SLE	38,037	32,916	-	-
Total Value of Capital Work-In-Progress	260,599,660	216,891,987	222,875,340	201,089,070

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

11. INTANGIBLE ASSETS

At cost	Group		Board	
	2023	2022 Restated	2023	2022 Restated
As at 1 January	601,784	520,842	360,287	307,042
Acquired / incurred during the period	171,700	71,980	76,970	53,245
Exchange translation difference	(8,658)	8,963	-	-
Disposal	(3,514)	-	-	-
As at 31 December	761,312	601,785	437,257	360,287
Amortisation				
As at 1 January	(373,644)	(289,102)	(218,661)	(173,045)
Amortized during the period	(109,529)	(78,818)	(52,578)	(45,616)
Disposal	3,154	-	-	-
Exchange translation difference	7,964	(5,724)	-	-
As at 31 December	(472,055)	373,644	(271,239)	(218,661)
Goodwill				
As at 1 January	281,606	263,322		
Acquired / incurred during the period	-	18,284		
Impairment	-	-		
As at 31 December	281,606	281,606		
Net Book Value	570,863	509,747	166,018	141,626

Ceylon Electricity Board

Intangible assets of the Board consists of the software used for operations

LTL Holdings Ltd

Intangible assets of the group consists of the computer software which is amortised over 04 years from the date of acquisition or development

Goodwill

The balance of the goodwill represents the goodwill resulted from acquisition of Asiatic Electrical & Switchgear (Pvt) Ltd after providing for the impairment.

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

The recoverable amount of the Asiatic Electrical and Switchgear (Pvt) Ltd The recoverable amount of the Asiatic Electrical and Switchgear (Private) Ltd CGU is determined based on a value in use calculation using cash flow projections approved by senior management covering a five year period. Future cash flows are estimated in Indian Rupees (INR) in which they will be generated and then discounted using the discount rate appropriate for that currency. The discount rate applied to the cash flow projections is 16% (2022-14.4%). As a result of the analysis, the management identify an impairment for this CGU as shown above.

Acquisition of LD Heavy Engineering (Pvt) Ltd

On 1 April 2021, the Group acquired 100% of the voting shares of LD Heavy Engineering (Pvt) Ltd, an unlisted company based in Sri Lanka. This acquisition has been accounted for using Business Combination. The carrying value of the resulted goodwill is Rs. 18,284,110.

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.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

12. INVESTMENTS IN SUBSIDIARIES Non-Quoted- At Cost	Holding Percentage	Group		Board	
		2023	2022	2023	2022
Lanka Electricity Company (Pvt) Ltd	55.2	-	-	628,003	628,003
LTL Holdings 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
		-	-	911,813	911,813

12.1 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 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.
Subsidiaries/Sub-subsidiaries of LTL Holdings Ltd			
Lakdhanavi Limited.	51		Engage in Heavy Engineering Services and Operation and Maintenance Services to Power Plants
LTL Energy (Pvt) Ltd	35		Offshore Investments in the Power & Energy sector especially Renewable Energy
Lanka Industrial Products Engineering(Pvt)Ltd	63		Production of Industrial Products. (No operations were carried out during the year)
LTL Transformers (Pvt) Ltd	63		Manufacturing & Repair of transformers, manufacturing of Feeder Pillars
LTL Galvanizers (Pvt) Ltd	63		Steel fabrication & Galvanizing Operations
Pawan Danavi (Pvt) Ltd	32		Power Generation using wind energy abd feed the same to the National Grid of Sri Lanka as an Independent Power producer (IPP)
Nividu (Pvt) Ltd	41		Power Generation using hydro energy abd feed the same to the National Grid of Sri Lanka as an Independent Power producer (IPP)
Asiatic Electrical & Switchgear (Pvt) Ltd	62		Manufacture and sale (Export & Local) of electrical switchgears and accessories
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
Heladanavi Ltd	52		Power Generation using thermal energy abd feed the same to the National Grid of Sri Lanka as an Independent Power producer (IPP)
Nividu Assupinella (Pvt) Ltd	41		Power Generation using hydro energy abd feed the same to the National Grid of Sri Lanka as an Independent Power producer (IPP)

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

Raj Lanka Power Company Ltd	39		Power Generation using thermal energy and feed the same to the National Grid of Peoples Republic of Bangladesh
Lakdhanavi Bangla Power Company Ltd	26		Power Generation using thermal energy and feed the same to the National Grid of Peoples Republic of Bangladesh
Feni Lanka Power Limited	29		Power Generation using thermal energy and feed the same to the National Grid of Peoples Republic of Bangladesh
Makarigad Hydro Power (Pvt) Ltd	34		Power Generation using hydro energy and feed the same to the National Grid of Nepal (Commercaill Operations are yet to commence)
LD Heavy Engineering (Pvt) Ltd	63		Carryout Engineering Projects of technical nature in power industry
Sobadhanavi Limited	63		Power generation using thermal energy and feed the same to the National Grid of Sri Lanka and Power Plants under construction
Subsidiaries of Lanka Electricity Company (Pvt) Ltd			
LECO Projects (Pvt) Ltd	55.2		Providing Infrastructure Facilities for electricity distribution.
Ante LECO Metering Company (Pvt) Ltd	38.64		To set up an energy meter manufacturing facility to meet the electronic meter requirements of Sri Lanka and for the export market
Subsidiaries of Sri Lanka Energies (Pvt) Ltd			
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.
Bio-Med Hydro Power (Pvt) Ltd	100		Produce electricity energy using hydro resources.

13. INVESTMENT IN JOINT VENTURE (Trincomalee Power Company Ltd)

	Group		Board	
	2023	2022	2023	2022
Balance at the beginning of the year	39,304	25,677	348,606	328,606
Investment Made During The Year	-	20,000	-	20,000
Share of pre-operating loss	(8,760)	(6,373)	-	-
Balance at the end of the year	30,544	39,304	348,606	348,606

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.

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.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

14. FINANCE LEASE RECEIVABLE

The Raj Lanka Power Company Limited (RLPCL), sub-subsidiary of the group has the legal ownership of the Power Plant at Rajshahi, Natore. According to the Power Purchase Agreement (PPA) between Bangladesh Power Development Board (BDPB) and RLPCL, the arrangement between the two parties treated as a finance lease which is accounted for in accordance with SLFRS 16 - Leases.

The Lakdhanavi Bangla Power Limited (LBPL), sub-subsidiary of the group has the legal ownership of the Power Plant at Jangalia, Comilla. According to the Power Purchase Agreement (PPA) between Bangladesh Power Development Board (BDPB) and LBPL, the arrangement between the two parties treated as a finance lease which is accounted for in accordance with SLFRS 16 Leases.

The Feni Lanka Power Limited (FLPL), sub-subsidiary of the group has the legal ownership of the Power Plant at Feni. According to the Power Purchase Agreement (PPA) between Bangladesh Power Development Board (BDPB) and FLPL, the arrangement between the two parties treated as a finance lease which is accounted for in accordance with SLFRS 16 Leases.

As per the guidelines provided in SLFRS 16 Leases, the Group 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 Group (as the 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	
	2023	2022	2023	2022
Gross Investment in finance leases receivables				
Current				
Less than one year	5,879,551	7,288,086	-	-
Non Current				
Between one and five years	19,314,190	23,666,166	-	-
More than five years	38,444,290	51,538,531	-	-
	57,758,480	75,204,697	-	-
	63,638,031	82,492,783		
Unearned Finance Income	(37,223,102)	(50,351,463)		
Net investment in finance leases	26,414,929	32,141,320	-	-

14.3.1 Unearned Finance Income	Group		Board	
	2023	2022	2023	2022
Less than one year	5,467,269	6,599,172	-	-
Between one and five years	11,821,253	21,543,074	-	-
More than five years	19,934,580	22,209,217	-	-
	37,223,102	50,351,463	-	-

14.3.2 Net Investment in finance leases receivables	Group		Board	
	2023	2022	2023	2022
Current				
Less than one year	412,282	688,914	-	-
Non Current				
Between one and five years	7,492,937	2,123,092	-	-
More than five years	18,509,710	29,329,314	-	-
	26,002,647	31,452,406	-	-
	26,414,929	32,141,320	-	-

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
15. OTHER FINANCIAL ASSETS	2023	2022	2023	2022
Total Other Financial Assets				
Other Financial Assets - Non Current	27,528,492	28,870,304	6,078,732	5,782,582
Other Financial Assets - Current	29,546,670	25,575,581	2,958,920	2,358,209
	57,075,162	54,445,885	9,037,652	8,140,791

15.1 Financial Assets at amortized cost

Refundable Deposits	146,791	127,828	-	-
Investment in Fixed Deposits	12,756,781	17,798,879	-	-
Investment in Repurchase Agreements	6,113,944	5,616,938	-	-
Investment in Government Securities	6,202,336	5,994,094	-	-
Investment in Other Deposits	13,282	71,399	-	-
Loans to Company Officers	10,157,450	9,077,306	8,968,978	7,890,783
Loans to Consumers	102,050	283,404	68,655	250,009
Investments in Debentures	-	55,034	-	-
	35,492,634	39,024,882	9,037,634	8,140,791

	Group		Board	
15.2 Financial Assets at Fair value through Profit or Loss	2023	2022	2023	2022
Investment in Equity Securities (15.2.1)	77,994	77,994	-	-
	77,994	77,994	-	-

15.2.1 Fair Value through Profit & Loss Investment consist of Investment in Equity Securities- Quoted

	No. of Ordinary Shares ('000')		Carrying Value	
	2023	2022	2023	2022
Share Name				
Aitken Spence Hotel Holdings PLC	37	37	1,858	1,858
Chevron Lubricants Lanka PLC	38	38	3,667	3,667
Citizens Development Business Finance PLC	103	103	5,519	5,519
Commercial Bank of Ceylon PLC	5	5	272	272
Hatton National Bank PLC	57	57	4,229	4,229
Hayleys PLC	473	473	32,159	32,159
John Keells Holdings PLC	40	40	5,388	5,388
Lanka IOC PLC	96	96	19,385	19,385
National Development Bank PLC	71	71	2,268	2,268
People's Leasing & Finance PLC	388	388	1,939	1,939
Seylan Bank PLC	81	81	1,310	1,310
	1,389	1,389	77,994	77,994
	1,389	1,389	77,994	77,994

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

15.3 Financial Assets at Other Comprehensive Income Investments in Unquoted Equity Shares

		Group		Board	
		2023	2022	2023	2022
Lanka Broad Band Network (Pvt) Ltd	Ordinary Shares	5,000	5,000	-	-
	Preference Shares	15,000	15,000	-	-
West Coast Power (Pvt) Ltd	Ordinary Shares	17,493,665	14,931,752	-	-
Lanka Energy International (Pvt) Ltd	Preference Shares	604,103	-	-	-
Less: Impairment of Investments		(20,000)	(20,000)	-	-
		18,097,768	14,931,752	-	-

Financial Assets at amortized cost

Loans and receivables are held to maturity and generate a fixed or variable interest income for the Group. The carrying value might be affected by changes in the credit risk of the counterparties and changes in variable interest rates for some instruments.

Financial Assets at other Comprehensive Income

LTL Holdings Ltd

The Financial Assets at other Comprehensive Income consist of an 4.77% Investment in equity shares of Non - listed company, West Coast (Pvt) Ltd, which is valued based on Discounted Cash Flow (DCF) method and the Preference Share investment in Lanka Energy International (Pvt) Ltd.

Lanka Electricity Company (Pvt) Ltd

Equity investments designated at FVOCI include investments in equity shares of non listed company. The group hold non controlling interest in this company. These investments were irrecoverably designated as FVOCI as group consider these investments to be strategic in nature.

		Group		Board	
		2023	2022	2023	2022
16. OTHER NON-CURRENT ASSETS					
Other receivables*		826,759	826,759	-	-
Prepaid Staff Cost (16.1)		3,467,306	2,796,349	3,094,503	2,495,752
Investment in Ash Bricks Project**		-	2,660	-	-
		4,294,065	3,625,768	3,094,503	2,495,752

Other receivables*

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

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 said MOU was cancelled on 03/12/2013 by signing a withdrawal of MOU.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2023	2022	2023	2022
16.1 Prepaid Staff Cost				
Balance as at the beginning of the year	2,796,349	1,051,945	2,495,752	851,383
Fair value adjustment on loans granted/terminated	2,210,478	2,856,251	2,041,929	2,536,428
Amortization of staff cost	(1,539,521)	(1,111,847)	(1,443,178)	(892,059)
Balance as at the end of the year	3,467,306	2,796,349	3,094,503	2,495,752

	Group		Board	
	2023	2022	2023	2022
17. INVESTMENT OF INSURANCE RESERVE				
At the beginning of the year	12,460,351	10,657,598	12,460,351	10,657,598
Investments made during the year	2,651,120	1,802,752	2,651,120	1,802,752
Withdrawals During the year	-	-	-	-
At the end of the year	15,111,471	12,460,350	15,111,471	12,460,350

	Group		Board	
	2023	2022	2023	2022
18. NON CURRENTS ASSET HELD FOR SALE				
Balance at the beginning of the period	76	76	76	76
Disposal during the period	-	-	-	-
Balance at the end of the period	76	76	76	76

	Group		Board	
	2023	2022 Restated	2023	2022 Restated
19. INVENTORIES				
Raw Materials	3,649,783	2,818,324	-	-
Finished Goods	1,074,218	488,240	-	-
Consumables & Spares	76,410,169	61,016,062	69,235,985	55,728,982
Work in Progress	926,737	422,173	-	-
Fuel	27,642,399	11,737,586	27,642,399	11,737,586
Goods in Transit	3,198,191	1,659,588	2,603,205	1,161,553
Less: Provision for Obsolete & Unserviceable Stock	(2,513,368)	(1,831,095)	(2,268,444)	(1,601,585)
	110,388,129	76,310,878	97,213,145	67,026,536

	Group		Board	
	2023	2022 Restated	2023	2022 Restated
20. TRADE AND OTHER RECEIVABLES				
Trade Debtors	97,353,314	80,763,275	102,478,715	43,496,362
Less: Provision for impairment	(5,971,942)	(6,814,398)	(4,625,868)	(4,611,698)
	91,381,372	73,948,877	97,852,847	38,884,664
Other Debtors	23,541,430	21,789,127	13,393,776	14,560,411
Advances and Prepayments	16,018,477	26,851,218	13,288,988	12,648,479
Less: Provision for impairment	(4,351,923)	(196,989)	(4,351,923)	(196,989)
	126,589,356	122,392,233	120,183,688	65,896,565

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

21. AMOUNTS DUE FROM RELATED PARTIES

	Group		Board	
	2023	2022	2023	2022
Lanka Electricity Company (Pvt) Ltd	-	-	6,661,875	2,912,677
Lanka Coal Company (Pvt) Ltd	-	-	1,506,486	10,248,093
Ante LECO Metering Company (Pvt) Ltd	-	(0)	406,934	143,881
Trincomalee Power co Ltd	-	-	58,938	-
Sri Lanka Energies (Pvt) Ltd	-	-	23,941	-
	-	(0)	8,658,174	13,304,651

22. Contributed Capital

The contributed capital 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.

	2023	2022
Balance at the Beginning of the Period	865,159,371	413,054,569
Puttalam Coal Power Project		120,475,034
Debt to equity conversion		251,629,768
Additional Equity Investments for CPC Payments (22.1)	126,270,920	80,000,000
Balance as at the end of the Period	991,430,291	865,159,371

22.1. Additional Equity Investment for CPC payments

As per the Cabinet Decision, the action was taken to release to Ceylon Electricity Board Rs. 126,270,919,566 as government equity investment in CEB to settle the outstanding balances of Ceylon Petroleum Corporation.

	Group		Board	
	2023	2022 Restated	2023	2022 Restated
Summary				
Capital Reserves (23.1)	21,365,925	22,457,266	18,632,714	18,631,290
Fair Value Reserve (23.2)	8,042,203	6,838,998	-	-
Depreciation Reserve (23.3)	28,000	27,000	28,000	27,000
Self Insurance Reserve (23.4)	29,558,753	25,434,755	29,542,802	25,418,804
Asset Replacement Reserve (23.5)	88,526	88,526	-	-
Investment Reserve (23.6)	13,678,363	10,001,863	-	-
Development Reserve (23.7)	39,825	39,825	-	-
Cashflow Hedge Reserve (23.8)	(1,176,987)	(912,497)	-	-
	71,624,608	63,975,736	48,203,517	44,077,094

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2023	2022	2023	2022
23.1 Capital Reserve				
Balance as at the Beginning of the Year	22,457,266	19,669,107	18,631,291	18,622,305
Exchange Equalization Reserve	(1,092,764)	2,779,173	-	-
RHCP Loan Reserve	1,423	8,986	1,423	8,986
Balance as at the end of the Year	21,365,925	22,457,266	18,632,714	18,631,291

The Capital Reserve Balance include Loan Redemption Reserve, RHCP Loan Reserve, Exchange Equalization Reserve and Other Capital Reserves.

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 Reserves

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 Ltd

Exchange Equalization Reserve

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

	Group		Board	
	2023	2022	2023	2022
23.2 Fair Value Reserve				
Balance as at the beginning of the year	6,838,998	6,667,451	-	-
Net Gain / (Loss) on available for sale assets	1,203,205	171,547	-	-
Balance as at the end of the year	8,042,203	6,838,998	-	-

Fair value reserve includes the fair value changes in the investments classified as Fair value through OCI of LTL Holding Ltd and Lanka Electricity Company (Pvt) Ltd

	Group		Board	
	2023	2022	2023	2022
23.3 Depreciation Reserve				
At the beginning of the year	27,000	26,000	26,000	25,000
Transfers during the period	1,000	1,000	1,000	1,000
At the end of the year	28,000	27,000	27,000	26,000

Depreciation Reserve has been established under the provisions of Section 47 (2) (a) of the CEB Act No.17 of 1969 . The nature and the purpose of the fund is to cover the depreciation of movable and immovable property of the Board.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
23.4 Self Insurance Reserve	2023	2022 Restated	2023	2022 Restated
Balance at the beginning of the period	25,434,755	22,590,245	25,418,804	22,574,294
Transfers from the retained earnings	1,369,269	1,320,803	1,369,269	1,320,803
Transfers from other divisions	-	-	-	-
Damages charged during the period	-	-	-	-
Income received from investment	2,754,729	1,523,707	2,754,729	1,523,707
Balance at end of the period	29,558,753	25,434,755	29,542,802	25,418,804

Insurance Reserve has been established under the provisions of Section 47 (1) (a) of the CEB Act No.17 of 1969 . The nature and the purpose of the fund is to cover the insurance of movable and immovable property of the Board to meet third party risks and liabilities arising under the Workmen's Compensation Ordinance. Up to year 2000, Investment in Insurance Reserve balance was equal to the Reserve Balance. No additional investment made other than reinvestment of interest due to adverse financial conditions of CEB throughout the period.

	Group		Board	
23.5 Asset Replacement Reserve	2023	2022	2023	2022
Balance at the beginning of the period	88,526	88,526	-	-
Transfer to the retained earnings	-	-	-	-
Income received from investment	-	-	-	-
Balance at end of the period	88,526	88,526	-	-

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

	Group		Board	
23.6 Investment Reserve	2023	2022	2023	2022
Balance at the beginning of the period	10,001,863	10,001,863	-	-
Transfers from the retained earnings	3,676,500	-	-	-
Balance at end of the period	13,678,363	10,001,863	-	-

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.

	Group		Board	
23.7 Development Reserve	2023	2022	2023	2022
Balance at the beginning of the period	39,825	37,325	-	-
Transfers from the retained earnings	-	2,500	-	-
Balance at end of the period	39,825	39,825	-	-

	Group		Board	
23.8 Cashflow Hedge Reserve	2023	2022	2023	2022
Balance at the beginning of the period	(912,497)	-	-	-
Transfers during the year	(264,490)	(912,497)	-	-
Balance at end of the period	(1,176,987)	(912,497)	-	-

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

24. INTEREST BEARING LOANS & BORROWINGS

Group	2023 Repayable Within 1 year	2023 Repayable After 1 year	2023 Total	2022 Repayable Within 1 year	2022 Repayable After 1 year	2022 Total
Bank Loans (24.1)	66,245,903	87,267,732	153,513,634	61,569,108	87,626,868	149,195,976
Projects Loans (24.2)	8,826,809	169,695,284	178,522,094	9,532,969	164,937,234	174,470,204
Debentures (24.3)	-	20,000,000	20,000,000	-	20,000,000	20,000,000
Lease Creditors (24.5.1)	220,771	145,108	365,879	161,565	184,602	346,167
Redeemable Preference Shares	-	-	-	-	-	-
Bank Overdrafts	36,982,843	-	36,982,843	39,726,155	-	39,726,155
	112,276,326	277,108,124	389,384,450	110,989,797	272,748,704	383,738,502

The Board	2023 Repayable Within 1 year	2023 Repayable After 1 year	2023 Total	2022 Repayable Within 1 year	2022 Repayable After 1 year	2022 Total
Bank Loans (24.1.1)	23,184,663	61,852,869	85,037,532	41,769,764	60,241,833	102,011,597
Projects Loans (24.2)	8,826,809	169,695,284	178,522,094	9,532,969	164,937,235	174,470,204
Debentures (24.3)	-	20,000,000	20,000,000	-	20,000,000	20,000,000
Loans from Related Party (24.4)	-	-	-	-	-	-
Lease Creditors (24.5.2)	29,275	11,339	40,615	36,649	42,236	78,884
Bank Overdrafts	31,847,666	-	31,847,666	35,920,462	-	35,920,462
	63,888,413	251,559,492	315,447,907	87,259,844	245,221,304	332,481,147

24.1 Bank Loans

24.1.1 The Board	Interest rate	As At 01.01.2023	Loans Obtained	Repayment	As At 31.12.2023	Repayable Within 1 Year	Repayable After 1 Year
Term Loans							
NSB (Rs 10 000 Mn)	2014.12.30	625,000	-	625,000	-	-	-
People's Bank (Rs. 10000 Mn - CPC Payments)	2018.01.24	15.50%	1,880,000	140,000	1,740,000	1,680,000	60,000
People's Bank - OD Settlement	2018.02.01	15.50%	1,328,000	87,000	1,241,000	1,044,000	197,000
National Savings Bank+Sampath+Seylan (Rs 10 000 Mn)	2019.02.25	17.54%	3,560,000	2,817,335	742,665	742,665	-
Bank of Ceylon (15B)	2019.06.30	14.63%	11,710,000	2,470,000	9,240,000	3,030,000	6,210,000
Seylan Bank (2Bn)	2019.10.04	20.15%	1,648,000	352,000	1,296,000	603,000	693,000
People's Bank (Rs. 35B)	2019.05.30	16.00%	28,200,000	400,000	27,800,000	5,400,000	22,400,000
Bank of Ceylon (Rs. 5000 Mn)	2020.03.03	15.44%	4,820,000	240,000	4,580,000	310,000	4,270,000
Peoples Bank (Rs. 10000 Mn)	2020.04.01	16.00%	9,133,333	75,000	9,058,333	1,275,000	7,783,333
NTB Loan (1000 Mn)	2020.11.09	29.35%	272,000	272,000	-	-	-
NSB Loan (5000 Mn)	2020.12.19	12.95%	5,000,000	-	5,000,000	500,000	4,500,000
People's Bank - Coal Loan 5	2021.09.28	15.50%	14,522,764	14,522,764	-	-	-
NTB Loan (3Bn)	2022.01.31	16.36%	2,312,500	687,500	1,625,000	750,000	875,000
People's Bank (Rs. 17B)	2022.02.03	16.50%	17,000,000	1,062,500	15,937,500	4,249,998	11,687,502
Coal Loan 6	2023.01.12	15.50%	15,000,000	15,000,000	-	-	-
Seylan Bank	2023.03.16	15.13%	2,000,000	2,000,000	-	-	2,000,000
NTB Loan (3Bn)-2023	2023.04.06	16.36%	3,000,000	1,333,333	1,666,667	1,666,667	-
BOC 3BN	2023.06.26	24.00%	1,965,923	300,000	1,665,923	600,000	1,065,923
NTB 2BN	2023.06.27	17.51%	2,000,000	555,556	1,444,444	1,333,333	111,111
			102,011,597	23,965,923	40,939,988	85,037,532	23,184,663
							61,852,869

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

24.1.2 The Group

Company	Lending Institution	Interest Rate	2023 Repayable Within 1 year	2023 Repayable After 1 year	2023 Total
Pawan Danavi (Pvt) Ltd	Sampath Bank	AWPLR +1.25%	63,900	81,470	145,370
Lakdanavi Ltd	Hatton National Bank Short-Term Loan	AWPLR+0.5%	4,250,000	-	4,250,000
Lakdanavi Ltd	Hatton National Bank- Import Loan	AWPLR+0.5%	324,165	-	324,165
Lakdanavi Ltd	Sampath Bank - Import Loan	AWPLR+1.0% (variable) monthly	390,633	-	390,633
Lakdanavi Ltd	Peoples' Bank - Import Loan	FD Rate+2.00% p.a.	1,309,773	-	1,309,773
Lakdanavi Ltd	Long-Term Loan-National Development Bank	AWPLR+1%, with a cap of 10.5% and floor of 7%	-	3,000,000	3,000,000
Lakdanavi Ltd	Long-Term Loan-Seylan Bank	8.75% for 1st two years, Onwards 1st two years AWPLR+1% with a cap of 11% & floor of 8.75% p.a.	-	1,800,000	1,800,000
Lakdanavi Ltd	Hatton National Bank PLC- Short term Loan	AWPLR+0.75%		2,140,623	2,140,623
Lakdhanavi Bangla Power Limited	Secured Loan	3.5% + 3M LIBOR & 4.5% + 3M LIBOR	585,167	870,761	1,455,928
Lakdhanavi Bangla Power Limited	Working Capital Loan - Commercial Bank of Ceylon PLC	9%	5,433,751	-	5,433,751
Raj Lanka Power Company Limited	Working Capital Loan -Commercial Bank of Ceylon	9%	4,452,631	-	4,452,631
Feni Lanka Limited	Secured Loan	4.25% + 3M LIBOR	2,140,759	13,052,520	15,193,279
Feni Lanka Limited	Working Capital Loan	9.00%	7,340,406		7,340,406
LTL Transformers (Pvt) Ltd	Sampath Bank	AWPLR+1.1%	5,004	11,219	16,223
LTL Transformers (Pvt) Ltd	Bank of Ceylon	AWPLR + 1.1%	66,667	134,044	200,711
LTL Galvanizers (Pvt) Ltd	NDB Bank	6.25% p.a	4,500	750	5,250
Makari Gad Hydropower Pvt. Ltd.	Term Loans	Weighted Average Base Rate (WABR) + 1.5% not less than base rate of any member bank	-	4,099,935	4,099,935
Makari Gad Hydropower Pvt. Ltd.	Bridge Gap Loan	Weighted Average Base Rate (WABR) + 1.5% not less than base rate of any member bank	158,651		158,651
Asiatic Electrical & Switchgear Private Limited	Standard Chartered Bank Limited- Bills Discounting	MCPLR+Applicable Margin	49,289		49,289
Asiatic Electrical & Switchgear Private Limited	Standard Chartered Bank Limited- Packing Credit Loan	6.80%	65,791	29,141	94,932
Asiatic Electrical & Switchgear Private Limited	Standard Chartered Bank Limited- Term Loan	LIBOR+Margin	14,114		14,114
Asiatic Electrical & Switchgear Private Limited	Standard Chartered Bank (India) - Working Capital Loan	MCPLR + Applicable Margin	436,769		436,769
Sri Lanka Energies (Pvt) Ltd	Sampath Bank		-	194,400	194,400
Lanka Coal Company	27800 - Term Loan BOC		4,988,710	-	4,988,710
Lanka Coal Company	27801 - Term Loan BOC(8.30 Bn)- 91578895		6,916,000	-	6,916,000
Lanka Coal Company	27802 - BOC Term Loan - 21 Billion		4,064,560	-	4,064,560
			43,061,240	25,414,863	68,476,103
The Board (Note 24.1.1)			23,184,663	61,852,869	85,037,532
Total Bank Loans of the Group			66,245,903	87,267,732	153,513,635

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

24.2 Project Loans

24.2.1 Loans From Treasury The Board/Group

	Provider of funds	Interest Per Annum (%)	As At 01.01.2023	Loans Obtained	Transferred to Equity	As At 31.12.2023	Repayable Within 1 Year	Repayable After 1 Year
National Transmission & Distribution Network Development	JICA	Not Finalized	28,822,545	-	-	28,822,545	-	28,822,545
Green Power Development & Energy Efficiency Improvement Project	ADB	Not Finalized	12,106,113	7,779,809	-	19,885,922	-	19,885,922
Green Power Dev. & Energy Efficiency Improvement Project	AFD	Not Finalized	3,793,638	-	-	3,793,638	-	3,793,638
Green Power Dev. & Energy Efficiency Improvement Project (Tranche 2)	AFD	10%	5,279,581	-	-	5,279,581	-	5,279,581
Construction of four grid Substation	AFD	Not Finalized	4,450,099	-	-	4,450,099	-	4,450,099
			54,451,976	7,779,809	-	62,231,785	-	62,231,785

24.2.2 Loans From Bank

	Date	Interest Rate	As At 01.01.2023	Loans Obtained	Repayment	Exchange gains/ (Losses)	As At 31.12.2023	Repayable Within 1 Year	Repayable After 1 Year
Broadland Hydro Power Project (HNB)	2013.07.19	06 months LIBOR + 6.3%	1,882,705	-	430,261	(500,600)	951,844	475,923	475,921
Broadland Hydro Power Project (ICB)	2013.06.06	06 months LIBOR + 3.2%	9,858,845	-	-	(1,136,251)	8,722,594	1,453,766	7,268,828
Green Power Dev. & Energy Efficiency Improvement Project (ADB)	2017.07.10	06 months LIBOR+0.6%-0.1%+Premium0.1%	26,347,168	6,890,461	1,371,529	(4,449,961)	27,416,139	1,453,788	25,962,351
Green Power Dev. & Energy Efficiency Improvement Project (ADB)	2016.12.06	2% (Fixed)	10,291,821	1,018,995	893,114	178,168	10,595,870	904,141	9,691,729
Supporting Elec.supply reliability improvement project	2016.12.19	06 months LIBOR+0.6%-0.1%+Premium0.1%	18,163,908	3,969,780	911,368	(2,156,581)	19,065,739	948,489	18,117,250
Mannar Wind Power Generation Project (ADB)	2017.11.22	06 months LIBOR+0.6%-0.1%	49,242,719	3,459,241	2,990,347	(5,668,253)	44,043,360	2,990,702	41,052,658
Broadland Hydro Power Project (PB)	2021.03.10	AWPLR+1.5%	4,231,063	1,263,699	-	-	5,494,762	600,000	4,894,762
			120,018,229	16,602,176	6,596,619	(13,733,478)	116,290,308	8,826,809	107,463,499
Total Project Loans			174,470,205	24,381,985	6,596,619	(13,733,478)	178,522,093	8,826,809	169,695,284

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

24.3 Debentures

The Board/Group			As At 01.01.2023	Debenture Issued	Repayment	As At 31.12.2023	Repayable Within 1 Year	Repayable After 1 Year
2 Bn Senior Unsecured Listed Redeemable Rated debentures	2021.04.16	9.35%	20,000,000	-	-	20,000,000	-	20,000,000
			20,000,000	-	-	20,000,000	-	20,000,000

24.4 Loans from Related Party

The Board			As At 01.01.2023	Debenture Issued	Repayment	As At 31.12.2023	Repayable Within 1 Year	Repayable After 1 Year
Lanka Electricity Company (Pvt)Ltd- Short Term Loan		20.00%	-	2,700,000	2,700,000	-	-	-
			-	2,700,000	2,700,000	-	-	-

24.5 Lease Creditor

24.5.1 The Group

	2023 Repayable Within 1 year	2023 Repayable After 1 year	2023 Total	2022 Repayable Within 1 year	2022 Repayable After 1 year	2022 Total
Lease Creditor	220,771	145,108	365,879	161,565	184,602	346,167
	220,771	145,108	365,879	161,565	184,602	346,167

24.5.2 The Board

	2023 Repayable Within 1 year	2023 Repayable After 1 year	2023 Total	2022 Repayable Within 1 year	2022 Repayable After 1 year	2022 Total
Lease Creditor	29,275	11,339	40,614	36,649	42,236	78,885
	29,275	11,339	40,614	36,649	42,236	78,885

25. CONSUMER DEPOSITS

	Group		Board	
	2023	2022	2023	2022
Balance as at Beginning of the year	16,719,938	16,299,865	16,719,938	16,299,865
Deposit Received during the year	514,919	761,348	514,919	761,348
Refunds Made during the year	(153,864)	(341,275)	(153,864)	(341,275)
Balance as at the end of the year	17,080,993	16,719,938	17,080,993	16,719,938

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

26. PROVISIONS AND OTHER DEFERRED LIABILITIES	Group		Board	
	2023	2022	2023	2022
Retirement Benefits Obligation- Gratuity (26.1)	10,701,317	8,415,190	8,691,695	6,887,079
Pension Benefits (26.2)	28,087,370	26,083,942	28,087,371	26,083,942
Commuted Pension Fund Liability-Non Funded	30,000	30,000	30,000	30,000
	38,818,687	34,529,132	36,809,065	33,001,021

26.1 Retirement Benefits Obligation- Gratuity	Group		Board	
	2023	2022	2023	2022
Balance at the beginning of the year	8,415,191	9,033,125	6,887,079	7,358,886
Transferred during the year	-	-	-	-
Charge for the year (26.1.1)	2,045,456	1,656,530	1,688,012	1,380,133
Payments made during the year	(1,344,711)	(1,272,796)	(1,208,315)	(942,210)
Actuarial (Gain)/Loss	1,590,295	(1,019,873)	1,324,919	(909,730)
Effect of Exchange Rate Movement	(4,913)	18,204	-	-
Balance at the end of the year	10,701,318	8,415,190	8,691,695	6,887,079

26.1.1 Charge for the year	Group		Board	
	2023	2022	2023	2022
Interest Cost	1,499,027	927,470	1,239,674	846,272
Current service Cost	546,429	721,550	448,338	533,861
Actuarial (gain)/ loss	-	-	-	-
	2,045,456	1,649,020	1,688,012	1,380,133

26.1.2 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

	2023	2022
Discount rate a	9%	9%
Future salary increase	24%	24%
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 follows

	2023	2022
Discount rate assumed (%) (per Annum)	12%	11.5%
Salary Increase Rate (%) (per Annum)	9%	9%
Normal Retirement Age - Appointments up to 31 December 2006	65 years	65 years
- Appointments after 01 January 2007	57 years	57 years
Staff Turnover - Up to age 54	2.00%	1.00%
- Age above 50	0%	0%

LTL Holdings Limited

Messes Piyal S. Gunathilake and Associates actuaries carried out and actuarial valuation of the defined benefit plan gratuity as at 31 December 2023 and 31 December 2022 for the respective plan years.

Principal Assumptions

	2023	2022
Discount rate assumed (%) (per Annum)	13.0%	18.0%
Salary Increase Rate (%) (per Annum)	15%	15%
Staff Turnover (%) (per Annum)	5%	5%
Retirement Age	60 Years	60 Years

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

26.2 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.

	2023	2022
Present Value of Obligations (26.2.1)	59,765,594	53,968,380
Fair Value of plan assets (26.2.2)	31,678,223	27,884,438
Deficit of funded plans	28,087,371	26,083,942
Contribution receivables	-	-
Present Value of unfunded obligations	-	-
Liability / Assets in the Statement of Financial Position	28,087,371	26,083,942

26.2.1 The movement in the pension fund liability over the year is as follows,	2023	2022
At beginning of the year	53,968,380	39,247,514
Current Service Cost	1,967,819	1,851,757
Interest Cost	4,857,154	3,532,276
Actuarial Gain/ (Losses)	1,835,324	11,981,754
Benefit Paid	(2,863,084)	(2,644,921)
At end of the year	59,765,594	53,968,380

26.2.2 The movement in the fair value of plan assets of the year is as follows	2023	2022
At beginning of the year	27,884,438	25,021,199
Expected Return on Plan Assets	4,789,108	3,597,628
Actuarial Losses	6,070	13,174
Contribution Paid (Employee + Employer)	1,861,691	1,897,358
Benefit Paid	(2,863,084)	(2,644,921)
At end of the year	31,678,223	27,884,438

The amounts recognized in the income statement are as follows

Current service cost	1,967,819	1,851,757
Interest Cost	4,857,154	3,532,276
Expected return on plan assets	(4,789,108)	(3,597,628)
Recognized in income statement	2,035,865	1,786,406

The principal actuarial assumptions were as follows

Discount Rates	9%	9%
Expected return on plan assets	-	14%
Future Salary Increases	24%	24%
Future Pension Increases	0%	0%
Retirement Age	60	60

Plan assets are comprised as follows

Fixed Deposits	26,428,513	22,802,318
Debentures at amortized cost	-	5,026,663
Cash at bank less Tax Payable	-	55,458
Other	5,249,712	-
Total	31,678,225	27,884,439

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2023	2022	2023	2022
27. GOVERNMENT GRANT				
Balance at the beginning of the year	718,372	536,358	240,579	233,347
Received During the year	43,416	203,596	-	23,000
Amount Amortised during the year	(44,185)	(21,582)	(15,685)	(15,769)
Balance at the end of the year	717,603	718,372	224,894	240,578
	Group		Board	
	2023	2022	2023	2022
28. CONTRACT LAIBILITIES				
Consumer Contribution (28.1)	112,996,990	107,728,942	107,620,656	102,611,894
Prepaid Electric Vehicle charging Revenue (28.2)	1,612	1,157	1,612	1,157
Contractor Payments	51,377	485,243	-	-
	113,049,979	108,215,342	107,622,268	102,613,051
	Group		Board	
	2023	2022	2023	2022
28.1 Consumer Contribution				
Balance at the beginning of the year	107,728,945	104,530,971	102,611,896	99,516,999
Consumer Contribution received During the year	10,290,520	7,928,877	9,556,954	7,376,203
Amount Amortised During the year	(5,022,475)	(4,730,906)	(4,548,194)	(4,281,308)
Balance at the end of the year	112,996,990	107,728,942	107,620,656	102,611,894
	Group		Board	
	2023	2022	2023	2022
28.2 Prepaid Electric Vehicle Charging Revenue				
Balance at the beginning of the Period	1,158	1,058	1,159	1,058
Cash received for prepaid e-Cards	3,972	1,748	3,972	1,748
Utilization for the year	-	(2,696)	-	(2,696)
Refunds made during the period	(3,518)	1,048	(3,518)	1,048
Balance at the end of the Period	1,612	1,158	1,614	1,159
	Group		Board	
	2023	2022	2023	2022
29. DEFERRED TAXATION				
Balance at the beginning of the year	84,699	712,684	-	-
Deferred Tax Charged to Income Statement	(404,552)	(756,684)	-	-
Deferred Tax Adjusted to Other Comprehensive Income	936,072	128,699	-	-
Balance at the end of the year	616,219	84,699	-	-
	Group		Board	
	2023	2022	2023	2022
Deferred Tax Liability				
Depreciation Allowances for Tax Purposes including ROU assets	1,144,109	1,214,409	-	-
Revaluation Reserve	872,930	872,930	-	-
Net change in fair value of FVOCI investments	728,615	93,831	-	-
Deferred Tax Asset				
Deferred Income on Consumer Contribution	(327,672)	(327,672)	-	-
Employment Retirement Benefits	(484,257)	(434,521)	-	-
Other provisions	(1,291,095)	(1,287,926)	-	-
Unutilized tax losses	(26,411)	(46,352)	-	-
	616,219	84,699	-	-

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

		Group		Board	
		2023	2022 Restated	2023	2022 Restated
30. TRADE AND OTHER PAYABLES					
Trade Payables		114,137,841	210,998,656	123,324,818	194,930,800
Other Payables		22,847,822	19,848,119	17,290,512	17,741,977
Sundry Creditors Including Accrued Expenses		24,744,427	32,769,615	23,066,246	31,998,906
Deposits(30.1)		29,838,669	26,609,679	29,831,606	26,602,617
Stock Surplus		424,196	51,041	424,196	51,045
		191,992,955	290,277,110	193,937,377	271,325,346
30.1 Deposits					
Deposits against Capital Jobs		20,644,380	18,698,920	20,644,380	18,698,920
Tender Deposits		643,663	628,569	643,663	628,569
Security Deposits		40,594	136	40,594	136
Other Deposits		8,510,032	7,282,054	8,502,969	7,274,991
		29,838,669	26,609,679	29,831,606	26,602,617
31. AMOUNTS DUE TO RELATED PARTIES					
	Relationship	Group 2023	2022	Board 2023	2022
LTL Holdings Ltd	Subsidiary Company	-	-	552,971	611,601
LTL Transformers (Pvt) Ltd	Sub-subsidiary Company	-	-	927,295	457,505
LTL Galvanizers (Pvt) Ltd	Sub-subsidiary Company	-	-	1,027,859	140,952
Deduru Oya Mini Hydro (Pvt) Ltd	Sub-subsidiary Company	-	-	120,941	-
Ante Leco Metering Co.(Pvt) Ltd	Sub-subsidiary Company	-	-	484,696	221,495
Lanka Coal Company (Pvt) Ltd	Subsidiary Company	-	-	30,330,803	4,008,660
Kumbalgamuwa Mini Hydro (Pvt) Ltd	Sub-subsidiary Company	-	-	144,446	238,194
Sri Lanka Energies HR (Pvt) Ltd	Sub-subsidiary Company	-	-	796	47,565
Sri Lanka Energies (Pvt) Ltd	Subsidiary Company	-	-	92,858	28,210
		-	-	33,682,665	5,706,617
32. CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT					
Components of Cash and Cash Equivalents		Group 2023	2022	Board 2023	2022
32.1 Favourable Cash & Cash Equivalents balance					
Cash & Bank Balances		33,010,146	18,221,963	19,506,490	8,617,537
Cash in Transit		493,420	3,370,728	-	-
Call Deposits		400,529	529,830	400,529	529,830
		33,904,095	22,122,521	19,907,019	9,147,367
32.2 Unfavourable Cash & Cash Equivalent Balances					
Bank Overdraft (Note 24)		(36,982,843)	(39,726,155)	(31,847,666)	(35,920,462)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement		(3,078,748)	(17,603,634)	(11,940,647)	(26,773,097)

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

33. MATERIALLY PARTLY-OWNED SUBSIDIARIES

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

33.1 Proportion of equity interest held by non-controlling interest

Name of the Subsidiary	Country of incorporation and operation	2023	2022
LTL Holding Ltd	Sri Lanka	37%	37%
Lanka Electricity Company (Pvt) Ltd	Sri Lanka	44.8%	44.8%
Lanka Coal Company (Pvt) Ltd	Sri Lanka	40%	40%

33.2 Profit allocated to material non-controlling interests

LTL Holding Ltd	40%	40%
Lanka Electricity Company (Pvt) Ltd	2,073,005	1,490,538

33.3 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 2023	Lanka Electricity Company (Pvt) Ltd	LTL Holdings Ltd	Sri Lanka Energies	Lanka Coal Company (Pvt) Ltd
Revenue	75,167,578	56,622,867	1,116,862	161,408,218
Cost of sales	(62,880,472)	(37,392,716)	(681,960)	(161,333,589)
Gross Profit	12,287,106	19,230,151	434,902	74,629
Other Income & Gains	2,367,106	5,175,297	189	19,677
Distribution Expenses	-	(193,590)	-	-
Administrative Expenses	(4,804,332)	(2,637,627)	(104,118)	(74,287)
Other Operating Expenses	(5,834,052)	(3,732,023)	(22,806)	-
Finance Income	1,901,902	1,179,072	9,827	8,323
Finance Cost	(139,384)	(6,509,631)	(108,196)	(28,343)
Profit before Tax	5,778,345	12,511,649	209,797	0
Income tax	(1,777,917)	(3,126,007)	(47,275)	-
Profit for the year from continuing operations	4,000,428	9,385,642	162,522	0
Total Comprehensive Income				
Attributable to non-controlling interest	2,073,005	4,634,341	-	-
Dividends paid to non-controlling interests	-	70,091	-	-

33.4 Summarised statement of profit or loss for 2022

Revenue	39,715,935	56,686,014	757,874	117,406,287
cost of sales	(30,720,758)	(40,629,059)	(444,715)	(117,337,279)
Gross Profit	8,995,178	16,056,955	313,159	69,008
Other Income & Gains	1,210,592	14,481,487	1,015	8,222
Distribution Expenses	-	(288,296)	-	-
Administrative Expenses	(3,949,432)	(2,323,386)	(115,802)	(78,525)
Other Operating Expenses	(5,459,640)	(3,215,936)	(5,351)	-
Finance Income	1,306,528	1,519,326	6,863	1,361
Finance Cost	(194,382)	(4,596,224)	(160,487)	(65)
Profit before Tax	1,908,843	21,633,927	39,397	0
Income tax	(56,681)	(998,963)	(15,068)	-
Profit for the year from continuing operations	1,852,162	20,634,964	24,329	0
Total Comprehensive Income				
Attributable to non-controlling interest	1,490,538	5,835,605	-	-
Dividends paid to non-controlling interests	-	1,207,244	-	-

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

33.5 Summarised statements of financial position as at 31st December 2023

Summarised statement of profit or loss for 2023	Lanka Electricity Company (Pvt) Ltd	LTL Holdings Ltd	Sri Lanka Energies	Lanka Coal Company (Pvt) Ltd
Inventories and Cash and bank balances (current)	6,451,690	14,615,612	128,312	5,249,313
Property, Plant and equipment and other non-current	18,082,006	74,298,292	1,023,333	830,807
Financial assets (non-current)	16,976,128	4,473,631	-	-
Trade & other Payables (current)	11,966,564	5,954,404	646,000	24,989,338
Interest-bearing loans and borrowings and deferred tax	1,276,883	57,900,491	279,488	15,969,270
Liabilities (non-current)	7,579,789	326,222	14,486	9,546
Total Equity				
Attributable to :				
Equity holders of parent	22,687,068	40,384,592	-	-
Non- controlling interest	18,412,692	23,717,935	-	-

33.6 Summarised statements of financial position as at 31st December 2022

Inventories and Cash and bank balances (current)	3,884,189	14,830,599	47,648	45,302
Property, Plant and equipment and other non-current	16,045,585	52,008,034	785,035	832,110
Financial assets (non-current)	18,999,406	4,088,316	-	-
Trade & other Payables (current)	4,607,000	9,347,025	-	7,952,558
Interest-bearing loans and borrowings and deferred tax	639,116	51,117,714	485,708	-
Liabilities (non-current)	6,912,584	676,702	10,833	8,079
Total Equity				
Attributable to :				
Equity holders of parent	22,687,068	40,384,592	-	-
Non- controlling interest	18,412,692	23,717,935	-	-

33.7 Summarised cash flow information for the year ending 31 December 2023

Operating	5,984,256	9,639,462	528,414	5,240,092
Investing	(5,773,723)	(23,951,162)	(301,538)	(36,080)
Financing	(3,928)	11,392,017	(148,064)	-
Net increase/(decrease) in cash and cash equivalents	206,606	(2,919,683)	78,812	5,204,012

33.8 Summarised cash flow information for the year ending 31 December 2022

Operating	1,455,903	1,650,612	19,063	6,187
Investing	(1,377,124)	(10,070,668)	(35,295)	-
Financing	1,661	5,008,510	(34,177)	(20,163)
Net increase/(decrease) in cash and cash equivalents	80,440	(3,411,546)	(50,409)	(13,976)

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

34 PRIOR YEAR ADJUSTMENTS

34.1 Prior Year Adjustments - Ceylon Electricity Board

Following adjustments were made in the Board's financial statements which are relevant to the prior periods.

01)	Being capitalizing the VAT & NBT on Overhaul Services of Lakwijaya Power Plant	Dr Rs	Cr Rs
	Property, Plant & Equipment - Before 2022	250,850,256	
	Trade and Other Payables		250,850,256
02)	Being recording the depreciation expense on capitalized VAT and NBT payable on Overhaul Services of Lakwijaya Power Plant	Dr Rs	Cr Rs
	Retained Earnings - Before 2022	250,850,256	
	Accumulated Depreciation - Before 2022		250,850,256
03)	Being recording the VAT and NBT with respect to the operational and maintenance service expenditure of Lakwijaya power plant	Dr Rs	Cr Rs
	Retained Earnings - Before 2022	1,452,651,754	
	Trade and Other Receivables - Before 2022		1,162,845,388
	Trade and Other Payables - Before 2022		289,806,366
04)	Being writting off the Long outstanding Balance Payable to Northern Power Company (Pvt) Ltd (NPCPL)	Dr Rs	Cr Rs
	Trade and Other Payables - Before 2022	2,886,675,795	
	Retained Earnings - Before 2022		2,886,675,795
05)	Being recognising the unrealized exchange gain with respect to the foreign currency loans obtained by the Board	Dr Rs	Cr Rs
	Retained Earnings - Before 2022	6,308,533,168	
	Retained Earnings - In 2022	49,430,315,418	
	Interest Bearing Loans and Borrowings - Before 2022		6,308,533,168
	Interest Bearing Loans and Borrowings - In 2022		49,430,315,418
06)	Being Correcting VAT amount recognized on coal shipments during 2021-2022 Lakwijaya Power Plant	Dr Rs	Cr Rs
	Trade and Other Payables - In 2022	29,801	
	Trade and Other Payables - Before 2022	561,281,636	
	Retained Earnings - In 2022		29,801
	Retained Earnings - Before 2022		561,281,636

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

07)	Being recording the cost of the 23 vehicles which were not recorded in Lakwijaya Power Plant	Dr Rs	Cr Rs
	Property, Plant & Equipment - Motor Vehicles - Before 2022	190,462,518	
	Property, Plant & Equipment - Generation Power Plants- Before 2022		190,462,518
08)	Being recording depreciation expense with respect to the recognized 23 Vehicles in Lakwijaya Power Plant	Dr Rs	Cr Rs
	Retained Earnings - Before 2022	34,214,103	
	Retained Earnings - In 2022	10,588,338	
	Accumulated Depreciation - Before 2022		34,214,103
	Accumulated Depreciation - In 2022		10,588,338
09)	Being recording the martial price variance with respect to the Distribution Divisions for 2022	Dr Rs	Cr Rs
	Inventories - In 2022	13,221,186,809	
	Retained Earnings - In 2022		13,221,186,809
10)	Being recording delayed interest payment for NCRE suppliers	Dr Rs	Cr Rs
	Retained Earnings - In 2022	100,826,934	
	Retained Earnings -Before 2022	2,318,725,046	-
	Trade and Other Payables - In 2022		100,826,934
	Trade and Other Payables - Before 2022		2,318,725,046

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

34.1.1 Impact of the prior year adjustment for the Board as at 31 December 2022

Statement of Financial Position	2022 Before Restatement	Adjustments	2022 After Restatement
ASSETS			
Non-Current Assets			
Property, Plant & Equipment -Cost	894,718,422	(44,802)	894,673,619
Intangible Assets	141,626		141,626
Investment in Subsidiaries	911,813		911,813
Investment in Joint Venture	348,606		348,606
Investments of Insurance Reserves Fund	12,460,351		12,460,351
Other Financial Assets	5,782,582		5,782,582
Other Non current Assets	2,495,752		2,495,752
	916,859,151	(44,802)	916,814,349
Non Current Assets Held For sale	76		76
Current Assets			
Inventories	53,805,349	13,221,187	67,026,536
Trade and Other Receivables	80,173,540	(1,162,845)	79,010,695
Other Financial Assets	2,358,209		2,358,209
Cash and Cash Equivalents	9,147,367		9,147,367
	145,484,465	12,058,341	157,542,806
Total Assets	1,062,343,692	12,013,539	1,074,357,231
EQUITY AND LIABILITIES			
Capital & Reserves			
Contributed Capital	865,159,371		865,159,371
Reserves	44,077,096		44,077,096
Accumulated Profit	(554,809,644)	(43,237,531)	(598,047,175)
Total Equity	354,426,822	(43,237,531)	311,189,291
Non-Current Liabilities and Deferred income			
Interest Bearing Loans & Borrowings	193,477,786	51,743,518	245,221,304
Consumer Deposits	16,719,938		16,719,938
Provisions & Other Deferred Liabilities	33,001,021		33,001,021
Government Grants	172,662		172,662
Contract Liabilities	102,613,053		102,613,053
	345,984,460	51,743,518	397,727,977
Current Liabilities			
Trade and Other Payables	277,397,131	(487,779)	276,909,352
Income Tax Liabilities	1,270,766		1,270,766
Interest Bearing Loans & Borrowings	83,264,514	3,995,330	87,259,844
	361,932,410	3,507,552	365,439,963
Total Equity and Liabilities	1,062,343,692	12,013,539	1,074,357,231

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

34.1.2 Impact of the prior year adjustment for the Board as at 31 December 2022

Statement of Comprehensive Income	2022 Before Restatement	Adjustments	2022 After Restatement
Revenue	308,457,234	-	308,457,234
Concession provided to Domestic Customers	(765)		(765)
Cost of Sales	(430,509,030)	(14,115,754)	(444,624,784)
Gross Profit / (Loss)	(122,052,561)	(14,115,754)	(136,168,315)
Other Income	11,581,152	-	11,581,152
Administrative Expenses	(16,353,884)	(22,103,933)	(38,457,817)
Operating Profit / (Loss)	(126,825,293)	(36,219,686)	(163,044,980)
Finance Income	1,394,313		1,394,313
Finance Costs	(41,749,027)	(100,827)	(41,849,854)
Finance Cost-Net	(40,354,714)	(100,827)	(40,455,541)
Profit / (Loss) After Net Finance Cost	(167,180,007)	(36,320,513)	(203,500,521)
Exchange Loss resulting from Debt to Equity conversion from the Government	(94,688,683)	-	(94,688,683)
Profit / (Loss) Before Income tax	(261,868,690)	(36,320,513)	(298,189,204)
Income Tax Expense	-		-
Profit/(Loss) for the period	(261,868,690)	(36,320,513)	(298,189,204)
Other comprehensive income			
Actuarial gain/(loss) on Defined benefit obligations	(11,058,850)		(11,058,850)
Other comprehensive income for the period, net of tax	(11,058,850)	-	(11,058,850)
Total comprehensive income for the period	(272,927,540)	(36,320,513)	(309,248,054)

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

34.1.3 Impact of the prior year adjustment for the Board as at 1st January 2022

Statement of Financial Position	1st January 2022 Before Restatement	Adjustments	1st January 2022 After Restatement
ASSETS			
Non-Current Assets			
Property, Plant & Equipment -Cost	851,937,542	(34,214)	851,903,328
Intangible Assets	133,997		133,997
Investment in Subsidiaries	911,813		911,813
Investment in Joint Venture	328,606		328,606
Investments of Insurance Reserves Fund	10,657,598		10,657,598
Other Financial Assets	7,700,399		7,700,399
Other Non current Assets	851,383		851,383
	872,521,338	(34,214)	872,487,124
Non Current Assets Held For sale	76	-	76
Current Assets			
Inventories	63,926,113		63,926,113
Trade and Other Receivables	59,477,978	(1,162,845)	58,315,132
Other Financial Assets	2,601,739		2,601,739
Cash and Cash Equivalents	5,439,757		5,439,757
	131,445,587	(1,162,845)	130,282,742
Total Assets	1,003,967,001	(1,197,059)	1,002,769,942
EQUITY AND LIABILITIES			
Capital & Reserves			
Contributed Capital	413,054,569		413,054,569
Reserves	41,222,600		41,222,600
Accumulated Profit	(280,560,300)	(6,917,017)	(287,477,317)
Total Equity	173,716,869	(6,917,017)	166,799,852
Non-Current Liabilities and Deferred income			
Interest Bearing Loans & Borrowings	403,592,007	6,308,533	409,900,540
Consumer Deposits	16,299,865		16,299,865
Provisions & Other Deferred Liabilities	21,615,201		21,615,201
Government Grants	188,347		188,347
Contract Liabilities	99,518,157		99,518,157
	541,213,577	6,308,533	547,522,110
Current Liabilities			
Trade and Other Payables	228,022,306	(588,575)	227,433,731
Income Tax Liabilities	1,270,766		1,270,766
Interest Bearing Loans & Borrowings	59,743,483		59,743,483
	289,036,555	(588,575)	288,447,980
Total Equity and Liabilities	1,003,967,001	(1,197,059)	1,002,769,942

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

34 PRIOR YEAR ADJUSTMENTS

34.2 Prior Year Adjustments - Group Financial Statements

The details of the group prior year adjustments are as follows;

34.2.1 Prior Year Adjustments - Ceylon Electricity Board

01)	Being capitalizing the VAT and NBT payable on Overhaul Services of Lakwijaya Power Plant		
		Dr Rs	Cr Rs
	Property, Plant & Equipment - Before 2022	250,850,256	
	Trade and Other Payables		250,850,256
02)	Being recording the depreciation expense on capitalized VAT and NBT payable on Overhaul Services of Lakwijaya Power Plant		
		Dr Rs	Cr Rs
	Retained Earnings - Before 2022	250,850,256	
	Accumulated Depreciation - Before 2022		250,850,256
03)	Being recording the VAT and NBT with respect to the operational and maintenance service expenditure of Lakwijaya power plant		
		Dr Rs	Cr Rs
	Retained Earnings - Before 2022	1,452,651,754	
	Trade and Other Receivables - Before 2022		1,162,845,388
	Trade and Other Payables - Before 2022		289,806,366
04)	Being writting off the Long outstanding Balance Payable to Northern Power Company (Pvt) Ltd (NPCPL)		
		Dr Rs	Cr Rs
	Trade and Other Payables - Before 2022	2,886,675,795	
	Retained Earnings - Before 2022		2,886,675,795
05)	Being recognising the unrealized exchange gain with respect to the foreign currency loans obtained by the Board		
		Dr Rs	Cr Rs
	Retained Earnings - Before 2022	6,308,533,168	
	Retained Earnings - In 2022	49,430,315,418	
	Interest Bearing Loans and Borrowings - Before 2022		6,308,533,168
	Interest Bearing Loans and Borrowings - In 2022		49,430,315,418
06)	Being Correcting VAT amount recognized on coal shipments during 2021-2022 Lakwijaya Power Plant		
		Dr Rs	Cr Rs
	Trade and Other Payables - In 2022	29,801	
	Trade and Other Payables - Before 2022	561,281,636	
	Retained Earnings - In 2022		29,801
	Retained Earnings - Before 2022		561,281,636

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

07)	Being recording the cost of the 23 vehicles which were not recorded in Lakwijaya Power Plant		
		Dr Rs	Cr Rs
	Property, Plant & Equipment - Motor Vehicles - Before 2022	190,462,518	
	Property, Plant & Equipment - Generation Power Plants- Before 2022		190,462,518
08)	Being recording depreciation expense with respect to the recognized 23 Vehicles in Lakwijaya Power Plant		
		Dr Rs	Cr Rs
	Retained Earnings - Before 2022	34,214,103	
	Retained Earnings - In 2022	10,588,338	
	Accumulated Depreciation - Before 2022		34,214,103
	Accumulated Depreciation - In 2022		10,588,338
09)	Being recording the material price variance with respect to the Distribution Divisions for 2022		
		Dr Rs	Cr Rs
	Inventories - In 2022	13,221,186,809	
	Retained Earnings - In 2022		13,221,186,809
10)	Being recording delayed interest payment for NCRE suppliers		
		Dr Rs	Cr Rs
	Retained Earnings - In 2022	100,826,934	
	Retained Earnings -Before 2022	2,318,725,046	-
	Trade and Other Payables - In 2022		100,826,934
	Trade and Other Payables - Before 2022		2,318,725,046
	Prior Year Adjustments - Sri Lanka Energies	Dr Rs	Cr Rs
01)	Being correction of over paid Royalty fees for Department of Irregation Trade & Other Payable- In 2022 Retained Earnings - In 2022	123,365	123,365
02)	Being Recording Fees Payable to the Board of Investment and Department of Forest Retained Earnings - In 2022 Trade & Other Payable- In 2022	14,818,981	14,818,981
03)	Being recording term loan interest payment recorded as the capital repayment Retained Earnings - In 2022 Long term Borrowing-In 2022	10,249,399	10,249,399

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

34.2.2 Impact of the prior year adjustments for the Group as at 31 December 2022

Statement of Financial Position	2022 Before Restatement	Adjustments	2022 After Restatement
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	928,252,264	(44,802)	928,207,461
Intangible Assets	509,746		509,746
Investment in Joint Venture	39,304		39,304
Finance Lease Receivables	31,452,406		31,452,406
Other Non Current Financial Assets	28,870,304		28,870,304
Other Non-Current Assets	3,625,768		3,625,768
Investments of Insurance Reserves Fund	12,460,350		12,460,350
	1,005,210,141	(44,802)	1,005,165,338
Non Current Assets Held For sale	76	-	76
Current Assets			
Inventories	63,089,691	13,221,187	76,310,878
Trade and Other Receivables	123,364,557	(1,162,845)	122,201,711
Finance Lease Receivables	688,914		688,914
Other Current Financial Assets	25,575,582		25,575,582
Cash and Cash Equivalents	22,122,521		22,122,521
	234,841,265	12,058,341	246,899,606
Total Assets	1,240,051,481	12,013,539	1,252,065,020
EQUITY AND LIABILITIES			
Capital & Reserves			
Contributed Capital	865,159,371		865,159,371
Reserves	63,975,736		63,975,736
Accumulated Profit	(525,009,550)	(43,262,476)	(568,272,026)
Equity Attributable to the Equity Holders of the Parent	404,125,558	(43,262,476)	360,863,082
Non Controlling Interest	52,515,406	-	52,515,406
Total Equity	456,640,964	(43,262,476)	413,378,488
Non-Current Liabilities and Deferred income			
Interest Bearing Loans & Borrowings	220,994,937	51,753,768	272,748,705
Consumer Deposits	16,719,938		16,719,938
Provisions & Other Deferred Liabilities	34,529,132		34,529,132
Government Grants	650,456	-	650,456
Contract Liabilities	108,215,345		108,215,345
Deferred Taxation	84,699	-	84,699
	381,194,507	51,753,769	432,948,275
Current Liabilities			
Trade and Other Payables	290,627,593	(473,083)	290,154,510
Dividend Payables	1,373,813		1,373,813
Interest Bearing Loans & Borrowings	106,994,467	3,995,330	110,989,797
Income Tax Liabilities	3,220,140	-	3,220,140
	402,216,014	3,522,246	405,738,261
Total Equity and Liabilities	1,240,051,484	12,013,540	1,252,065,023

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

34.2.3 Impact of the prior year adjustment for the Group as at 31 December 2022

Statement of Comprehensive Income	2022 Before Restatement	Adjustments	2022 After Restatement
Revenue	374,626,063		374,626,063
Concession provided to Domestic Customers	(765)		(765)
Cost of Sales	(471,350,692)	(14,115,754)	(485,466,446)
Gross Profit / (Loss)	(96,725,394)	(14,115,754)	(110,841,148)
Other Income	27,282,467	-	27,282,467
Distribution Cost	(288,296)		(288,296)
Other Expenses	(8,565,929)	-	(8,565,929)
Administrative Expenses	(22,806,333)	(22,118,629)	(44,924,962)
Operating Profit / (Loss)	(101,103,486)	(36,234,383)	(137,337,868)
Finance Income	4,228,389		4,228,389
Finance Costs	(46,689,936)	(111,076)	(46,801,012)
Finance Cost-Net	(42,461,547)	(111,076)	(42,572,623)
Share of loss of Joint Venture	(6,373)		(6,373)
Profit / (Loss) After Net Finance Cost	(143,571,406)	(36,345,459)	(179,916,865)
Exchange Loss resulting from Debt to Equity conversion from the Government	(94,688,683)		(94,688,683)
Profit / (Loss) Before Income tax	(238,260,089)	(36,345,459)	(274,605,548)
Income Tax Expense	(1,827,397)	-	(1,827,397)
Deferred Tax (Charge)/Reversal	756,684	-	756,684
Profit/(Loss) for the period	(239,330,802)	(36,345,459)	(275,676,261)

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

34.2.4 Impact of the prior year adjustment for the Group as at 01 January 2022

Statement of Financial Position	1st January 2022 Before Restatement	Adjustments	1st January 2022 After Restatement
ASSETS			
Non-Current Assets			
Property, Plant & Equipment - Cost	872,461,307	(34,214)	872,427,093
Intangible Assets	513,347	-	513,347
Investment in Joint Venture	25,677	-	25,677
Finance Lease Receivables	20,465,468	-	20,465,468
Other Non Current Financial Assets	28,054,665	-	28,054,665
Other Non-Current Assets	1,830,583	-	1,830,583
Investments of Insurance Reserves Fund	10,657,598	-	10,657,598
	934,008,645	(34,214)	933,974,431
Non Current Assets Held For sale	76	-	76
Current Assets			
Inventories	74,986,599	-	74,986,599
Trade and Other Receivables	83,903,022	(1,162,845)	82,740,177
Finance Lease Receivables	825,121	-	825,121
Other Current Financial Assets	29,922,547	-	29,922,547
Cash and Cash Equivalents	15,309,470	-	15,309,470
	204,946,759	(1,162,845)	203,783,914
Total Assets	1,138,955,480	(1,197,059)	1,137,758,421
EQUITY AND LIABILITIES			
Capital & Reserves			
Contributed Capital	413,054,569	-	413,054,569
Reserves	59,080,517	-	59,080,517
Accumulated Profit	(261,521,211)	(6,917,017)	(268,438,228)
Equity Attributable to the Equity Holders of the Parent	210,613,875	(6,917,017)	203,696,858
Non Controlling Interest	39,335,587	-	39,335,587
Total Equity	249,949,462	(6,917,017)	243,032,445
Non-Current Liabilities and Deferred income			
Interest Bearing Loans & Borrowings	421,649,216	6,308,533	427,957,749
Consumer Deposits	16,299,865	-	16,299,865
Provisions & Other Deferred Liabilities	23,289,438	-	23,289,438
Government Grants	491,359	-	491,359
Contract Liabilities	104,566,763	-	104,566,763
Deferred Taxation	712,684	-	712,684
	567,009,325	6,308,533	573,317,858
Current Liabilities			
Trade and Other Payables	245,367,541	(588,576)	244,778,965
Dividend Payables	1,618,538	-	1,618,538
Interest Bearing Loans & Borrowings	71,042,881	-	71,042,881
Income Tax Liabilities	3,967,734	-	3,967,734
	321,996,694	(588,576)	321,408,118
Total Equity and Liabilities	1,138,955,481	(1,197,060)	1,137,758,421

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

35 ASSETS PLEDGED

The Board

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

35.1 Lanka Electricity Company (Pvt) Limited

Following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged 2023	2022	Included under
Fixed Deposits	Bank Overdraft facilities of People's Bank	45,500	45,500	Non-current Financial Assets
Fixed Deposits	SMI Loan Schemes of People's Bank	260,531	225,097	
Fixed Deposits	Staff loan Schemes of SMIB Bank and HDFC Bank Facilities	1,357,831	1,199,166	
Fixed Deposits	NSB Solar Loan	1,593,542	1,406,480	

35.2 LTL Holdings Ltd

The following assets have been pledged as security for interest bearing borrowings and Letter of Credit Facilities of respective companies of the Group.

Nature of Assets	Nature of Liability	Carrying Amount Pledged 2023	2022	Included under
Lakdhanavi Ltd				
Investment in Fixed Deposits	Bank Guarantees	1,386,534	1,028,545	Non-current Financial Assets
	Other Current Financial Liabilities	693,570	693,570	
	Letter of Credit Facilities	4,643,457	14,124,432	
	Letter of Credit, Guarantees, Overdraft, Loans & import bill Facilities	1,068,639	293,870	

35.3 Sri Lanka Energies (Pvt) Ltd

Company has pledged the Fixed Deposit against the Bank Guarantee issued for the Department of Sri Lanka Customs against the Bonded Warehouse Facility obtained for the Subsidiary Company - Deduru Oya Mini Hydro (Pvt)

36. EVENTS OCCURING AFTER THE STATEMENT OF THE FINANCIAL POSITION

Ceylon Electricity Board ("Board") was incorporated under Ceylon Electricity Board Act No.17 of 1969 and domiciled in Sri Lanka. "However, the process of restructuring is currently underway in accordance with the provisions of Act No. 36 of 2024, which was certified on June 27, 2024."

Twenty -eight percent (28%) of share ownership of CEB within LTL Holding's equity capital has been transferred to West Coast Power Company Limited on 2024.02.07 for a total consideration of Rs 26 billion as part of a partial settlement of outstanding due to the West Coast Power Company Limited.

37. CONTINGENCIES

37.1 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 31.12.2023, the CEB is defendant respondent. The contingent liability in the unlikely event that all these cases are adversely decided is estimated at Rs 59,476 Mn. (Rs. 59,475 Mn as at 31.12.2022)

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

37.2 LTL Holdings Limited

Legal Claim Contingencies

CEB has filed a case in the Supreme Court of Sri Lanka, bearing no. SC/HC/LA/59/2020 against Heladhanavi Limited challenging the judgement in Commercial High Court case no. ARB/268/2013. Now the case is listed for granting of leave on 14th February 2023.

37.3 Lanka Coal Company (Pvt) Ltd

Liberty Commodities Ltd

The company has filed a case against Liberty Commodities for the amount over claimed by Liberty Commodities. The carrying value of the claim as at the balance sheet date is Rs. 236Mn. Received an order and/or award from Arbitration on 31/12/2021, directing the Respondent to pay the Claimant (Lanka Coal Company) US \$ 1,575,141.86 with 3% annual interest plus the Arbitration cost of 10 million rupees.

PT.Asian Mining and Resources

The Company lodged a demand for sum of USD 300,000/- from PT. Asian Mining and Resources as they were in breach of condition of bid security of SPOT Tender No - LCC/20-21/ST/19/2. Commercial High Court of Colombo has issued an enjoining order restraining Bank from making payment on encashment of Bid Security No.BTD/B090651 for USD 300,000/-

37.4 Lanka Electricity Company (Pvt) Ltd

1. A settlement has been initiated & agreed to release 06 perches to the complainant of the case as per the board approval dated 2022.08.31. These settlement conditions will be signed at the open court on 06th March 2024.
2. The Case filed by an Executive Officer who was down graded and reduction in rank to a lowest level from M2 to A5 grade as per the disciplinary order. The arbitrator has clearly stated that this demotion and reduction of the rank is too harm as a punishment given to him. Therefore this appeal is not in strong position in favor of the company.

38. COMMITMENTS

38.1 The Board

The Board does not have material capital commitments as at 31st December 2023 that require adjustments or disclosures in the financial statements.(2022 - Nil).

38.2 Lanka Electricity Company (Pvt) Limited

There were no material capital commitments as at the reporting date, 31st December 2023 that require adjustments to or disclosure in the financial statements (2022 - Nil).

38.3 LTL Holdings Ltd

Leases

Finance Lease commitments the Group as lessee is disclosed in Note 24

Finance Lease receivable the Group as lessor is disclosed in Note 14

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

Letter of Credits

Bank	2023	2022
Hatton National Bank PLC	4,818,274	7,465,624
Commercial Bank PLC	28,145	3,558,736
Bank of Ceylon	-	37,291
Standard Chartered Bank	933,630	408,947
	5,780,049	11,470,598

Bank Guarantees/Shipping Guarantees

Bank	2023	2022
Hatton National Bank PLC	1,935,106	2,104,115
Standard Chartered Bank	222,943	180,507
National Development Bank	600,000	600,000
	2,758,049	2,884,622

Airway Bill Endorsement / Bills Discounting

Bank	2023	2022
Hatton National Bank PLC	7,363	-
Standard Chartered Bank	267,928	49,289
	275,291	49,289

Corporate Guarantees

LTL Holdings Limited has issued corporate guarantees to following Banks;

Bank	Subsidiary	2023	2022
Sampath Bank PLC	Pawandhanavi Limited	600,000	600,000
Sampath Bank PLC	LTL Transformers (Pvt) Ltd	50,000	50,000
Standard Chartered Bank	Asiatic Electrical & Switchgear Private Limited	2,928,000	2,928,000
		3,578,000	3,578,000

Lakdanavi Limited

The Company has a commitment towards Hatton National Bank Rs. 1,037,146,000/- (2022-Rs.900,000,000/-) as performance obligation bond and USD 1,000,000/- (2022-USD 1,000,000) as site reinstatement bond.

The Company has a commitment towards National Development Bank PLC of Rs.600,000,000/- (2022- Rs. 600,000,000-) as Proposal security bond.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

38.4 Other Commitments

Lakdhanavi Limited

The Company is liable to pay 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. construction of Kerawalapitiya power project or any default made by WCPL in the repayment of the debt financing of the Kerawalapitiya power project.

The Company has a Fixed Price Contract (Escalated according to US Consumer Price Index (USCPI)) to provide Operational and Maintenance Services to Lakdhanavi Bangla Power Limited, a subsidiary company.

The Company has a Fixed Price Contract (Escalated according to Bangladesh Consumer Price Index (BCPI)) to provide Operational and Maintenance Services to Raj Lanka Power Company Limited, a subsidiary company.

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 117,666,077.72 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 117,666,077. 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.

Infra & Engineering (Pvt) Ltd

Operating Lease Commitments - Group as a lessee

The company has entered into a operating lease agreement with Ms. Hikkaduwa Liyanange Chitralatha for a period of 22 years commencing from 26 September 2014 to 25 September 2036.

Company has paid Rs. 7,068,000/- upfront as premium for the Lease hold land. Following amounts shows the unamortized premium as at reporting date.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

39. Related Party Disclosures

39.1. 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.

		Group		Board	
Nature of Transaction		2023	2022	2023	2022
Ceylon Petroleum Corporation	Purchase of Fuel	119,776,753	71,852,617	119,776,753	71,852,617
Department of Public Enterprises	Obtain Project Loans	7,779,809	23,348,396	7,779,809	23,348,396
Central Bank of Sri Lanka	Treasury Bonds/ Bills	6,604,662	-	-	-
Peoples Bank	Obtain Bank Loans	15,000,000	41,975,584	15,000,000	41,975,584
Peoples Bank	Deposits	7,243,531	3,354,206	-	-
National Savings Bank	Obtain Bank Loans	-	1,250	-	1,250
Bank of Ceylon	Obtain Bank Loans	1,965,923	339,600	1,965,923	-
Bank of Ceylon	Deposits	469,632	55,653	-	-
State Mortgage & Investment Bank	Deposits	44,768	43,183	-	-
HDFC Bank	Deposits	1,313,063	1,157,662	-	-

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 obtaining bank loans from Peoples Bank
- Payments of statutory rates, taxes.
- Payment for employment retirement benefits - ETF
- Payment for utilities mainly comprising of telephone, electricity and water
- Payments for Motor Vehicle insurance premiums to Sri Lanka Insurance Corporation

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

39.2 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	2023	2022
Lanka Electricity Company	Subsidiary	Sale of Electricity	57,947,990	29,651,359
		Dividend Income	877,507	274,221
		Loan obtained	-	817,049
		Loan settlements	-	(1,597,590)
LTL Holdings Ltd	Subsidiary	Dividend Income	-	-
		Dividend receipt	-	(440,912)
Lanka Coal Company (Pvt) Ltd	Subsidiary	Purchase of Coal	161,333,589	117,337,279
		Reimbursement of net expenditure	74,629	69,008
LTL Transformers Ltd	Sub-subsidiary	Purchase of Goods	2,051,262	1,035,050
LTL Galvanizers (Pvt) Ltd	Sub-subsidiary	Receipt of Services	398,427	333,397
Nividu (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	50,128	166,940
Nividu Assupinella (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	75,677	174,919
Pawan Danavi Limited	Sub-subsidiary	Purchase of Electricity	126,841	396,904
ANTE LECO Metering Co (Pvt) Ltd	Sub-subsidiary	Purchase of Goods	1,860,569	263,294
Sri Lanka Energies (Pvt) Ltd	Subsidiary	Reimbursement of SLE GM salaries	21,966	3,838
Sri Lanka Energies (Pvt) Ltd	Subsidiary	Receipt of goods & Services	825,000	-
Kumbalgamuwa Minihydro (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	114,778	109,203
Daduru Oya mint Hydra (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	69,794	106,153

39.3 Related Party Transactions among the group companies

Nature of the transaction	LTL Holding and subsidiaries	Lanka Electricity Company and subsidiaries	2023	2022
Sale of transformers to Lanka Electricity Company (Pvt) Ltd	1,286,970	-	1,286,970	387,412
Operation and Maintenance Services	7,645,630	-	7,645,630	4,844,749

39.4 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.

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.

	Group		Board	
a) Key Management personnel Compensation	2023	2022	2023	2022
Short- term employee benefits	145,590	137,434	2,498	3,580
Post - Employment benefits	-	12,960	-	-
Director Fees	34,500	-	-	-
	180,090	150,394	2,498	3,580

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

40.1 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.

40.2 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.

40.3 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.

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.

40.4 Liquidity risk

The liquidity risk arises from having insufficient cash resources to meet its obligations as they arise. Insufficient liquidity resources could have an adverse impact on the operations while impairing investor, customer, and supplier confidence thereby weakening its competitive position

It has being 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.

40.5 Market risk

'Market risk' is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises Currency risk and Interest rate risk. The financial instruments affected by the market risk includes loans & borrowings, deposits an available for sale investments.

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

40.5.1 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 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.

40.5.2 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 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.

41 FAIR VALUE

The fair value of financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- The Management assess that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables are evaluated based on parameters such as interest rates, specific risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at December 31, 2023, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

41.1 Financial Instruments carried at Fair Value

The group has the following financial instruments carried at fair value

Fair value through OCI (Note 15)

Fair value through Profit or Loss (Note 15)

41.2 Financial Instruments not carried at fair value

Given below is a comparison, by class, of the carrying amounts and fair values of the group's financial instruments that are not carried at fair value in the Financial Statements other than those with carrying amounts that are reasonably approximate of fair values. This table does not include the fair values of non- financial assets and non-financial liabilities.

	Carrying Value		Fair Value	
	2023	2022	2023	2022
Refundable Deposits	146,791	127,828	146,791	127,828
Investment in Fixed Deposits	12,756,781	17,798,879	12,756,781	17,798,879
Investment in Repurchase Agreements	6,113,944	5,616,938	6,113,944	5,616,938
Investment in Other Deposits	13,282	71,399	13,282	71,399
Loans to Company Officers	10,157,450	9,077,306	10,157,450	9,077,306
Loans to Consumers	102,050	283,404	102,050	283,404
Investments in Debentures	-	55,034	-	55,034
	29,290,298	33,030,789	29,290,298	33,030,789

Notes to the Consolidated Financial Statements (Contd.)

Year Ended 31st December 2023

(All amounts in Sri Lanka Rupees Thousands)

41.3 Fair value hierarchy

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an active market, direct observation of a trade price may not be possible. In these circumstances, the group use alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair value are determined according to the following hierarchy.

Level 1 : Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 : Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2023, the Group held the following Financial instruments carried at fair value on the statement of financial position.

Assets measured at fair value	Date of valuation	2023	Level 1	Level 2	Level 3
Financial Assets at Fair Value through OCI					
Unquoted Equity Shares	31-Dec-23	18,097,768	-	-	18,097,768
Financial Assets at Fair Value through Profit or Loss					
Investment in Equity Securities	31-Dec-23	77,994	77,994	-	-
Assets for which fair value is disclosed					
Investment in Debentures	31-Dec-23	-	-	-	-

Description of significant unobservable inputs to valuation of FVOCI - Financial assets

Lank Electricity Company (Pvt) Ltd

Fair value of unquoted equity investments has been estimated using Market Multiple Methodology (MMM). Under MMM approach value is estimated based on suitable levels of future earnings for a business ("maintainable earnings") and applies an appropriate multiple to these earnings, capitalizing them into a value for the business. Company applies EBIT as earning base. To identify appropriate peers to use in reviewing the fair value of West Coast Power (Private) Ltd, listed companies involved in the supply of electricity using fossil fuel in the Asian Region were analysed. Outliers were estimated based on the differences in the nature of operations and size of the entities.

Due to the minority stake of West Coast Power (Private) Limited, the Management is not in a position to access the direct management and insider information. However considering the nature of the industry and general features of Power Purchasing agreement, market values of assets and liabilities are assumed to be remain similar to the carrying value recorded as at December 31, 2023. Company held 18.8% stake in West Coast Power (Private) Ltd.

LTL Holdings Ltd

The fair value of the unquoted ordinary shares have been estimated using a Discounted Cash Flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows and discount rate. The probabilities of the various estimates within the range can be reasonably assessed and used in management's estimate of fair value for the unquoted equity investment. (Level 3)

Auditor General's Report on Group Financial Statements



ජාතික විගණන කාර්යාලය தேசிய கணக்காய்வு அலுவலகம் NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

} PWR/A/CEB/CFA/01/23/20

ඔබේ අංකය
உமது இல.
Your No.

}

දිනය
திகதி
Date

} 30 December 2024

The Chairman
Ceylon Electricity Board

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ceylon Electricity Board and its Subsidiaries for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Ceylon Electricity Board ("Board") and its Subsidiaries ("Group") for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of accounting policies, 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 provisions of the National Audit Act No. 19 of 2018 and Finance Act No. 38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. The financial statements of the LTL Holdings Ltd and its subsidiaries and Trincomalee Power Company Ltd were audited by the firms of Chartered Accountants in public practice appointed by the Board of Directors of the respective Subsidiaries.

In my opinion, except for the effects of the matters described in section 1.2.1 and 1.2.2 of my report, the accompanying financial statements of the Ceylon Electricity Board and consolidated financial statements of the Group give a true and fair view of the financial position of the Board and the Group as at 31 December 2023, and of their financial performance and the cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව

இல. 306/72, பொல்துவ வீதி, பத்தரமுல்லை, இலங்கை.

No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.



+94 11 2 88 70 28 - 34



+94 11 2 88 72 23



ag@auditorgeneral.gov.lk



www.naosl.gov.lk



The opinion on the financial statements of the Ceylon Electricity Board and its subsidiary companies for the year ended 31 December 2023 had been qualified by me based on the followings.

1.2.1 Comments on Financial Statements of the Board

1.2.1.1 Non-Compliance with Sri Lanka Accounting Standards (LKAS/SLFRS) and Accounting Policies

(a) LKAS 1 – Presentation of Financial Statements

- (i) Expenses of the Ceylon Electricity Board Employee Provident Fund (EPF) which was operated under the Board as a separate entity, amounting to Rs.54.44 million had been recognized as expenses of the Board in the income statement for the year under review in contrary to the definition and recognition criteria of Conceptual Framework for Financial Reporting in terms of the paragraph 15 of the standard.
- (ii) Contrary to the paragraph 69 of the standard, the debit balance of stock adjustment account amounting to Rs.448.66 million had been shown under other debtors and the credit balance of stock adjustment account amounting to Rs.424.19 million had been shown under trade & other payables instead of showing under the balance of Inventory. Further, out of the above stock adjustment balances, debit balance relating to stock shortage amounting to Rs.138.52 million and a credit balance relating to stock excess amounting to Rs.128.1 million had been remained in the Stock Adjustment Account for more than one year without being cleared.

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

The Board had applied the standard cost method for valuing overhead costs of its capital and maintenance jobs, instead of being applied the actual costs in line with the requirements of the above Standards. As a result, it was revealed that there were favorable overhead rate and material price variances aggregating to Rs.3,166.1 million and Rs.15,897.9 million respectively. And also, there was an unfavorable stores price variance aggregating to Rs. 5,592.4 million. Accordingly, the impact occurred thereon to the operating results, assets and equity in the financial statements

could not be properly ascertained due to required information relating to those jobs were not made available to audit.

(c) LKAS 8 – Accounting Policies, Changes in Accounting Estimates and errors

(i) As per the paragraph 51 of the Sri Lanka Accounting Standard on Property, Plant & Equipment (LKAS 16), the useful life of the asset shall be reviewed at least at each financial year end and if expectations differ from previous estimates, the changes shall be accounted in accordance with LKAS 08. However, useful lives of the fully depreciated assets with a cost of Rs.214,809 million as at the end of the year under review, which are still in use, had not been reviewed and accounted accordingly.

(ii) A sum of Rs.209.68 million had been charged by Public Utilities Commission of Sri Lanka as annual regulatory levy for the previous year. However, Board had accounted only a sum of Rs.167.25 for the year 2022 and the difference of Rs.42.43 million had been accounted as an expense of the year under review without being adjusted retrospectively in terms of the Section 41 and 42 of the standard. Hence, the profit for the year under review had been understated and retained loss at the beginning of the year under review had been overstated by similar amount.

(d) LKAS 12 – Income Tax

As per the Default Tax Report of the Board as at 31 December 2023, the amount payable as taxes and penalty for corporate income tax, PAYE tax and Value added tax from the year of assessments 2015/2016 to the end of the year 2022 was Rs.36.62 million, Rs.665.11 million and Rs.97.5 million respectively. However, a final determination had not been received for those taxes at the end of the year even though appeals have been lodged by the Board. Nevertheless, it had not been disclosed in the financial statements of the Board for the year under review in terms of the Section 88 of the Sri Lanka Accounting Standard on Income Tax (LKAS 12).

(e) LKAS 21 - The effects of changes in Foreign Exchange Rates

As per the Cabinet decision No. 21/1920/317/051 dated 16 November 2021 taken with respect to the cabinet memorandum dated 24 October 2021 submitted by the Minister of Irrigation, it was decided to pay the claim amounting to USD 38.612 million to the contractor for the unexpected delays in Uma Oya Multi-Purpose Development Project and this additional payment to be financed by the Board by considering the income



generated through this project to the Board. Further, it was decided to pay 50 per cent initially and balance 50 per cent to be paid after the expiration of the defect liability period. However, as per the books of accounts of the Board, a sum of Rs.6,227.3 million equivalent to the 50 per cent of total delay charge had only been accounted at the end of the year under review and no provision had been made even at the end of the year in terms of the Section 14 of SLAS 37 for the balance USD 19.306 million.

(f) SLFRS 09 - Financial Instruments

- (i) Even though the Board had introduced a specific approach and methodology to recognize the expected credit loss of trade debtors, no such approach and methodology had been introduced for other receivables which include sundry debtors, dues from sacred places etc. Accordingly, a sum of Rs.213.49 million and Rs.118.54 million had remained outstanding on other debtors over 1 to 5 years in distribution division 01 and 04 respectively. However, an amount equivalent to Rs.102.01 million and Rs.59.87 million had only been provided for impairment provision respectively. Further, no provision had been made for balance outstanding over one year in distribution division 02 and 03 amounting to Rs.142.37 million and Rs.107.99 million respectively. Similarly for other receivables outstanding more than five years amounting to Rs.341.32 million, an amount equivalent to Rs.74.35 million had only been provided for impairment without recognizing the expected credit loss properly. Due to these observations, the accuracy of carrying value of financial assets in the financial statement cannot be ascertained in audit.
- (ii) The Economic Service Charges (ESC) amounting to Rs. 3,914 million paid from the year of assessment 2016/17 to 2019/20 had exceeded the claimable period of two years at the end of the year under review. However, it had not been recognized as expenses in the statements of comprehensive income. Instead of that impairment provision of Rs.3,914 million had been made in the financial statements. However, it was observed that the receivable balance of ESC shown in the financial statements does not meet the definition of financial assets in terms provisions of the standard.

1.2.1.2 Accounting Deficiencies

- (i) According to the valuation given by the internal valuation team of the Board, the transformers removed from corporate division of distribution division 04 in the

year 2016 have been debited and credited to stocks and other payables respectively in the books of accounts for the year under review by Rs.826.6 million. However, the respective cost and accumulated depreciation of those transformers had not been removed from the books of accounts and hence impact to the financial statements could not be ascertained during the audit due to lack of information.

- (ii) The old coal stock as at 15 September 2023 was calculated from the survey conducted by the board of verification. Remaining thermal coal stock at coal yard as at 15 September 2023 was measured using the above calculated old coal stock and it was negative balance of 14,964.71 MT due to deaf coal stock exceeded the old coal stock calculated. Therefore, remaining thermal coal stock at coal yard as at 15 September 2023 should have been considered at least as zero. Accordingly, thermal coal stock shortage should be taken as 9,286.37 MT after considering remaining coal stock at Bunkers and new coal unloaded. However, thermal coal stock shortage of 24,251 MT valued at Rs.1,778.6 million had been charged to the income statements for the year under review considering the above negative balance of coal stock. Accordingly, as per the calculations made by audit, profit for the year under review and coal stock had been understated by Rs.924.3 million.
- (iii) Revenue from Energy Sales to Lanka Electricity Company (Pvt) Ltd (LECO) for the year under review was understated by Rs.1,120.1 million due to not accounting or making any provision for Unit Price National Tariff Adjustment (UNT) estimates for third and fourth quarter 2023. Hence, profit for the year under review was understated by same amount.
- (iv) A number of 8,574 of completed jobs valued at Rs.18,230 million had remained in work in progress account without being capitalized. However, the impact to the profit for the year under review and the retained earnings due to not making provision for depreciation could not be ascertained due to lack of information. Further, as per the random check conducted, it was observed that two jobs in the Construction section (Southern Province 2) valued at 2.98 million, cost incurred on Ja-Ela Area Engineer Office amounting to Rs.113.99 million and cost incurred on construction of three buildings and Katharagama Street Lighting (KSTS)



amounting to Rs.135.61 million in distribution division 04 had not been capitalized even at the end of the year even though all of above constructions had already been completed and utilized by the Board. Further, out of the above work in progress balance, a sum of Rs.40.15 million had remained in distribution division 04 for more than 5 years as jobs done using Ministry funds. However, action had not been taken to clear them even at the end of the year under review and details of them were not submitted to audit.

- (v) Total work in progress balance in distribution division 01, 02 and 03 had been understated by Rs.93.7 million due to offsetting of abnormal credit balances relating to 122 jobs without being cleared.
- (vi) Six vehicles worth of Rs.124.30 million purchased for the Puttalam Coal Power Project (Phase ii) had not been capitalized even after the completion of the Project in 2014, and instead, that amount had been included in work in progress accounts. Further, no proper action had been taken to take over and keep the custody of these six vehicles and another 11 vehicles of Puttalam Coal Power Project (Phase i) to the Board even though cost of these vehicles had already been included in the cost of respective Projects.
- (vii) Goods in transit balance amounting to Rs.113.87 million had remained in the books of accounts for over one year without being taken proper action to investigate and clear. Out of the total goods in transit balance of Rs.129.52 million in distribution division 01, a sum of Rs.34.56 million had represented stock with suppliers remained more than 5 years. Further, out of the goods in transit balance of Rs.432.3 million in distribution division 02, a sum of Rs.142.61 million or 33 per cent represent the value of unserviceable aluminium stock (918,830 Kg) that had been issued to Sri Lanka Energies (Pvt) Ltd and had remained approximately 2 years period. However, it had not being accounted as receivable balance from that company to the Board in terms of the provisions of the circular No.2021/GM/40/DCC dated 23 September 2021.
- (viii) The Board had established a Project Management Unit for the Lakwijaya Power Plant Extension Project as per Cabinet Decision No. 19/2622/113/074 dated 24 September 2019. Subsequently the Board of Directors had taken a decision to close down the Project on 26 October 2021 based on the Government policy taken

on 13 September 2021 by the Cabinet of Ministers even after spending a sum of Rs.167.31 million on that Project. However, a sum of 167.62 million had remained under the Capital Work in Progress as at 31 December 2023 without being charged against the profit of the year.

- (ix) Value of 03 vehicles owned by the Board and accumulated depreciations thereon had not been recorded in the assets register of Lakwijaya Power Station, and as a result, it had not been included in the financial statements of the Board.
- (x) Dam Works valued at Rs.34,386.77 million had been shown under the civil works of Property Plant and Equipment of Mahaweli Complex. However, the accuracy of the said amount and ownership of the respective assets to the Board could not be verified in the Audit.

1.2.1.3 Un-reconciled Differences

- (i) As per the bank balance confirmation received from Peoples' Bank with respect to the loan outstanding balance of Broadland Hydro Power Project, a sum of Rs.5,444.76 million had been shown as the outstanding amount. However, as per the records of the Board, it was Rs.5,494.76 million and hence a difference of Rs.50 million was observed. Further as per the bank balance confirmation received from Asian Development Bank with respect to the loan outstanding balance of Supporting Electricity Supply Reliability Improvement Project, a sum of 57,338,901 USD had been shown as the outstanding amount. However, as per the records of the Board, it was 57,989,633 USD and hence a difference of 650,732 USD was observed.
- (ii) According to the financial statements of the Board for the year under review amount payable to Ceylon Petroleum Corporation (CPC) was Rs. 308.1 million. However, as per the financial statements of the CPC, the corresponding receivable balance was Rs. 3,529.6 million and difference of Rs. 3,221.5 million was observed.
- (iii) An unidentified debtor balance of Rs.423.76 million had remained outstanding since 2012 in distribution division 1. However, out of that, a sum of Rs.185.41 million had been transferred to debtors control accounts, other liability account



etc. of distribution divisions from 2015 to 2023 without investigating and adjusting to the individual debtors accounts affected.

- (iv) Collection Control Account had a debit balance of Rs.378.39 million and a credit balance of Rs.2,204.57 million as at 31 December 2023. However, reconciliation of unsettled debit balances of Rs.230.07 million and credit balance of Rs.465.81 million were not made available for audit. Hence, the accuracy of the Collection Control Account balances could not be satisfactorily verified in audit. Further it was observed that an unidentified opening debit balance of Rs.12.75 million in headquarters had remained more than 5 years and opening credit balance of Rs.95.27 million in WPS (ii) and Sabaragamuwa Province had remained in the same account for more than 1 year without being taken proper action to settle.
- (v) A sum of Rs.75.27 million collected during the period from 1998 to 2023 from debtors had been included in the suspense account of distribution divisions without being taken proper action to clear.
- (vi) An aggregate difference of Rs.159.47 million was observed with regard to the balance receivables from 39 government institutions (including 35 institutions in government health sector) in respect of the jobs carried out by the Asset Management Division of the Board. However, action had not been taken to reconcile the balances with the relevant Government Institutions.

1.2.1.4 Lack of Evidence for Audit

Balance confirmations on Lease Creditors amounting to Rs.39.8 million had not been furnished to audit.

1.2.2 Comments on Consolidated Financial Statements

- (i) Un-reconciled related party debit balances amounting to Rs.1,728.36 million and credit balances amounting to Rs.812.7 million had been accounted under other debtors and other payables respectively in the consolidated financial statements without being cleared.
- (ii) Differences were observed in the assumptions of actuarial valuation with regard to discount rate and staff turnover used for the calculation of Retirement Benefit

Obligation (gratuity) shown in the financial statements of the Ceylon Electricity Board & the Lanka Electricity Company (Pvt) Ltd and the consolidated financial statements.

Lanka Coal Company (Pvt.) Ltd

- (iii) The Company had not made provision for the trade receivables of Rs.1,553 million which was due for more than one year as per the paragraph No. 5.5.15 (a) of SLFRS 9.
- (iv) When importation of coal, a mark-up of 10 per cent had been added to the value at the point of the Customs as a notional adjustment in ascertainment of the value for the Custom purpose which had not been actually incurred. However, the Company had added a 10 per cent mark-up amounting to Rs.14,904.63 million to the revenue for the year under review, and later, that amount had been recognized as discounts to the debtors and adjusted to the cost of sales. As a result, the cost of sales and revenue for the year under review had been overstated by similar amount in contrary to the provisions stipulated in SLFRS 15. Above adjustment had been accounted by the company according to the instruction given by the IRD. However, it had not been disclosed in the financial statements.

Lanka Electricity Company (Private) Ltd

- (v) According to the paragraph 5.5 of the Conceptual Framework for Financial Reporting, the initial recognition of assets or liabilities arising from transactions or other events may result in the simultaneous recognition of both income and related expenses. Simultaneous recognition of income and related expenses is sometimes referred to as the matching of costs with income. However, the Company had not identified solar energy purchased cost for the period of 2017 to 2023 (except 2021) amounting to Rs.4, 658.2 million had been recognized as receivable from Ceylon Electricity Board instead of being recognized as cost of sales in respective years, even though the sales revenue of solar energy purchased had been recognized as sales in respective years. As a result, the retained earnings, profit for the year and receivable balance had been overstated by Rs. 2,819.6 million, Rs. 1,838.6 million and Rs. 4,658.2 million respectively as at 31 December 2023.



- (vi) The balance due from Ceylon Electricity Board (CEB) for miscellaneous services as at 31 December 2023 was Rs. 5,777.8 million. Out of that balance of Rs 5,770.6 million had been included as due from CEB for the cost of purchasing energy using net accounting and net plus methods for the period of 2017 to 2023. However, as per the balance confirmation received from CEB, the CEB had confirmed that there were no payable balance to the Company. Further, no formal agreement entered between two parties for the purchasing Electricity using net accounting and net plus methods. Therefore, the recoverability of that balance could not be satisfactory ascertained in audit and the Company had made provision for impairment of Rs. 5,300.9 million for the above receivable balance.
- (vii) In terms of paragraph 51 of the Sri Lanka Accounting Standard No 16, the residual value and the useful life of an asset shall be reviewed annually and, if expectations differ from previous estimates, the change shall be accounted for in accordance with Sri Lanka Accounting Standard No 8. However, the assets with carrying value of Rs.11,114.4 million relating to 4 categories as at 31 December 2023 had not been reviewed and accounted as required by the Standards.
- (viii) Differences of Rs.398.7 million and Rs.50 million were observed in relation to the balances of revenue, cost of sale, trade & other payable etc. between the consolidated financial statement and the financial statement of Anti Leco Metering Company (Pvt) Ltd and LECO Project (Pvt) Ltd respectively.

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Other information included in the Board's 2023 Annual Report

The other information comprises the information included in the Board's 2023 Annual Report but does not include the financial statements and my auditor's report thereon, which I have obtained prior to the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

Based on the work I have performed on the other information (draft annual report) that I have obtained prior to the date of this report auditor's report, if I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Board and the Group are required to maintain proper books and records of all their income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Group.



1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 internal control of the Board and the Group.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast

significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

2.1.1 Except for the effect of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Board as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6(1) (d) (iii) of the National Audit Act, No. 19 of 2018.

Auditor General's Report on Group Financial Statements (Contd.)



ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 except for audit observations in paragraphs 1.2.1.1(a)-(i),(ii),(b)(i),c, (f)(i),1.2.1.2(iv),(v),(vi),(viii),(ix),1.2.1.3(ii),(iii),(iv),(v),1.2.2 (iv),(v),(vi),(vii) described in the basis for qualified opinion section of my report as per the requirement of section 6(1) (d) (iv) of the National Audit Act, No.19 of 2018.

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 to state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal course of business as per the requirement of section 12(d) of the National Audit Act, No. 19 of 2018;

2.2.2. To state that the Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except;

Reference to Law/ Direction

Non-compliance

- | | |
|--|--|
| (a) Section 7(1) and 43(1) of Sri Lanka Electricity Act, No. 20 of 2009 as amended. | Without obtaining the authorization from the regulator, 27.31 Gwh of energy valued at Rs. 2,957.3 million had been purchased from two retired Independent Power Producers whose generation license was expired during the year under review. |
| (b) Operational Manual for State Owned Enterprises of Department of Public Enterprises dated 17 November 2021. | |

(i)Section 3.5	The Ministry of Power and Energy should reimburse an amount of Rs.288.66 million to the Board for the employees released from the year 2020 to 2023. Apart from that, a sum of Rs.24 million had been incurred by the Board as salaries and allowances of an officer released from the Board from the year 2014 to 2023 who is performing duties as General Manager of Sri Lanka Energies (Pvt) Ltd.
(ii)Section 7.7	A Subsidiary Reviewing Policy had not been established by the Board of Directors even at the end of April 2024 even though Board of Directors (Parent) has a fiduciary duty to discuss the performance of the subsidiaries at least quarterly.
(c) Section 17 of the Part V of the Social Security Contribution Levy Act, No.25 of 2022	The Social Security Contribution Levy (SSCL) amounting to Rs.1,224.1 million charged on the supply of electricity to the Lanka Electricity Company Limited from the fourth quarter of the year 2022 to August 2023 had not been remitted to the Department of Inland Revenue even at the end of May 2024.
(d) Cabinet Decision No.23/0199/601/009 dated 07 February 2023	Service of an external lawyer had been obtained for two court cases bearing the numbers 198/2024 and 254/2024 without obtaining approval of the Hon. Attorney General as required by the Cabinet Decision. Subsequently invoices of Rs.7.6 million for the period of services have been forwarded to CEB. However, action had not been taken to recover the sum of Rs.7.6 million invoiced as legal charges during the month of September 2024 from the responsible officers as mentioned in the Cabinet Decision.



2.2.3. to state that the Board has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018 except for;

(a) Cabinet Memorandum No. 07/1955/332/045 dated 31 October 2007 submitted by the Minister of Power and Energy on “Payment of Allowances to Employees of the Ceylon Electricity Board” was considered along with the Report of the National Salaries and Cadres Commission dated 31 March 2008 by the Cabinet of Ministers on 09 April 2008 and approval was granted to implement the recommendations of the Committee appointed for the purpose, subject to the conditions stipulated by the National Salaries and Cadres Commission in its report dated 31 March 2008. The following observations are made in this regard.

- (i) Without obtaining the approval of Salaries and Cadres Commission and the Department of Management Services, a sum of Rs. 507.47 million had been paid as 11 types of allowances not included in the list of allowances approved by the Cabinet of Ministers on 09 April 2008 during the first nine months of the year under review.
- (ii) The exodus allowance should not be paid to the officers who are entitled to the professional allowance. However, contrary to that a sum of Rs.99.85 million had been paid as exodus allowance for 517 officers during the first 10 months of the year under review.
- (iii) As per the random test check carried out, it was observed that officers appointed to a post are also paid allowances for performing the duties of that post.
- (iv) Contrary to above Cabinet decision, no performance based incentive scheme had been introduced for officers recruited after 01 April 2008 even at the end of the year under review.

(b) Without the approval of the General Treasury, the board had reimbursed 2/3 of the interest charged on property loans taken by employees under the subsidized housing loan scheme. The interest amount reimbursed from the year 2013 to 2023 was Rs.16,789.5 million.

(c) According to Section 24(1)(c) of the Sri Lanka Electricity Act, No. 20 of 2009, as amended, the Board must ensure there is sufficient capacity from generation plants to meet reasonable forecasted electricity demand. In line with the Least Cost Long Term Generation Expansion Plan for 2018–2037, 2,032 MW of new generation capacity was planned for implementation between 2018 and 2021. However, only 661.6 MW of power plants were commissioned during that period. The Least Cost Long Term Generation Expansion Plan for 2022–2041 included plans for 544 MW of renewable energy capacity additions in 2022, but only 211 MW of new renewable energy power plants were commissioned that year. Additionally, the approved Least Cost Long Term Generation Expansion Plan for 2023–2042 aimed to commission power plants with a total capacity of 607 MW in 2023; however, only 185.6 MW had been commissioned by 31 December 2023. Consequently, the implementation of the new generation plans was significantly below target, and the goal of providing a least-cost power supply was not achieved. As a result, 27.31 GWh of energy, valued at Rs. 2,957.3 million, had to be purchased as additional power during the year under review, with an average cost per unit of Rs. 108.29. In comparison, the overall average cost per unit and the average cost of power purchased from the West Coast Power Plant were Rs. 40.92 and Rs. 68.29, respectively.

(d) Procurement of 100MW of Supplementary Power on Short Term basis

(i) The Cabinet of Ministers declared an emergency on 7 August 2023, to release water from the Samanalawewa Reservoir for irrigation and approved the procurement of 100 MW of supplementary power for 4 to 6 months. Following this, the Public Utilities Commission authorized the procurement of an additional 100 MW capacity starting 18 August 2023. The Ceylon Electricity Board (CEB) signed Power Purchase Agreements with ACE Power Matara (23.75 MW) and ACE Power Embilipitiya (93 MW). However, it was noted that the total procurement amounted to 116.75 MW, exceeding the initially approved limit.

(ii) PUCSL approval for the above supplementary power purchases under section 43(7) of Sri Lanka Electricity Act No. 20 of 2009 as amended had not been granted, due to procured generation capacity addition was exceeded the approved generation capacity addition (the letter No.PUC/LIC/2023/TL/21 dated 09



October 2023 sent by Director General of PUCSL) and the signed Power Purchase Agreement between Board and ACE Power Embilipitiya (Pvt) Ltd had been submitted to PUCSL instead of being submitted the draft Power Purchase Agreement for the approval of PUCSL as per the Section 43(5) of Sri Lanka Electricity Act No. 20 of 2009 as amended. (the letter No.PUC/LIC/2023/TL/17 dated 02 October 2023 sent by Director General of PUCSL). Accordingly, the license for generating electricity under Section 13 of Sri Lanka Electricity Act No. 20 of 2009 as amended had not been issued to the ACE Power Matara Power Plant and ACE Power Embilipitiya Power Plant by PUCSL.

2.2.4. to state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for;

- (a) The contract for constructing the Board's headquarters was initially awarded on 22 October 2012, but due to the contractor's poor performance, it was re-awarded on 2 August 2021, for Rs. 4,774.6 million, with a completion date set for 15 August 2023. However, on 14 February 2023, the Board had decided to terminate the contract based on instructions from the Minister of Power. As of 31 July 2024, the contract had not been terminated, despite the contractor suspended the works in August 2023. A substantial completion certificate was issued for a reduced scope of work on 16 October 2023, while the project's physical progress stood at only 13.2 per cent. Consequently, Rs. 1,484.9 million spent on the project became idle.
- (b) The Seethawaka Ganga Hydropower Project, identified in the Board's Master Generation Plan in 1988, was set to be commissioned by 2022. Initially managed by Sri Lanka Energies (Pvt) Ltd, it was later transferred to the Board after incurring Rs. 1.3 million in preliminary expenses. By 30 September 2021, the Board had spent Rs. 301.19 million on preliminary activities but ultimately decided to wind up the project and transfer it back to Sri Lanka Energies (Pvt) Ltd to develop two mini hydro plants of 7 MW. This decision rendered the Board's expenditures uneconomical, and no efforts were made to recover these costs or account for them appropriately.

- (c) The eighteen (18) lands had been purchased at a cost of Rs.188.38 million for project activities, for the construction of regional engineer offices, consumer service centers and Grid Substations during the period from 2000 had not been utilized for the expected purposes even at the end of the year 2023. Out of those lands, four (4) lands valued at Rs.36.48 million had not been recorded in the fixed asset registers of the distribution division 01, 02 and 04. Further, as per the random audit test check, it was observed that the Board had failed to complete the acquisition activities of ten lands acquired for the various construction activities even though over 6 years had been passed after publishing the relevant Gazette Notifications.
- (d) As per the Electricity (Amendment) Act, No. 16 of 2022, the requirement to submit a tender on the publication of a notice shall not be applicable in respect of any new generation plant or to the expansion of any existing generation plant that is being developed or to be developed on a permit issued by the Sri Lanka Sustainable Energy Authority (SLSEA) for the generation of electricity through renewable energy sources. However, out of the projects with aggregating capacity of 598 MW forwarded to the Board by SLSEA during the year 2022, power plants with aggregating capacity of 4 MW had only been commissioned up to 31 December 2023.
- (e) The Generations constraints and Transmission Network constraints of the Southern Grid had been highlighted by the Board since 2016, when requesting the approval from the PUCSL for procuring emergency power. However, Polpitiya – Hambanthota 220 kV, 150km Transmission Line which was proposed to strengthen the Southern Grid had been energized on 22 August 2023 with a delay 2 years and 7 months. Also, Horana – Padukka 132kV, 25 km Transmission Line which was expected to be completed on 20 April 2022 and Kotmale – New Polpitiya, 220kv Transmission Line which was expected to be completed on 01 April 2021 to strengthen the Southern Grid had not been completed even at the end of the year under review. The physical progress of these projects as at 31 December 2023 was only 51.15 percent and 59 percent respectively. Further, the contract of Kotmale – New Polpitiya project had been terminated.



ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

- (f) Due to delay in making payments on time, a sum of Rs.16,320 million and Rs.5,620.6 million had been incurred as delay interest on power purchases and fuel purchase (CPC) respectively during the year under review. Further, an amount equivalent to Rs.10.33 million had also been incurred for the year under review as default interest due to delay in repayment of loan instalments by the Board in respect of local bank loans.
- (g) Due to the matters such as delay in implementation of the Least Cost Long Term Generation Expansion Plans, delay in implementations of NCRE projects, emergency power purchase without approval of the PUCSL, significant increase in the number of permanent employees of the CEB in 2016, unauthorized benefits made or being made to the CEB employees etc. the Board had to obtained short term loans and long-term loans for the procurement of oil, coal and spares, payment for the power purchases and capital expenses of the Board. As a result, the Board had to incur a sum of Rs.36,873.4 million as interest expenses during the year under review.
- (h) Procurement procedure should be followed for Non-Conventional Renewable Energy (NCRE) projects after 6 August 2013 as per the Sri Lanka Electricity Act, No. 20 of 2009 as amended. However, only 7 procurements for NCRE projects with aggregating capacity of 390 MW had been initiated up to 31 December 2021 by following procurement procedure and out of the said capacity, power plants with aggregating capacity of 102 MW had only been commissioned up to 31 December 2023.
- (i) The avoided cost-based tariff was introduced for Non-Conventional Renewable Energy (NCRE) projects before the year 2000. This tariff now applies only to NCRE projects approved before 2007, with 28 such projects currently in operation. The avoided cost method is based on thermal plant dispatch and varies according to fuel costs. According to letter No. DGM/SYC/TCH/41 from the DGM (System Control) dated January 16, 2020, the actual unit cost for hydro plants should be less than Rs. 10.00, even for new plants. However, the avoided cost method determined rates for mini hydro plants in 2023 at Rs. 25.09 for the wet season and Rs. 28.46 for the dry season. In comparison, the average CEB hydro cost per unit for the year was Rs. 3.52. Despite a Board decision on

16 August 2022, no actions were taken to apply a reasonable ceiling price for mini hydro plants based on the avoided cost method by the end of the review year.

- (j) With respect of three foreign funded projects with the aggregated estimated cost of Rs.32,719.06 million, a considerable delay ranging from 26 to 70 months was observed from the scheduled completion date to the end of the year under review. It was further observed that the said projects had not been completed within the first extension granted to the contractors and the physical progress as at the end of the year under review was ranging from 60 percent to 99.7 percent.
- (k) The contract for the development of 100 MW Solar Park Facility at Siyambalanduwa on Build, Own and Operate (BOO) Basis and Construction of 132 Kv Transmission Facility on Turnkey Basis had been awarded on 16 August 2023. The following observations are made in this regard.
 - (i) It was observed that the one consortium partner of the consortium (The selected bidder) had not complied with the all criteria under the financial capability (clause No. 4.2.1, 4.2.2, 4.2.3 (i) and (ii) of Volume I in the Request for Proposal (RFP) documents.) and Project Committee (PC) had noted that non compliances observed in financial capabilities of the said consortium partner was a deviation.
 - (ii) After considering the requested clarification response from the consortium, PC was of the view that the consortium had not fulfilled the financial capability requirements stipulated in Clause 4.2 in Volume I of RFP which was a deviation. However, PC had recommended to negotiate with the consortium to reach a tariff of 7.61 USD Cents/kwh for Solar Park Facility and Semi annuity payment of USD 1.25 million for Transmission Facility as maximum acceptable values, considering the financial deviation mentioned above positively by its report dated 22 March 2023. If not, PC had recommended to conclude the ongoing RFP process and initiate a new RFP process to this project.
 - (iii) As per the financial proposal submitted by consortium, the tariff for Solar Park Facility and Semi annuity payment for Transmission Facility was 12.2 USD Cents/kwh and USD 1.67 million (Present value of all the transmission facility payments proposed was USD 25.58 million) respectively. The consortium had provided a separate proposal by removing Transmission Facility cost loaded to the



Solar Park Facility on 03 May 2023. According to the revised proposal, Tariff for Solar Park Facility was 8.15 USD Cents/kwh and semi annuity payment for the Transmission Facility was USD 3.31 million. Accordingly, it was observed that present value of all the transmission facility payments revised (Present value of all the transmission facility payments was USD 50.81 million approximately) was exceeded the ceiling value imposed in the RFP (Present value of all the transmission facility payments should be less than USD 27.3 million) by 86 percent.

- (iv) As per the letter dated 17 May 2023, the consortium had finally agreed to revise the tariff for Solar Park Facility as 8.00 USD Cents/kwh and semi annuity payment for the Transmission Facility as USD 2.29 million with some changes in scope of work in Transmission Facility. Therefore, it was observed that present value of all the transmission facility payments revised (Present value of all the transmission facility payments was USD 35.13 million) was exceeded the ceiling value imposed in the RFP by 29 percent.
- (v) As per the Clause No. 8.1.3 (iv) (b) of the signed contract agreement for the Transmission facility, project company shall be entitled to reimburse the taxes, duties, levies, and fees (including SSCL) in terms of Clause 5.3.4 via submitting a Reimbursement invoice if it was not granted exemptions from customs, other import taxes, duties, levies and fees (including VAT and SSCL) payable by the project company on all imports of plants, machinery, equipment and material even the Minister of Finance, Economic Stabilization and Nation Policies had observed that it should be decided also taking into account the condition mentioned in the RFP and such conditions had not been mentioned in the RFP. Further, it was observed that present value of all the transmission facility payments after taking into account of estimated Custom Duties & Other Levies on CUSDEC amounting to USD 3.27 million (Present value of all the transmission facility payments was USD 39.96 million) was further exceeded the ceiling value imposed in the RFP by 46 percent.
- (vi) The Cabinet Appointed Negotiated Committee (CANC) had decided to award the contract to the consortium at 8.00 USD Cents/kwh for Solar Park Facility and semi annuity payment of USD 2.29 million for the Transmission Facility at its meeting held on 15 May 2023. The approval of the Cabinet of Ministers had been granted for the same at its meeting held on 17 July 2023. However, it was

observed that any recommendation had not been made by PC to CANC for the awarding contract to the consortium. Further, it was observed that the accepted tariff for Solar Park Facility and accepted semi annuity payment for the Transmission Facility had been exceeded the maximum acceptable tariff of 7.62 USD Cents/kwh for Solar Park Facility and the maximum acceptable semi annuity payment of USD 1.994 million for Transmission Facility recommended by PC at its report dated 27 April 2023.

- (vii) The fact that the submission of two RFPs for such procurement and only one RFP being considered for technical evaluation and financial evaluation did not create the competition as expected from the procurement guideline. Hence, it was observed that the opportunity to get more favorable price for both Solar Park facility and Transmission facility had been deprived to the Board. Further, it was observed that Rejection of all bids received can be justified when lack of effective competition is clearly evident as per the section 7.12.1 of the National Procurement Guidelines.
- (l) Demand Side Management Unit of the Board had been established by the Board Decision taken on 07 March 2023 and after 8 months of its operations, it had been decided to suspend its activities by the board decision taken on 31 October 2023. During this short period, in order to make aware the public the importance of reducing electricity consumption and demand management, 18 videos had been prepared through 03 external organizations by incurring a sum of Rs.14.33 million without following proper procurement procedure as stipulated in the Procurement Guideline-2006. Further, as per the report of Government Analyst Department, these videos had been produced by computer animation without being live recording. Hence, Board had paid Rs,6.4 million to above contactors for those activities which had not been actually done by the them as quoted.
- (m) A sum of Rs.15.2 million had been incurred by the Board for the opening ceremony of Mannar Wind Power Generation project which was commissioned in 2021, was observed as uneconomical.



2.3 Other Matters

- (a) Trade debtor balance as at 31 December 2023 was Rs. 70,019.1 million. Out of that, a sum of Rs.6,181 million had remained outstanding over 6 months as at 31 December 2023. Further, a sum of Rs.2,252.2 million had remained outstanding over 5 years. The provision for impairment of trade debtors made by the Board as at 31 December 2023 was Rs.4,625.9 million. Following further observations are made in this regard.
- (i) Out of the above total debtor balance, a sum of Rs.2,773.3 million had been categorized and transferred to finalized debtors balance (inactive debtors) due to not recovering outstanding for long period and out of which, Rs.1,106.6 million was related to the distribution division 01.
- (ii) Out of the finalized debtors in distribution divisions, a sum of Rs.1,983.3 million had remained outstanding for over 3 years period. Out of that, Rs.927.8 million represents finalized debtors in distribution division 01.
- (iii) Out of finalized ordinary supply debtors of Rs.104.39 million in DGM (Southern Province 02) in relation to 41,441 connections, a sum of Rs.33.65 million had remained outstanding for over one year. Further, it was observed that out of above connections a sum of Rs.10.98 million had remained as credit balances in relation to 13,549 connections. However, action had not been taken to clear them in terms of the Circular DCC/COM/03/2009 of the Board. Apart from that, it was observed that new connections had been given to finalized customers without taking action to recover the previous outstanding balances.
- (iv) As per the audit test check conducted in relation to the outstanding debtors of Eastern, Northern and Sabaragamuwa province as at 31 October 2023, it was observed that action had not been taken to recover the outstanding balances of Rs.39.65 million due from 357 number of customers whose bills were over Rs.50,000 and remained over one year.
- (v) As per the audit test check, 46 electricity supply connections accounts given to quarters of parliamentary representatives had been categorized as finalized (inactive) debtors at the end of the year under review due to non-payment of outstanding electricity bills amounting to Rs.12.21 million for a long period. Out

of that, a sum of Rs.11.66 million had remained outstanding for over one year and a sum of Rs.5.29 million had remained outstanding for over five years without being recovered.

- (b) Other debtors balance as at the end of the year under review was Rs.24,327.1 million. Following observations are made further in this regard.
- (i) A sum of Rs.256.91 million had remained outstanding from sacred places on the supply of electricity at the end of the year under review. Out of that, a sum of Rs.70.14 million had remained outstanding for over five years without being recovered. Further, a sum of Rs.42.5 million due from sacred places with aging for over 5 years relating to the distribution division 01. Further, in relation to the Hambanthota regional engineer office, it was observed that some of the temporary connections had been given without obtaining security deposit or estimated fee contrary to the Guideline issued by Additional General Manager (DD 04) on 26 April 2010 with regard to the procedure to be followed on temporary connections.
- (ii) Sundry debtors included in other debtors amounting to Rs.3,261.9 million had remained outstanding as at 31 December 2023. Out of that, a sum of Rs.677.59 million had remained outstanding for over one year and a sum of Rs.329.38 million had remained outstanding for over five years. Out of over five years receivable balances, a sum of Rs.14.34 million, Rs.155.61 million and Rs.2.66 million had remained receivable from consumer bulb loan, temporally electric supply for institutions and cash shortage of Colombo city revenue counter in the year of 2013 respectively. However, no action had been taken to recover them even at the end of the year under review.
- (iii) Stock shortages aggregated to Rs.65.81 million relating to all distribution divisions, generation division and asset management division had remained in sundry debtors for over 1 year and out of that stock shortage amounting to Rs.34.15 million related to Lakvijaya Power Plant in Generation division which had remained unsettled for over 5 years. Further, out of the above stock shortages, a sum of Rs.31.66 million had been identified with the responsible officers. Nevertheless, the recovery actions had been taken only for stock losses worth of Rs.2.8 million.



ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

- (iv) A sum of Rs.435.52 million had remained outstanding from 98 government institutions for the supply of lifts, air conditioners and power generators by the asset management Division of the Board as at 31 December 2023. Out of that, a sum of Rs.153.03 million and a sum of Rs.83.41 million had remained outstanding for over one year and five years respectively without being recovered. Further, a sum of Rs.110.5 million had only been made as provision for impairment at the end of the year under review.
- (v) A sum of Rs. 714.96 million due from Lanka Coal Company through Taurian Iron and Steel Company and Liberty Commodities Ltd had remained outstanding for over six years without being recovered.
- (vi) A sum of Rs.241.72 million had remained outstanding from temporary electricity connections given by the Board as at 31 December 2023. Out of that, Rs.189.67 million had remained outstanding for over one year for temporary electricity connections given to government institutions by Colombo city province.
- (c) A sum of Rs.1,270.8 million in relation to Deemed Dividend Tax for the year of assessment 2013/14 had not been settled to the Department of Inland Revenue even by the end of the year under review.
- (d) As per the report of the Chief Internal Auditor of the board, it was observed that the Board had to incur an approximate loss of Rs.262.6 million to purchase additional private electricity as a result of releasing water in Randenigala & Rantambe reservoirs without generating electricity due to trade union action in 2022. However, no action had been taken to recover the loss from the responsible officers even at the end of the year under review. Further, it was observed that a committee had been appointed by the board of directors on 25 July 2022 and the report had been submitted on 16 November 2022 and on 08 December 2022. However, the board of directors had rejected the report and appointed a new committee on 22 February 2023. Although, the committee had submitted their report to the board of directors on 22 November 2023, the recommendations made by the committee had not been implemented even by the end of May 2024. A sum of Rs.1.23 million had been paid by the Board for the members of the above two committees.

- (e) As per the provisions in the draft collective agreement, the board had increased employee salaries by 25 per cent in the year 2021 based on the decision taken by the board of directors on 15 June 2021 in terms of Cabinet Decision 21/0786/318/025 dated 10 May 2021. Accordingly the personnel expenses had been increased approximately by Rs.9,629.9 million in 2021, Rs.6,725.9 million in 2022 and Rs.8,354.7 million in 2023 respectively compared to 2020.
- (f) The following observations are included in the Performance Audit report on Purchasing Containerized Mobile Diesel Generators with an estimated cost of Rs.3,000 million and the amount paid by the board to the contractor as at 31 August 2023 including 10 per cent advance of the contract value of Rs.2,373.32 million. The report had been tabled in parliament on 13 October 2023.
 - (i) The bidding documents approved by the Technical Evaluation Committee (TEC) appointed by the Department of Public Finance and the Standing Cabinet Appointed Procurement Committee (SCAPC) for commencement of procurements for purchase of the aforesaid generators, has been additionally revised in two instances considering the requests of the bidders. The TEC had notified the Procurement Committee to refrain from making revisions in the conditions maintaining the quality of generators mentioned in the bidding documents as per the requests made by the bidders.
 - (ii) Despite the recommendations made by the TEC, the contract had been awarded to the bidder who had not fill the requirements of the section 23(b) and 23(d) of the special conditions in the bidding documents and non-comply with the percentage of sulphur contained in the fuel with the percentage of sulphur which should be used in generators not for the substantially responsive bidder.
 - (iii) During the inspection of performance of the generators, it was observed that the generators had not been operated for a considerable number of hours due to Forced Outage instances, lack of fuel and lubricants and technical defects etc. Due to technical defects, the generators had not operated for 52,452 hours, 36,120 hours, 57,320 hours and 35,345 hours during the year 2019, 2021, 2022 and 2023 respectively. Further, the total repair cost and the cost



of the spare parts incurred during 2020 to 2023 was Rs.245.71 million and Rs.591.88 million respectively.

- (iv) The machines were subject to occasional breakdowns due to technical defects and some generators were inactive for long period. According to inspection carried out on 13 November 2023 and the information received to the audit it was observed that the plant availability factor of those machines remained less than 80 percent during the months of July to September in Mathugama site and June in Kolonnawa site in the year 2022 and in the month of August 2023 in Mathugama and Hambanthota site.

(g) Following observations are made with regard to the audit of LTL Holdings Ltd.

- (i) With the 19th Constitutional Amendment, the audit of public companies came under the purview of the Auditor General and in relation to the audit of LTL Holdings (Pvt) Limited and its subsidiaries, an interim injunction had been obtained on 10 July 2020, against the statutory audit of LTL Holdings (Pvt) Limited through the court case filed by employees' union of LTL Transformers Holdings (Pvt) Limited along with two others in the Honorable Court of Appeal and another court case filed by H.D. Chaminda and 15 others in the Honorable Court of Appeal. In spite of that, by the court order dated 10 October 2022, that obstacle was removed and the audit of that company could have been carried out under my direction in pursuance of provisions assigned to the Auditor General as per the Constitution. However, at that time, my staff had been obstructed to carry out the audit of LTL Holdings (Pvt) Limited by citing the interim order obtained from the Commercial High Court against holding the special general meeting that was proposed to be held to remove the auditors appointed in the annual general meeting of the said company. Due to the above facts, the audit of that company could not be carried out under my direction from the year 2020 to 2023.
- (ii) According to the Cabinet decision taken on 01 January 2024, it was decided at the board meeting of the Electricity Board held on 01 February 2024 to transfer 28 percent of the 63 percent share capital of LTL Holdings

Limited for the settlement of part of the dues to the West Coast (Pvt) Limited by the Electricity Board. Accordingly, 919,517,200 numbers of shares were transferred to West Coast (Private) Limited by LTL Holdings Limited on 07 February 2024 for a consideration of Rs.26.08 billion. However, legal clearance had not been obtained from Hon. Attorney General with regard to the crossholding in accordance with Section 72 of the Companies Act No.07 of 2007. Further, all the liabilities to LTL Holdings Ltd and its subsidiaries had not been settled by the Electricity Board as instructed by the Secretary to the Ministry of Finance, Economic Stabilization and National Policies and the Director General of Public Enterprises in his observations.

- (iii) The approval of the Board of Directors of LTL Holdings Limited and full approval granted by the Board of Directors of Ceylon Electricity Board for the realization of shares had not been communicated to the Treasury before commencing the share transfer process as instructed by the Minister of Justice, Prison Affairs and Constitutional Reforms.
- (iv) Further, the soft version of the financial statements with detailed workings was not provided to audit in order to verify the accuracy of account balances in the financial statements at the end of the year under review.


W.P.C. Wickramaratne
Auditor General

Replies to the Report of the Auditor General

Replies of the Auditor General on the Financial Statements of the Ceylon Electricity Board and its Subsidiaries for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

Informative

1.2 Basis for Opinion

Informative

1.2.1 Comments on Consolidated Financial Statements

Informative

1.2.2 Comments on Financial Statements of the CEB

1.2.2.1 Non-Compliance with Sri Lanka Accounting Standards (LKAS/SLFRS) and Accounting Policies

(a) LKAS 1 – Presentation of Financial Statements

- (i) Expenses of the Ceylon Electricity Board Employee Provident Fund (EPF) which was operated under the Board as a separate entity, amounting to Rs.54.44 million had been recognized as expenses of the Board in the income statement for the year under review in contrary to the definition and recognition criteria of Conceptual Framework for Financial Reporting in terms of the paragraph 15 of the standard.**

Paragraph 4.1 (b) of the Conceptual Framework for Financial Reporting states that "income and expenses, which relate to a reporting entity's financial performance". According to the Clause No. 20 (1) of the said rules, all the Administrative Expenses of the Fund, except for expenses related to inspection of Housing Loans, are being borne by CEB and this policy was in place from the inception of the Fund (from 1st November 1969) therefore the expenses incurred by CEB on behalf of Provident Fund are not recorded in the Financial Statements of the Fund. Further the board decided to (Ret No: AFM(IM) / DFM (Provident & Pension Fund) /Adm/ 2021/01 Dated 2021-03-29) to continue the present policy of incurring Management and Administrative Expenses of the Fund by the Board, the matter in concerned will be rectified and implemented from the ensuing financial year onwards. During the CEB reform process this will be rectified. Further disclosure has been made in the CEB financial statements (refer note 7.1) and provident fund financial statements related to the expenditure borne by CEB on behalf of the provident fund.

- (ii) Contrary to the paragraph 69 of the standard, the debit balance of stock adjustment account amounting to Rs.448.66 million had been shown under other debtors and the credit balance of stock adjustment account amounting to Rs.424.19 million had been shown under trade & other payables instead of showing under the balance of Inventory. Further, out of the above stock adjustment balances, debit balance relating to stock shortage amounting to Rs.138.52 million and a credit balance relating to stock excess amounting to Rs.128.1 million had been remained in the Stock Adjustment Account for more than one year without being cleared.**

The Inventory balance shown in the financial statement for the year ended 31.12.2023 has been derived based on the actual physical verification. The difference between the verified inventory amounts and the ledger amounts has been recognized in the stock adjustment account until the discrepancies are resolved.

In accordance with our accounting policies and for a more accurate presentation, any stock surplus identified during the verification process is recorded under trade and other payables, while any stock deficit is recorded under other debtors. This approach ensures that the financial statements fairly represent the true state of our inventory and related financial positions.

Disclosure will be made if required in the ensuing financial statements for the year ended 31st December 2024.

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

The Board had applied the standard cost method for valuing overhead costs of its capital and maintenance jobs, instead of being applied the actual costs in line with the requirements of the above Standards. As a result, it was revealed that there were favorable overhead rate and material price variances aggregating to Rs.3,166.1 million and Rs.15,897.9 million respectively. And also, there was an unfavorable stores price variance aggregating to Rs. 5,592.4 million. Accordingly, the impact occurred thereon to the operating results, assets and equity in the financial statements could not be properly ascertained due to required information relating to those jobs were not made available to audit.

As per LKAS 2- Inventories, para 25, the cost of inventories shall be assigned by using the FIFO or weighted average cost formula. An entity shall use cost formula for all inventories having a similar nature and use to the entity. Accordingly, CEB uses FIFO method to value its inventories and actual cost is used to record labour costs in Generation, Transmission, Asset Management and Projects Division which comprises 83% of the Work In Progress, 57% of the Property Plant & Equipment and 43% of the inventories of CEB as at 31 December 2023. Hence, a major portion of the PPE, Inventories and WIP are presented at costs in compliance with the relevant Accounting Standards.

Due to the complexity and huge volume of inventory, the Distributions Divisions in CEB uses standard Cost method.

LKAS 02 – Inventories Para 25 has permitted to use standard cost method for the valuation of Inventories if the results approximate to the cost ("Techniques for the measurement of the cost of inventories such as standard cost method may be used if the results approximate cost"). Another 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 materials. **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 areas"**.

However, it is accepted that variances could be occurred due to the price escalation of material and other charges. In case of maintenance cost appeared in the Income Statement, the difference between the standard and the actual cost shall be reflected in the variance accounts in the same statement and results would be net off.

Further, as per LKAS 2 (paragraph 21) standard cost method for the measurement of inventories is recommended to subject to regular review and revision based on the current conditions. Accordingly, the Pricing Committee was instructed to review the standard prices bi – annually in order to minimize the gap between actual prices and standard prices.

In addition to above, CEB is the process of restructuring after restructuring if individual companied implemented ERP system with the Weighted Average inventory valuation method these issues will be eliminated.

Further there should be an allocation method to absorb the overhead cost to capital and maintenance jobs.

Overhead rate is calculated using directly attributable overhead related to respective capital or maintenance jobs and absorbed to those jobs

(c) LKAS 8 – Accounting Policies, Changes in Accounting Estimates and errors

- (i) **As per the paragraph 51 of the Sri Lanka Accounting Standard on Property, Plant & Equipment (LKAS 16), the useful life of the asset shall be reviewed at least at each financial year end and if expectations differ from previous estimates, the changes shall be accounted in accordance with LKAS 08. However, useful lives of the fully depreciated assets with a cost of Rs.214,809 million as at the end of the year under review, which are still in use, had not been reviewed and accounted accordingly.**

The standard (LKAS-16 – Paragraph 51) stipulates that "the useful life of the asset should be reviewed at least at each financial year end, and if expectations differ from previous estimates." the changes should be accounted. Therefore, it is within management's purview to determine the useful life of assets in use. Annual review of asset useful life at CEB is a significant undertaking that is impractical. Further CEB being an organization with an asset base of 955Bn and

Replies to the Report of the Auditor General (Contd.)

considering the uniqueness and complexity of the major asset components such as power plants and Transmission Lines it is not easy and practicable to annually review the useful life of the assets. According to LKAS 16 paragraph -69, disclosure is required for assets that are fully depreciated and still in use, which CEB has duly fulfilled in the note no 12.11 of the financial statements.

CEB had reviewed and revised the estimated useful life of Motor vehicles in the year 2021, and accordingly, it had been adjusted in the financial statements

Fully depreciated assets of the Generation Division recorded in the book of accounts as of 31.12.2023 was Rs. 118.4 Bn. The power plants administered by the Generation Division are unique and complex by nature. The economic life span of the generators is derived based on the Original Manufacturer's recommendation. As CEB has well maintained, the Power Plants and Generators they operate beyond the OEM's Expected life span.

In Transmission division, the useful life of the major fully depreciated assets such as Transmission Lines and Grid Substations are mostly determined, and depreciation has been charged based on CEB's policy of accounting and with the compatible technical factors of relevant assets. As Transmission Licensee has well maintained the Transmission Lines and Grid substations, they are operated beyond the depreciable life span. On the other hand, after the estimated useful life is over TL uses the assets with a higher cost of maintenance which compensates for the depreciation. Further TL being a division with an asset base of Rs.216 Bn and considering the uniqueness and complexity of the major asset components such as lines and grids it is not easy and practicable to review annually the useful life of the assets.

However Going forward, we will ensure that the residual value and useful life of all assets are reviewed and any changes in estimates will be recognized in accordance with LKAS 8.

- (ii) **A sum of Rs.209.68 million had been charged by Public Utilities Commission of Sri Lanka as annual regulatory levy for the previous year. However, Board had accounted only a sum of Rs.167.25 for the year 2022 and the difference of Rs.42.43 million had been accounted as an expense of the year under review without being adjusted retrospectively in terms of the Section 41 and 42 of the standard. Hence, the profit for the year under review had been understated and retained loss at the beginning of the year under review had been overstated by similar amount.**

According to LKAS -08 change in accounting estimate is an adjustment of the carrying amount of an asset or a liability or the periodic consumption of an asset, that results from the assessment of the present status of or expected future benefits and obligation associated with assets and liabilities. Changes in accounting estimates result from new information or new development and accordingly are not correction of errors. And standard permits the prospective application for the changes in accounting estimates. In FY 2022 Annual regulatory levy is estimated as LKR 167.25 Million and approved by the board as well. However, in 2023 it was approved to pay the balance annual regulatory levy as per the invoice sent by the PUSCL. Therefore, this is considered as changes in estimates therefore prospective application is permitted by the standard.

Further even if it is considered as error the retrospective application or restatement requires assumptions about the management's intend would have been in that period. Management intend during 2022 was indicated by the board approval of the estimate of Rs 167.25 million. Therefore it is impracticable to make a retrospective restatement to correct the error.

Replies to the Report of the Auditor General (Contd.)

(d) LKAS 12 – Income Tax

As per the Default Tax Report of the Board as at 31 December 2023, the amount payable as taxes and penalty for corporate income tax, PAYE tax and Value added tax from the year of assessments 2015/2016 to the end of the year 2022 was Rs.36.62 million, Rs.665.11 million and Rs.97.5 million respectively. However, a final determination had not been received for those taxes at the end of the year even though appeals have been lodged by the Board. Nevertheless, it had not been disclosed in the financial statements of the Board for the year under review in terms of the Section 88 of the Sri Lanka Accounting Standard on Income Tax (LKAS 12).

Type of Tax	Reply
Corporate Income Tax	This particular amount of Rs 36.62 million is a penalty for the Y/A 2015/2016 . CEB have not received the assessment for this amount as per CEB records. However since it is appeared in the RAMIS system CEB have sent a request letter to IRD on January 7th 2022 to waive off the penalty since there is no under payment of CIT for the Y/A 2015/2016 . CEB had ESC credits more than the quarterly CIT liability therefore CIT payment was set off against the ESC tax credits available.
Value added Tax	Disputed Amounts in Value Added Tax is due to invoice number mismatches in the schedules supplied by CEB and suppliers to IRD and CEB have submitted appeals to rectify the mismatches in the schedules. VAT appeal documents and IRD acknowledgements for the appeals have already been submitted to the auditor. IRD is in the process of rectifying these differences.
PAYE	Appeals have been made by CEB year of assessments 1516, 1617,1718 and 1819 and these dispute balances are due to payment reconciliation issues. Some PAYE payments are not identified in the RAMIS system due to period code, TIN no or payment type code errors in the pay in slips and CEB have already submitted relevant documents and request to eliminate these discrepancies and IRD is in the process of rectifying these issues and recognizing the payments for the relevant periods. Therefore, there is no actual payables to IRD related to PAYE. Required documents are already submitted to Audit for verification.

As per Section 88 of LKAS 12, when there is uncertainty regarding income tax treatments, an entity must determine whether it is probable that the tax authority will accept a specific tax treatment. If it is not probable, the entity must reflect the uncertainty in its tax-related accounts and disclose it appropriately.

In this case, the taxes and penalties under consideration are subject to appeals lodged by the Board. These appeals are pending final determinations, and the amounts are not yet confirmed as payable. The CEB believes it has reasonable grounds to contest the amounts, and the outcome of the appeals may result in reversals of these liabilities. If it is required, we will make disclosures in the subsequent financial statements to ensure transparency.

(e) LKAS 21 - The effects of changes in Foreign Exchange Rates

- (i) As per the Cabinet decision No. 21/1920/317/051 dated 16 November 2021 taken with respect to the cabinet memorandum dated 24 October 2021 submitted by the Minister of Irrigation , it was decided to pay the claim amounting to USD 38.612 million to the contractor for the unexpected delays in Uma Oya Multi Purpose Development Project and this additional payment to be financed by the Board by considering the income generated through this project to the Board. Further, it was decided to pay 50 per cent initially and balance 50 per cent to be paid after the expiration of the defect liability period. However, as per the books of accounts of the Board, a sum of Rs.6,227.3 million equivalent to the 50 per cent of total delay charge had only been accounted at the end of the year under review and no provision had been made even at the end of the year in terms of the Section 14 of SLAS 37 for the balance USD 19.306 million.

The liability has been recorded in the books of accounts of the Projects Division during the October 2024 accounts.

However, it is recommended to renegotiate with the contractor via the relevant authorities to reduce/remove the delay claim which is exorbitant.

Replies to the Report of the Auditor General (Contd.)

(f) SLFRS 09 - Financial Instruments

- (i) Even though the Board had introduced a specific approach and methodology to recognize the expected credit loss of trade debtors, no such approach and methodology had been introduced for other receivables which include sundry debtors, dues from sacred places etc. Accordingly, a sum of Rs.213.49 million and Rs.118.54 million had remained outstanding on other debtors over 1 to 5 years in distribution division 01 and 04 respectively. However, an amount equivalent to Rs.102.01 million and Rs.59.87 million had only been provided for impairment provision respectively. Further, no provision had been made for balance outstanding over one year in distribution division 02 and 03 amounting to Rs.142.37 million and Rs.107.99 million respectively. Similarly for other receivables outstanding more than five years amounting to Rs.341.32 million, an amount equivalent to Rs.74.35 million had only been provided for impairment without recognizing the expected credit loss properly. Due to these observations, the accuracy of carrying value of financial assets in the financial statement cannot be ascertained in audit.

Division	Reply
DD-01	From the other receivables outstanding amounting to Rs.213.49 million, for the age category of 1-5 years, Rs.106.42 is relating to corporate office of DD1. The provision of Rs.102.01 million has been provided for the above balances. Instruction will be given to provinces to make necessary specific provisions for other receivables based on analyzing the recoverability of other receivables. Out of other receivables balance of over 5 years amounting to Rs.341.32 million, DD1 represents Rs. 206.72 million. Provision has been made mainly for the dues from sacred places and to the part of sundry debtor balance.
DD-02	This has been rectified in 2024 financial statements. A 100% specific provision have been made for the long outstanding other receivables.in the year 2024. (Sacred Places. Mahinda Chinthana, free service connection) However, a board paper has been submitted to write off for outstanding balances of sacred places and Mahinda Chinthana. Board has referred this to Audit and Management Committee of CEB at present.
DD-03	A full provision was made for dues from sacred places in May 2024 Accounts. Actions will be taken to make necessary provisions for other receivables after a reasonable evaluation of the increase in credit risk and the recoverability of the balances to comply with the circular.
DD-04	Over five years balance of Other Debtors is Rs 224,357,266 We have made specific provisions for impairment. Accordingly, the provision for impairment of other debtors as at 31.12.2023 is Rs.71,387,481

- (ii) **The Economic Service Charges (ESC) amounting to Rs. 3,914 million paid from the year of assessment 2016/17 to 2019/20 had exceeded the claimable period of two years at the end of the year under review. However, it had not been recognized as expenses in the statements of comprehensive income. Instead of that impairment provision of Rs.3,914 million had been made in the financial statements. However, it was observed that the receivable balance of ESC shown in the financial statements does not meet the definition of financial assets in terms provisions of the standard.**

ESC cannot be claimed as a tax credit for the computation of income tax liabilities since the claimable period has been exceeded and within the claimable period CEB has incurred taxable losses. Accordingly, the amount referred would be charged to comprehensive income as expenditure after getting board approval in subsequent financial statements for the year 2024. Board paper has been already forwarded to the board and was considered in the board meeting that was held in 2023. Further provision is also made in the financial statements of 2023. Board has directed to forward the board paper for audit committee's recommendation. Action was taken to submit this board paper to the audit committee in July 2024 and audit committee has given their approval and audit committee minutes will be forwarded to the board and after receiving the confirmed minutes from the board, this amount will be charged to statement of comprehensive income as expenditure in the financial statements.

1.2.1.2 Accounting Deficiencies

- (i) **According to the valuation given by the internal valuation team of the Board, the transformers removed from corporate division of distribution division 04 in the year 2016 have been debited and credited to stocks and other payables respectively in the books of accounts for the year under review by Rs.826.6 million. However, the respective cost and accumulated depreciation of those transformers had not been removed from the books of accounts and hence impact to the financial statements could not be ascertained during the audit due to lack of information.**

Rs 826.6 million consists of Rs 405.43 million opening balance as of 01.01.2023 and Rs 421.17 million during the year balance of 2023. Out of Rs 421.17 million during the year balance of 2023, Rs 205.92 million was cleared in 2024.

The cost and the accumulated depreciation of transformers can be removed by identifying the accurate transformer number and SIN number. Accurate information is called from the relevant units to identify the correct transformers prior to removing them from the fixed asset register.

- (ii) **The old coal stock as at 15 September 2023 was calculated from the survey conducted by the board of verification. Remaining thermal coal stock at coal yard as at 15 September 2023 was measured using the above calculated old coal stock and it was negative balance of 14,964.71 MT due to deaf coal stock exceeded the old coal stock calculated. Therefore, remaining thermal coal stock at coal yard as at 15 September 2023 should have been considered at least as zero. Accordingly, thermal coal stock shortage should be taken as 9,286.37 MT after considering remaining coal stock at Bunkers and new coal unloaded. However, thermal coal stock shortage of 24,251 MT valued at Rs.1,778.6 million had been charged to the income statements for the year under review considering the above negative balance of coal stock. Accordingly, as per the calculations made by audit, profit for the year under review and coal stock had been understated by Rs.924.3 million.**

Only the thermal coal is considered for the annual coal verification. There is no way to physically differentiate thermal coal and deaf coal as they are appeared same. The stock level of deaf coal is considered only for calculation purpose. On this specific date (2023.09.15), the Thermal Coal stock balance has gathered up to 27,171.39 MT due to remaining coal at bunkers and unloaded qty from vessel No.369. However, this amount dropped up to 12,206 MT due to refilling of deaf coal negative balance of 14,964.71 MT. Hence the exact physical balance of Thermal Coal was 12,206 MT. The book balance of Thermal Coal as at 15.09.2023 was 36,457.76 MT and resultant stock shortage of Thermal Coal determined by the board of survey is 24,251.08 MT. Hence, profit for the year under review and coal stock had not been understated.

- (iii) **Revenue from Energy Sales to Lanka Electricity Company (Pvt) Ltd (LECO) for the year under review was understated by Rs.1,120.1 million due to not accounting or making any provision for Unit Price National Tariff Adjustment (UNT) estimates for third and fourth quarter 2023. Hence, profit for the year under review was understated by same amount.**

UNT adjustments are done after obtaining the decision documents from PUCSL. Since no UNT Decision Documents for any of the Quarters were received so far, the mentioned error cannot be rectified until official documents are received

Replies to the Report of the Auditor General (Contd.)

- (iv) A number of 8,574 of completed jobs valued at Rs.18,230 million had remained in work in progress account without being capitalized. However, the impact to the profit for the year under review and the retained earnings due to not making provision for depreciation could not be ascertained due to lack of information. Further, as per the random check conducted, it was observed that two jobs in the Construction section (Southern Province 2) valued at 2.98 million, cost incurred on Ja-Ela Area Engineer Office amounting to Rs.113.99 million and cost incurred on construction of three buildings and Kataragama Street Lighting (KSTS) amounting to Rs.135.61 million in distribution division 04 had not been capitalized even at the end of the year even though all of above constructions had already been completed and utilized by the Board. Further, out of the above work in progress balance, a sum of Rs.40.15 million had remained in distribution division 04 for more than 5 years as jobs done using Ministry funds. However, action had not been taken to clear them even at the end of the year under review and details of them were not submitted to audit.

Divisions	Over 2 years WIP balance	Reply																								
DD 01	2,066,940,237.00	Out of 8,575 number of jobs, 1,693 number of jobs of DD1 remains in WIP as at 31.12.2023 to the value of Rs.2.06 billion. From this amount Rs. 14.95 million relating to Colombo Port City Project which is still in progress. Based on WIP age Analysis as at 30.04.2024, above no. of jobs reduced to 612 to the value of Rs.1.40 billion. Break up is as follows. <table border="1"> <thead> <tr> <th>Province</th><th>No of jobs as at 30.04.2024</th><th>Value as at 30.04.2024 Rs. Mn</th></tr> </thead> <tbody> <tr> <td>Col City</td><td>60</td><td>585</td></tr> <tr> <td>NWP</td><td>244</td><td>241</td></tr> <tr> <td>NWP 2</td><td>116</td><td>90</td></tr> <tr> <td>NCP</td><td>165</td><td>226</td></tr> <tr> <td>NP</td><td>17</td><td>139</td></tr> <tr> <td>PHM</td><td>10</td><td>104</td></tr> <tr> <td>TOTAL</td><td>612</td><td>1,385</td></tr> </tbody> </table> Further to the above, the continuous process has been followed to transfer the completed jobs into assets on regular basis.	Province	No of jobs as at 30.04.2024	Value as at 30.04.2024 Rs. Mn	Col City	60	585	NWP	244	241	NWP 2	116	90	NCP	165	226	NP	17	139	PHM	10	104	TOTAL	612	1,385
Province	No of jobs as at 30.04.2024	Value as at 30.04.2024 Rs. Mn																								
Col City	60	585																								
NWP	244	241																								
NWP 2	116	90																								
NCP	165	226																								
NP	17	139																								
PHM	10	104																								
TOTAL	612	1,385																								
DD 02	6,014,858,874.00	As per the Report, the WIP balances shown more than 02 years of DD 02, amounting to 4,014 jobs with a cost of Rs. 6,014,858,874.00 has been considered as the value of the completed jobs and not transferred to assets. It has been noted that, though the WIP jobs categorized under the above aging categories, there are jobs which are not completed and to be shown under WIP as they are not really completed due to various reasons such as objections by the third parties, not receiving the way clearances, changing the requirements of the consumer... etc. Jobs with a cost of Rs. 3,897 Mn related to previous years have been completed and transferred to assets during the period ending 31.10.2024. Further the Cost of Construction of Ja-Ela area engineer office has already been transferred to asset in April 2024.																								
DD 03	4,181,306,283.00	Over two years Capital WIP balances of All Provinces and Corporate Out of the 1,913 jobs over two years relating to DD3 , 1,217 jobs (64%) have been cleared by end of October 2024 for a value of Rs 1,816mn.																								

Replies to the Report of the Auditor General (Contd.)

Divisions	Over 2 years WIP balance	Reply
DD 04	5,981,560,493.00	WPS I WPS 1 is transferring the completed jobs to PPE as soon as the job completion reports are received. Continuous meetings are carried out among relevant unit heads & Accountant Expenditure to monitor WIP with the supervision of the Deputy General Manager. SP 1 Continuous meetings are carried out among relevant unit heads & Accountant Expenditure to monitor WIP with the supervision of Deputy General Manager. When relevant unit heads soft close & forward it for finalization, Accountant expenditure hard close those jobs. SP 2 CE-Construction, CE – Distribution Maintenance, Area Chief Engineers, and the Accountant (Expenditure) are continuously working on reducing the WIP, and the progress is reviewed in monthly progress meetings. Capital Jobs are transferred to assets once the jobs are soft closed by PHM and accurate completion reports are received. Action has been taken by Finance Division to inform relevant division to expedite the capitalization of WIP jobs and inform the progress before the finalization of Financial statements for the year ended 31st December 2024.

- (v) **Total work in progress balance in distribution division 01, 02 and 03 had been understated by Rs.93.7 million due to offsetting of abnormal credit balances relating to 122 jobs without being cleared.**

Divisions	Amount	Reply
DD 01	16,691,385	Work in progress account of Distribution Division 1 had been understated by Rs.16.7 million as at 31st December 2023. This has mainly Occurred due to accounting of material returns and favorable price variance in the year 2023. Relevant Accountants were instructed to clear such balances.
DD 02	63,159,908	Most of the credit entries made to the WIP Account represents the value of Returning balance materials of the Jobs or the cost of the materials returned due to cancellation of the jobs due to various reasons.
DD 03	13,840,594	The main reason for the credit balance is the price difference in material movements (Price variance). All these balances are now cleared.
Total	93,691,887	

- (vi) **Six vehicles worth of Rs.124.30 million purchased for the Puttalam Coal Power Project (Phase ii) had not been capitalized even after the completion of the Project in 2014, and instead, that amount had been included in work in progress accounts. Further, no action had been taken to take over and keep the custody of these six vehicles and another 11 vehicles of Puttalam Coal Power Project (Phase i) to the Board even though cost of these vehicles had already been included in the cost of respective Projects.**

It cannot be said that CEB has not taken any action to transfer the ownership of those vehicles as several correspondences were exchanged between the contractor and CEB. Currently, CEB is in the process of filing litigation. Chief Legal Officer submitted the necessary documents to the Attorney General's Department on 03rd October 2024 to initiate legal action regarding the matter and awaiting further direction from the Attorney General's Department.

Replies to the Report of the Auditor General (Contd.)

- (vii) **Goods in transit balance amounting to Rs.113.87 million had remained in the books of accounts for over one year without being taken proper action to investigate and clear. Out of the total goods in transit balance of Rs.129.52 million in distribution division 01, a sum of Rs.34.56 million had represented stock with suppliers remained more than 5 years. Further, out of the goods in transit balance of Rs.432.3 million in distribution division 02, a sum of Rs.142.61 million or 33 per cent represent the value of unserviceable aluminium stock (918,830 Kg) that had been issued to Sri Lanka Energies (Pvt) Ltd and had remained approximately 2 years period. However, it had not being accounted as receivable balance from that company to the Board in terms of the provisions of the circular No.2021/GM/40/DCC dated 23 September 2021.**

Divisions	Over One year balance	Reply
DD 01	75,828,344.00	It is agreed that the balance of Rs. Rs.34.56 million had represented stock with suppliers remained more than 5 years in DD1. This amount was 60.38 million in year 2022 in the age category of over 5 years and after clearing 25.82 million the amount reduced to Rs 34.56 Million. Some documentary evidences are difficult to trace in this regard once the documentary evidence are available such balances will be cleared
DD 02	36,084,837.00	The amount of Rs: 1,302,425 represent the Unserviceable Aluminium stocks which was handed over to Sri Lanka Energies expecting to get fabricated Aluminium Rods. Other than the above, Out of 36 Mn, 1.3Mn with the aging of 4-5 years was cleared in June 2024 accounts and the tenders relating to balance 33.4mn is forwarded to P&D Branch and actions are being taken by P&D branch of DD2.
DD 03	77,128.00	Sabaragamuwa and WPS 2 This issue is relating to Sabaragamuwa and WPS 2 provinces. Actions will be taken to clear the balances over one year.
DD04	1,876,506.00	WPS I WPS1 has cleared long outstanding Goods in Transit and action will be taken to update the book of accounts. SP 2 Already Cleared.
Total	113,866,815	

- (viii) **The Board had established a Project Management Unit for the Lakvijaya Power Plant Extension Project as per Cabinet Decision No. 19/2622/113/074 dated 24 September 2019. Subsequently the Board of Directors had taken a decision to close down the Project on 26 October 2021 based on the Government policy taken on 13 September 2021 by the Cabinet of Ministers even after spending a sum of Rs.167.31 million on that Project. However, a sum of 167.62 million had remained under the Capital Work in Progress as at 31 December 2023 without being charged against the profit of the year.**

As clarified by the auditors, the decision to close down the project rests with the government. Consequently, the AGM (Projects) has submitted a board paper seeking approval for writing off, and the board's decision on this matter is still pending.

- (ix) **Value of 03 vehicles owned by the Board and accumulated depreciations thereon had not been recorded in the assets register of Lakvijaya Power Station, and as a result, it had not been included in the financial statements of the Board.**

This matter is currently resolved. The value of these three vehicles has already been taken into accounts in April 2024.

Replies to the Report of the Auditor General (Contd.)

- (x) Dam Works valued at Rs.34,386.77 million had been shown under the civil works of Property Plant and Equipment of Mahaweli Complex. However, the accuracy of the said amount and ownership of the respective assets to the Board could not be verified in the Audit.

Cost Centre	Power Station	Description	Asset Value Rs.
831.00	Victoria Power Station	Tunnel Works	9,287,094,251.25
		Dam Works	5,125,656,824.00
		Total	14,412,751,075.25
832.00	Kothmale Power Station	Tunnel Works	11,712,155,418.43
		Dam Works	10,374,925,875.87
		Total	22,087,081,294.30
833.00	Ukuwela Power Station	Tailrace Works	65,534,014.42
		Tunnel Works	1,965,525,213.05
		Dam Works	550,353,662.58
		Total	2,581,412,890.05
834.00	Bowathenna Power Station	Tunnel Works	1,867,251,703.63
		Tailrace Works	101,574,971.11
		Total	1,968,826,674.74
835.00	Randenigala Power Stations	Tunnel Works	1,735,715,967.72
		Dam Works	11,011,007,493.48
		Total	12,746,723,461.20
836.00	Rantambe Power Stations	Tailrace Works	2,075,133,740.94
		Dam Works	7,075,885,264.60
		Total	9,151,019,005.54
837.00	Nillambe Power Station	Intake Canal	347,258,744.71
		Dam Works	248,957,723.10
		Total	596,216,467.81
Grant Total			63,544,030,868.89

The Board has already acquired the Nillambe dam and it is being operated maintained and managed fully by the power station.

However, all other dams relating to the above-mentioned power stations are operated, maintained, and managed by the Mahaweli Authority of Sri Lanka (MASL) by its Act. But the Board has acquired only the waterways up to the power intake at the reservoirs which were fully operated, maintained, and managed by the relevant power stations. The values of such assets out of 63.5Bn is as follows.

Cost Centre	Power Station	Description	Asset Value Rs.
831.00	Victoria Power Station	Tunnel Works	9,287,094,251.25
832.00	Kothmale power Station	Tunnel Works	11,712,155,418.43
833.00	Ukuwela Power Station	Tailrace Works	65,534,014.42
		Tunnel Works	1,965,525,213.05
834.00	Bowathenna Power Station	Tunnel Works	1,867,251,703.65
		Tailrace Works	101,574,971.11
835.00	Randenigala Power Station	Tunnel Works	1,735,715,967.72
836.00	Rantambe Power Station	Tailrace Works	2,075,133,740.94
		Total	28,809,985,280.57

Replies to the Report of the Auditor General (Contd.)

Accordingly, following table shows the values of retained assets by the MASL

Cost Centre	Power Station	Description	Asset Value Rs.
831.00	Victoria Power Station	Dam Works	5,125,656,824.00
832.00	Kothmale power Station	Dam Works	10,374,925,875.87
833.00	Ukuwela Power Station	Dam Works	550,353,662.58
835.00	Randenigala Power Station	Dam Works	11,011,007,493.48
836.00	Rantambe Power Station	Dam Works	7,075,885,264.60
		Total	34,137,829,120.53

We had a meeting with MASL officials on 24.06.2024 to discuss this matter in which it was revealed that the cost of dams has been taken to their account in year 2023. Hence, the committee decided to take appropriate actions subject to the approval of the higher management of both organizations.

1.2.1.3 Un-reconciled Differences

- (i) **As per the bank balance confirmation received from Peoples' Bank with respect to the loan outstanding balance of Broadland Hydro Power Project, a sum of Rs.5,444.76 million had been shown as the outstanding amount. However, as per the records of the Board, it was Rs.5,494.76 million and hence a difference of Rs.50 million was observed. Further as per the bank balance confirmation received from Asian Development Bank with respect to the loan outstanding balance of Supporting Electricity Supply Reliability Improvement Project, a sum of 57,338,901 USD had been shown as the outstanding amount. However, as per the records of the Board, it was 57,989,633 USD and hence a difference of 650,732 USD was observed.**

Noted and it is already adjusted in the financial statements. The 1st repayment made in December 2023 has been accounted as Project Loan Interest by oversight.

- (ii) **According to the financial statements of the Board for the year under review amount payable to Ceylon Petroleum Corporation (CPC) was Rs. 308.1 million. However, as per the financial statements of the CPC, the corresponding receivable balance was Rs. 3,529.6 million and difference of Rs. 3,221.5 million was observed.**

As per the CEB accounts, the payable balance to CPC as at 31.12.2023 was Rs.308,055,533.63. However, CPC has recorded higher value as receivable from CEB based on unilateral decisions taken from time to time.

The payable balance to the CPC and the corresponding receivable balance in the accounts of CPC was reconciled up to 31st December 2020.

Reasons for the difference after 2020.12.31.

- CPC started to recover delayed interest from regular payments made by CEB based on a unilateral decision approved by the CPC board. However, CEB has not agreed with the CPC's decision and requested several times to CPC to withdraw the decision.
- In CEB's accounts, the regular payments made to the CPC have been settled from the outstanding value, and delayed interest is calculated and paid on the balance amount.
- Disputes in quantity received from fuel transfers on several occasions.
- Pricing dispute of 10,000 MT NAPTHA transfer in 2022.

However, all payment-related documents coupled with the breakdown of the CPC balance are available. A committee has been appointed by the MOP to resolve the issues and action will be taken to minimize the differences according to the instructions of the Secretary of the Ministry.

Replies to the Report of the Auditor General (Contd.)

- (iii) **An unidentified debtor balance of Rs.423.76 million had remained outstanding since 2012 in distribution division 1. However, out of that, a sum of Rs.185.41 million had been transferred to debtors control accounts, other liability account etc. of distribution divisions from 2015 to 2023 without investigating and adjusting to the individual debtors accounts affected.**

Out of original value of Rs. 423.76 million debtor balances and amount of Rs.185.41 million had been transferred based on letter no. AFM(DD1)/Acct(A&MI)/ Revenue Debtors /2018 dated 17 August 2018 to AFM DD3 branch with ledger balance after reconciling their own billing & ledger system. This amount would have been transferred during the process of decentralization somewhere in 2002.

Further to above, it is also communicated to all Divisional AFMMs to check whether any balance belongs to their divisions to effect remaining balance transfer.

- (iv) **Collection Control Account had a debit balance of Rs.378.39 million and a credit balance of Rs.2,204.57 million as at 31 December 2023. However, reconciliation of unsettled debit balances of Rs.230.07 million and credit balance of Rs.465.81 million were not made available for audit. Hence, the accuracy of the Collection Control Account balances could not be satisfactorily verified in audit. Further it was observed that an unidentified opening debit balance of Rs.12.75 million in headquarters had remained more than 5 years and opening credit balance of Rs.95.27 million in WPS (ii) and Sabaragamuwa Province had remained in the same account for more than 1 year without being taken proper action to settle.**

Division	Unreconciled Balance (Rs) Mn	Reply		
DD01		Relevant Unit	Unreconcile Amount	Reply
		Corporate Office	4.29 Mn	This amount is due to returned cheques for the month of December 2023. This amount was cleared now.
		Colombo City	(12Mn)	This credit balance has been arisen due to cash collection cycle of Ordinary supply consumers and Bulk Consumers in calendar month. Accordingly, the balance of collection control accounts was Rs. 3,727,977.37 which include collection amount on 30-12-2023 and 31-12-2023. In this regard, action has already been taken to develop the IT System as per the guidelines of Revenue steering Committee
		NWP1	(32Mn)	Monthly reconciliation is done based on account balance.
		NWP2	(231Mn)	The credit balance of collection control account in relation to Bulk supply accounts were cleared amounting to Rs.181,972,722.25 and Rs.40,232,430.98 in relation to ordinary supply accounts during the year
		NCP	(196Mn)	There is an unreconciled system adjustment in the year 2011. An inquiry is made with the IT (MITFIN) division about the opening adjustments and a letter is yet to be forwarded with information
		NCP	(112Mn)	Balance in collection control account is relevant to past period, due to difference in billing period and collection period

Replies to the Report of the Auditor General (Contd.)

Division	Unreconciled Balance (Rs) Mn	Reply
DD02		Noted. Action already taken to reconcile the account and it is in progress
DD03		Reconciliation has already been provided along with the Final Accounts for year 2023. Further, actions will be taken to investigate the reasons for long outstanding unreconciled balances in WPS 2 and Sabaragamuwa Province and clear the balances accordingly
DD04		From June 2023 onwards, 3 separate collection control accounts were maintained in each Province for collections of PIV, Ordinary Supply, and Bulk Supply and reconciliations are available and monitored. A single account was maintained for the prior period and actions will be taken to clear this account.
HQ		Action has already been undertaken to clear most of the cases and the remaining balance will be cleared in 2024.

(v) A sum of Rs.75.27 million collected during the period from 1998 to 2023 from debtors had been included in the suspense account of distribution divisions without being taken proper action to clear.

The suspense account is used for amounts where the CEB cannot initially identify the correct customer account or determine if the amount should be charged to income.

Clearance of the suspense account is conducted upon receipt of customer complaints. Once customers provide the correct account numbers, the relevant amounts are transferred to their accounts. Most suspense payments originate from payments made through collection agents like post offices. The Accountant (Revenue) units closely monitor the suspense list and conduct regular clearances. Follow-up actions are also implemented to obtain details from collection agents.

Specifically, Rs. 789,094.54 was cleared for agent bill collections of NWP 1, and Rs. 790,000 for NWP 2. In NP, Rs. 811,546.33 was cleared during the year. Actions are ongoing to identify and correct erroneous payments through agents such as post offices, Peoples Bank, and Bank of Ceylon etc.

(vi) An aggregate difference of Rs.159.47 million was observed with regard to the balance receivables from 39 government institutions (including 35 institutions in government health sector) in respect of the jobs carried out by the Asset Management Division of the Board. However, action had not been taken to reconcile the balances with the relevant Government Institutions.

Description Rs.	Balance as per the records of CEB Rs.	Balance as per the records of Institution Rs.	Difference Rs.
Presidential Secretariat	25,695,167	858,061	24,837,106
Prime Minister's Office	37,031,054	1,166,352	35,864,701
Sri Lanka Parliament	14,267,184	9,724,184	4,543,000
Ministry Of Power	24,985,801	-	24,985,801
Sri Lanka Navy	4,476,457	-	4,476,457
Total			94,707,065

As per the records of DGM (W&AS), branch the balances shown in the CEB ledger is correct. However, actions will be taken to reconcile the balances with the relevant Government Institutions. Action will be taken to obtain balance confirmation through government auditor from all these government institutions.

Replies to the Report of the Auditor General (Contd.)

1.2.1.4 Lack of Evidence for Audit

Balance confirmations on Lease Creditors amounting to Rs.39.8 million had not been furnished to audit.

Action will be taken to Provide the balance confirmation on lease creditors as soon as possible.

1.22 Comments on Consolidated Financial Statements

- (i) **Un-reconciled related party debit balances amounting to Rs.1,728.36 million and credit balances amounting to Rs.812.7 million had been accounted under other debtors and other payables respectively in the consolidated financial statements without being cleared.**

Instructions were given by the Finance Division to relevant units to clearly reconcile and minimize the gap with the subsidiary balances and strictly adhere to the guidelines given in the Finalization of Accounts Circulars.

- ii) **Differences were observed in the assumptions of actuarial valuation with regard to discount rate and staff turnover used for the calculation of Retirement Benefit Obligation (gratuity) shown in the individual financial statements of the Board and the Lanka Electricity Company (Pvt) Ltd and the consolidated financial statements.**

		2023	2022
Discount rate	As per the Financial Statements of Board	13%	18%
	As per the Consolidated Financial Statements	9%	9%
Discount rate	As per the Financial Statements of LECO		18%
	As per the Consolidated Financial Statements		11.5%
Staff Turnover Factor up to age 54	As per the Financial Statements of LECO		3%
	As per the Consolidated Financial Statements		1%

It is a typo error and will be rectified

Lanka Coal Company (Pvt.) Ltd

- (iii) **The Company had not made provision for the trade receivables of Rs.1,553 million which was due for more than one year as per the paragraph No. 5.5.15 (a) of SLFRS 9.**

We acknowledge your observation regarding the non-provision of Rs. 1,553 million for trade receivables outstanding for over one year, as highlighted in paragraph 5.5.15(a) of SLFRS 9.

SLFRS 9 requires entities to recognize an Expected Credit Loss (ECL) allowance for financial assets measured at amortized cost, which includes trade receivables. However, as per the standard, the determination of the ECL allowance must be based on reasonable and supportable information that is available without undue cost or effort, including historical, current, and forward-looking factors.

99% of the trade receivables of more than one year is due from CEB and major % of these balances are collectible. Further some of these balances were already settled up to November 2024. Current and forecasted economic conditions suggest no material adverse changes that would affect the CEB's ability to meet their obligations. Therefore, the company has exercised judgment under SLFRS 9 to conclude that recognizing a provision for these trade receivables is not warranted for the year ended 31st December 2023. The company continues to monitor the status of these receivables and will reassess the need for provisions if circumstances change in the next financial year.

CEB will take the necessary action to inform the company to assess the need for provisions after analyzing the historical current and forward looking factors for the expected credit losses related to trade debtors for the next financial year.

- (iv) **When importation of coal, a mark-up of 10 per cent had been added to the value at the point of the Customs as a notional adjustment in ascertainment of the value for the Custom purpose which had not been actually incurred. However, the Company had added a 10 per cent mark-up amounting to Rs.14,904.63 million to the revenue for the year under review, and later, that amount had been recognized as discounts to the debtors and adjusted to the cost of sales. As a result, the cost of sales and revenue for the year under review had been overstated by similar amounts in contrary to the provisions stipulated in SLFRS 15. The above adjustment had been accounted by the company according to the instruction given by the IRD. However, it had not been disclosed in the financial statements.**

The Inland Revenue Department (IRD) directed LCC to include a 10% customs margin to cost while issuing VAT invoices to CEB. This pricing structure was decided following a meeting conducted in the ministry on June 28, 2018, with an official from the Inland Revenue Department (IRD) present. According to IRD officials, **the base amount for VAT on CEB invoices cannot be lower than the value for customs purposes.** We acknowledge your observation regarding the inclusion of a 10% mark-up of Rs. 14,904.63 million in revenue and its subsequent adjustment as discounts to debtors and cost of sales. We provide the following clarification in the context of SLFRS 15 and the specific circumstances:

Recognition of Revenue as per SLFRS 15:

Under SLFRS 15, revenue is recognized based on the consideration to which an entity expects to be entitled in exchange for transferring goods or services. The standard emphasizes that revenue should exclude amounts collected on behalf of third parties and should reflect the actual performance obligations satisfied by the entity.

In this case, the 10% mark-up was a notional adjustment required by the IRD for the purpose of determining the VAT base. This mark-up does not represent additional consideration received or receivable from customers, nor does it reflect the transfer of any additional performance obligations.

Treatment of the 10% Mark-Up:

To comply with IRD instructions, the company adjusted revenue to include the 10% mark-up. Subsequently, this amount was recognized as discounts to debtors and adjusted against cost of sales. While this approach ensures alignment with tax compliance requirements, the net impact on profitability remains neutral, as both revenue and cost of sales are overstated by the same amount.

Non-Disclosure in Financial Statements:

We acknowledge that this adjustment was not explicitly disclosed in the financial statements. However, given that the adjustment was mandated by a regulatory authority (IRD) and does not impact the company's net profit, the adjustment was not considered material for disclosure. Moving forward, we will include appropriate disclosures to ensure transparency and compliance with SLFRS 15 and other applicable reporting standards. We will reassess this treatment in consultation with the IRD and include any required explanatory notes in subsequent financial statements to enhance clarity and compliance.

(a) Lanka Electricity Company (Private) Ltd

- (i) **According to the paragraph 5.5 of the Conceptual Framework for Financial Reporting, the initial recognition of assets or liabilities arising from transactions or other events may result in the simultaneous recognition of both income and related expenses. Simultaneous recognition of income and related expenses is sometimes referred to as the matching of costs with income. However, the Company had not identified solar energy purchased cost for the period of 2017 to 2023 (except 2021) amounting to Rs. 4, 658.2 million had been recognized as receivable from Ceylon Electricity Board instead of being recognized as cost of sales in respective years, even though the sales revenue of solar energy purchased had been recognized as sales in respective years. As a result, the retained earnings, profit for the year and receivable balance had been overstated by Rs. 2,819.6 million, Rs. 1,838.6 million and Rs. 4,658.2 million respectively as at 31 December 2023.**

According to the Sri Lanka Electricity Act, the license for purchasing electricity is solely vested with the CEB. LECO cannot purchase electricity from any source of power generation. Therefore, LECO initially pays the consumer and

Replies to the Report of the Auditor General (Contd.)

subsequently requests reimbursement from CEB. This process is in agreement with the Ministry. Hence, once CEB reimburses this cost to LECO, it is required to invoice LECO based on the electricity consumption. However, this process has not yet been initiated by CEB.

Further please note that after the discussions had with CEB and PUCSL, CEB agreed to reimburse. Accordingly, CEB reimbursed Rs 1,544,458,302 by deducting from their energy bill of May 2024 as a UNT adjustment for the year 2022. Therefore, we believe that this matter will be solved in near future.

- (ii) **The balance due from Ceylon Electricity Board (CEB) for miscellaneous services as at 31 December 2023 was Rs. 5,777.8 million. Out of that balance of Rs 5,770.6 million had been included as due from CEB for the cost of purchasing energy using net accounting and net plus methods for the period of 2017 to 2023. However, as per the balance confirmation received from CEB, the CEB had confirmed that there were no payable balance to the Company. Further, no formal agreement entered between two parties for the purchasing Electricity using net accounting and net plus methods. Therefore, the recoverability of that balance could not be satisfactory ascertained in audit and the Company had made provision for impairment of Rs. 5,300.9 million for the above receivable balance.**

Please refer the reply mentioned in above C (i)

- (iii) **In terms of paragraph 51 of the Sri Lanka Accounting Standard No 16, the residual value and the useful life of an asset shall be reviewed annually and, if expectations differ from previous estimates, the change shall be accounted for in accordance with Sri Lanka Accounting Standard No 8. However, the assets with carrying value of Rs.11,114.4 million relating to 4 categories as at 31 December 2023 had not been reviewed and accounted as required by the Standards.**

It is not feasible to review the usable lifetime of an entire asset class, as these assets are spread across a large geographical area along the coastal belt of the Western and Southern provinces. Each asset class may encompass different types of assets with varying usable lifetimes within the same asset category. Due to resource constraints and the diverse nature of the assets in question, the annual review of 4 categories of assets takes more time. However, going forward, we will ensure that the residual value and useful life of assets are reviewed and any changes in estimates will be recognized in accordance with LKAS 8.

- (iv) **Differences of Rs. 398.7 million and Rs. 50 million were observed in relation to the balances of revenue, cost of sale, trade & other payable etc. between the consolidated financial statement and the financial statement of Anti Leco Metering Company (Pvt) Ltd and Leco Project (Pvt) Ltd respectively.**

This matter will be rectified in the consolidated financial statements as at 31st December 2024

1.3 Other information included in the Board's 2023 Annual Report

Informative

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Informative

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

Informative

Replies to the Report of the Auditor General (Contd.)

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 includes specific provisions for following requirements.

2.1.1 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 except for audit observations in paragraphs 1.2.2.1(a)-(ii),(iii),(iv),(b)(ii),(iii),(v),(c)(i),(ii),1.2.2.1(a)(i),(a)(iii),(b),(c)(i),(e),(f)(i),1.2.2.2(v), (vi),(vii),(ix),(xi),1.2.2.3 (ii),(iii), (iv),(v).

2.2 Based on the procedures performed and evidence obtained were limited to matters that are material, nothing has come to my attention;

2.2.1 To state that the Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018 except;

Reference to Law/ Direction	Description	Reply
(a) Section 7(1) and 43(1) of Sri Lanka Electricity Act, No. 20 of 2009 as amended.	Without obtaining the authorization from the regulator, 27.31 Gwh of energy valued at Rs. 2,957.3 million had been purchased from from two retired Independent Power Producers whose generation license was expired during the year under review. – Trans	Due to releasing of water from Samanalawewa reservoir for the purpose of irrigation requirements, the Cabinet of Ministers approval was granted on 07th August 2023 for an island wide uninterrupted power supply by procuring necessary supplementary power from available power plants in the Southern Region by 15th August 2023 (to commission within 08 days). The Technical Evaluation Committee (TEC) and the Standard Cabinet Appointed Procurement Committee (SCAPC) appointed by Department of Public Finance (including members from several ministries) carried out the evaluation and negotiations for this procurement. The PUCSL approval was received through their letter PUC/LIC/2023/CEB/11 dated 17th August 2023, to procure 100MW of Supplementary Power by 18th August 2023. As per the CEB records, four power generating plants (already having specific grid interconnecting points) were identified as suitable sources to procure supplementary power in order to maintain an uninterrupted power supply to the Southern Region of the country. Accordingly, the Requests for Proposals (RFP) documents which were prepared by TEC and approved by SCAPC were issued to four proposers and two proposers (Ace Power Generation Matara (Pvt) Ltd. and Ace Power Embilipitiya (Pvt) Ltd.) had submitted their proposals. The SCAPC together with TEC started negotiations on 11th August 2023 with the proposers based on the technical evaluations. The negotiated price of Ace Power Generation Matara (Pvt) Ltd was submitted to the Cabinet of Ministers. The Cabinet decision was received to enter in to PPA with Ace Power Generation Matara (Pvt) Ltd for 94,500,000 kWh of MGEA with 23.75MW at 92% plant factor (i.e. effective plant capacity of 21.88MW).

Replies to the Report of the Auditor General (Contd.)

Reference to Law/ Direction	Description	Reply
		Further, the negotiated price for Ace Power Embilipitiya (Pvt) Ltd was submitted to the Cabinet of Ministers. The Cabinet decision was received to enter in to PPA with Ace Power Embilipitiya (Pvt) Ltd for 325,872,000 kWh of MGEA with 93MW at 81% plant factor (i.e. effective plant capacity of 75.43MW). Accordingly, CEB entered in to Power Purchase Agreements with Ace Power Generation Matara (Pvt) Ltd for 94,500,000 kWh of MGEA and with Ace Power Embilipitiya (Pvt) Ltd for 325,872,000 kWh of MGEA for a period of 06 months. The effective plant capacity of above both plants were 97.31MW. The above procurement is not an extension to previously expired PPAs. The whole procurement was carried out as a tender in order to comply with Cabinet Decisions for an island wide uninterrupted power supply during the declared emergency situation in the country.
(b) Operational Manual for State Owned Enterprises of Department of Public Enterprises dated 17 November 2021. (i)Section 3.5	The Ministry of Power and Energy should reimburse an amount of Rs.288.66 million to the Board for the employees released from the year 2020 to 2023. Apart from that, a sum of Rs.24 million had been incurred by the Board as salaries and allowances of an officer released from the Board from the year 2014 to 2023 who is performing duties as General Manager of Sri Lanka Energies (Pvt) Ltd.	C.E.B. is not in a position to withhold the requests made by the line ministry to release its employees to the Ministry and the expenses incurred in this connection are not controllable by the CEB. However, a letter has been sent by the General Manager, CEB to the Ministry of Power, requesting to reimburse the expenses incurred by CEB. with regard to the salaries & other benefits of employees released to the Ministry. Reimbursement for the salary for the General Manager of Sri Lanka Energies (Pvt) Ltd is being settled by that company.
(ii) Section 7.7	A Subsidiary Reviewing Policy had not been established by the Board of Directors even at the end of April 2024 even though Board of Directors (Parent) has a fiduciary duty to discuss the performance of the subsidiaries at least quarterly.	The Board emphasized that as per the proposed Institutional Reforms of the Power Sector, unbundling of CEB will be commenced and new independent companies will be formed accordingly under the Companies Act to take over the business of CEB. After the proposed reforms are achieved, a new Electricity Act will be enacted to deal with all aspects of the electricity sector. Hence, after discussion the Board decided that formulating a Subsidiary Policy as mentioned in Para (1) above may not be required at this juncture as CEB is in the process of an organizational transformation.

Replies to the Report of the Auditor General (Contd.)

Reference to Law/ Direction	Description	Reply
(c) Section 17 of the Part V of the Social Security Contribution Levy Act, No.25 of 2022	The Social Security Contribution Levy (SSCL) amounting to Rs.1,224.1 million charged on the supply of electricity to the Lanka Electricity Company Limited from the fourth quarter of the year 2022 to August 2023 had not been remitted to the Department of Inland Revenue even at the end of May 2024.	This issue is now resolved and payment was settled to Department of Inland Revenue on July 2024.
(d) Cabinet Decision No.23/0199/601/009 dated 07 February 2023	Service of an external lawyer had been obtained for two court cases bearing the numbers 198/2024 and 254/2024 without obtaining approval of the Hon. Attorney General as required by the cabinet Decision. Subsequently invoices of Rs.7.6 Million for the period of services have been forwarded to CEB, However action had not been taken to recover the sum of RS7.6 million invoiced as legal charges during the month of September 2024 from the responsible officers as mentioned in the cabinet Decision.	Hon Attorney General was retained in SC/FR/198/2024 & 254/2024 on 30.10.2024 and these cases were dismissed on 26th November 2024 However, a sum RS 7.6 million was not incurred as legal changers in these cases. Therefore, there is no need to take action to action to recover this amount.

Replies to the Report of the Auditor General (Contd.)

2.2.2 to state that the Board has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018 except for;

(a) **Cabinet Memorandum No. 07/1955/332/045 dated 31 October 2007 submitted by the Minister of Power and Energy on "Payment of Allowances to Employees of the Ceylon Electricity Board" was considered along with the Report of the National Salaries and Cadres Commission dated 31 March 2008 by the Cabinet of Ministers on 09 April 2008 and approval was granted to implement the recommendations of the Committee appointed for the purpose, subject to the conditions stipulated by the National Salaries and Cadres Commission in its report dated 31 March 2008. The following observations are made in this regard.**

(i) **Without obtaining the approval of Salaries and Cadres Commission and the Department of Management Services, a sum of Rs. 507.47 million had been paid as 11 types of allowances not included in the list of allowances approved by the Cabinet of Ministers on 09 April 2008 during the first nine months of the year under review.**

Committee was appointed in this regard and their report was forwarded to the ministry for suitable action.

(ii) **The exodus allowance should not be paid to the officers who are entitled to the professional allowance. However, contrary to that a sum of Rs.99.85 million had been paid as exodus allowance for 517 officers during the first 10 months of the year under review.**

Committee was appointed in this regard and their report was forwarded to the ministry for suitable action

(iii) **As per the random test check carried out, it was observed that officers appointed to a post are also paid allowances for performing the duties of that post.**

As per the decision taken at the Board, GM's circular 2022/GM/38/Pers dated August 12, 2022 titled "Instructions on Approving and Payment of Allowances to C.E.B. Employees" has been issued, instructing to pay the allowances only if those allowances have received the approval of the Cabinet of Ministers and subject to the limit of 65% of the basic salary. Further GM has requested from the Secretary, Ministry of Power & Energy by his letter dated 24.06.2024 to obtain the necessary approvals for the Allowances which were approved by the Board of CEB after year 2008 as instructed by the Committee on Public Enterprises (COPE).

(iv) **Contrary to above Cabinet decision, no performance based incentive scheme had been introduced for officers recruited after 01 April 2008 even at the end of the year under review.**

Increments are recommended to all employees, including those recruited after the specified date, based on a comprehensive performance evaluation process conducted annually.

(b) **Without the approval of the General Treasury, the board had reimbursed 2/3 of the interest charged on property loans taken by employees under the subsidized housing loan scheme. The interest amount reimbursed from the year 2013 to 2023 was Rs.16,789.5 million.**

The Board under powers vested to it under Sections No. 12(), (k), (m), and (n) of the Ceylon Electricity Board Act No. 17 of 1969, commenced scheme to grant relief to CEB personnel who obtained housing loans in the year 1983. Board has continued to maintain this benefit to employees up to now to motivate them towards working for the betterment of the organization and the country.

Replies to the Report of the Auditor General (Contd.)

- (c) According to Section 24(1)(c) of the Sri Lanka Electricity Act, No. 20 of 2009, as amended, the Board must ensure there is sufficient capacity from generation plants to meet reasonable forecasted electricity demand. In line with the Least Cost Long Term Generation Expansion Plan for 2018–2037, 2,032 MW of new generation capacity was planned for implementation between 2018 and 2021. However, only 661.6 MW of power plants were commissioned during that period. The Least Cost Long Term Generation Expansion Plan for 2022–2041 included plans for 544 MW of renewable energy capacity additions in 2022, but only 211 MW of new renewable energy power plants were commissioned that year. Additionally, the approved Least Cost Long Term Generation Expansion Plan for 2023–2042 aimed to commission power plants with a total capacity of 607 MW in 2023; however, only 185.6 MW had been commissioned by 31 December 2023. Consequently, the implementation of the new generation plans was significantly below target, and the goal of providing a least-cost power supply was not achieved. As a result, 27.31 GWh of energy, valued at Rs. 2,957.3 million, had to be purchased as additional power during the year under review, with an average cost per unit of Rs. 108.29. In comparison, the overall average cost per unit and the average cost of power purchased from the West Coast Power Plant were Rs. 40.92 and Rs. 68.29, respectively.

(d) Table 01 : Long Term Generation Expansion Plan 2018 – 2037

Year	Plant	MW	Reasons for Delay
2018	320 MW Medium Term Power Plant (100 MW, 70 MW, 150 MW Furnace oil fired power plants)	320	Procurement terminated in 2020 based on Cabinet decision made in Cabinet meeting held on 2020-11-02.
	Total	320	
2019	Uma Oya Hydro Power Plant	120	Project delayed due to sanctions imposed to Iran by USA and public protest. Commissioned in 2024 April.
	2 x 35 MW Gas Turbine (Later combined with 1 x 35 MW Gas Turbine to be implemented in 2020 and identified as 130 MW Gas Turbine)	70	Project delayed due to issues in procurement process. Investors were unable to secure financing due to the stringent financial status of the country and CEB. Retendering in progress.
	1 x 300 MW Natural Gas fired Combined Cycle Power Plant – Western Region	300	Procurement started in November 2016 but was delayed due to legal disputes. Construction now in progress and at its final stage.
	Total	490	
2020	Broadland Hydro Power Plant	35	Project delayed due to public protest. Project commissioned in 2022.
	Thalpitigala Hydro Power Plant	15	Project is on hold due to difficulties in securing finances. Project is under the Ministry of Irrigation and Water resource Management
	1 x 35 MW Gas Turbine (Later combined with 2 x 35 MW Gas Turbine to be implemented in 2019 and identified as 130 MW Gas Turbine)	35	Project delayed due to issues in procurement process. Investors were unable to secure financing due to the stringent financial status of the country and CEB. Retendering in progress.
	Total	85	
2021	1 x 300 MW Natural Gas fired Combined Cycle Power Plant – Western Region	300	Project delayed due to long lag in receiving cabinet approval to award the contract. Procurement is being finalized.
	Total	300	
Total	1,195		

Table 02 : Long Term Generation Expansion Plan 2022 – 2041

Year	Plant	MW	Reasons for Delay
2022	Uma Oya Hydro Power Plant	120	Explained in Table 1.
	Broadland Hydro Power Plant	35	
	Total	355	
2023	Gas turbine of Sobadhanavi NG Combined Cycle Plant – Kerawalapitiya	235	Explained in Table 1 (Under 1 x 300 MW Natural Gas fired Combined Cycle Power Plant – Western Region in 2019)
	Total	235	

(e) Procurement of 100MW of Supplementary Power on Short Term basis

- (i) **The Cabinet of Ministers declared an emergency on 7 August 2023, to release water from the Samanalawewa Reservoir for irrigation and approved the procurement of 100 MW of supplementary power for 4 to 6 months. Following this, the Public Utilities Commission authorized the procurement of an additional 100 MW capacity starting 18 August 2023. The Ceylon Electricity Board (CEB) signed Power Purchase Agreements with ACE Power Matara (23.75 MW) and ACE Power Embilipitiya (93 MW). However, it was noted that the total procurement amounted to 116.75 MW, exceeding the initially approved limit.**
- (ii) **PUCSL approval for the above supplementary power purchases under section 43(7) of Sri Lanka Electricity Act No. 20 of 2009 as amended had not been granted, due to procured generation capacity addition was exceeded the approved generation capacity addition (the letter No.PUC/LIC/2023/TL/21 dated 09 October 2023 sent by Director General of PUCSL) and the signed Power Purchase Agreement between Board and ACE Power Embilipitiya (Pvt) Ltd had been submitted to PUCSL instead of being submitted the draft Power Purchase Agreement for the approval of PUCSL as per the Section 43(5) of Sri Lanka Electricity Act No. 20 of 2009 as amended. (the letter No.PUC/LIC/2023/TL/17 dated 02 October 2023 sent by Director General of PUCSL). Accordingly, the license for generating electricity under Section 13 of Sri Lanka Electricity Act No. 20 of 2009 as amended had not been issued to the ACE Power Matara Power Plant and ACE Power Embilipitiya Power Plant by PUCSL.**

Cabinet decision for procurement of supplementary power had given only 08 days for the procurement (from 07th August 2023 to 15th August 2023). Further, PUCSL grant their approval on 17th August 2023 for a commissioning power plants from 18th August 2023.

Since there was an urgent requirement in purchasing supplementary electrical power and ACE Power Generation Matara (Pvt) Ltd requested more time to study the conditions of the Power Purchases Agreement, the Board of CEB granted its approval on 18th August 2023 to issue a Letter of Award to ACE Power Generation Matara (Pvt) Ltd to purchase electricity for 94,500,000 kWh of Minimum Guaranteed Energy Amount for a period of 6-month, on immediate basis according to terms and conditions of the Request For Proposal as per the Tender 'Supply of 100MW of Supplementary electrical power on short term basis 2023' (the Board decision is already submitted to the government audit branch as Additional Annexure with Replies to Draft Audit Report of CEB). The letter of Award was issued on 19th August 2023 and the power plant of Ace Power Generation Matara (Pvt) Ltd started its commercial operations on 22nd August 2023.

The Board of CEB granted its approval at its meeting on 29th August 2023 to sign a Power Purchase Agreement (which includes the consent of Attorney General received on 28th August 2023) with ACE Power Embilipitiya (Pvt) Ltd for 325,872,000 kWh of Minimum Guaranteed Energy Amount for a period of 6-month, on immediate basis according to terms and conditions of the Request for Proposal as per the Tender 'Supply of 100MW of Supplementary electrical power on short term basis 2023'. the Board decision is already submitted to the Government Audit branch.

Replies to the Report of the Auditor General (Contd.)

Since PUCSL had directed to commission the power plants by 18th August 2023 and it has already delayed 11 days, to avoid further delay CEB has signed the PPA (including the comments given by Attorney General on 28th August 2023) with Ace Power Embilipitiya (Pvt) Ltd on 29th August 2023. CEB had sent the available PPA to PUCSL on the same day (29th August 2023) in accordance with Section 43(5) of Sri Lanka Electricity Act No. 20 of 2009 as amended.

2.2.3 to state that the resources of the Board had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 except for;

- (a) **The contract for constructing the Board's headquarters was initially awarded on 22 October 2012, but due to the contractor's poor performance, it was re-awarded on 2 August 2021, for Rs. 4,774.6 million, with a completion date set for 15 August 2023. However, on 29 August 2023, the Board had decided to terminate the contract based on instructions from the Minister of Power. As of 31 July 2024, the contract had not been terminated, despite the contractor suspending work in August 2023. A substantial completion certificate was issued for a reduced scope of work on 16 October 2023, while the project's physical progress stood at only 13.9 per cent. Consequently, Rs. 1,484.9 million spent on the project became idle.**

It had been decided to award the piling contract and the building construction contract separately. Accordingly, the Contract for construction of piles for the foundation was awarded in 23rd February 2012 and the date of commencement was 12th March 2012. The completion of piling contract was delayed due to the Contractor's poor performance, re-design the pile foundation by the Consultant during construction was in progress and introduce additional piles, delay of the handing over, delay of certification of Contractor's final payments, delay of submission of draft bidding document for the building structure, as well.

Based on Cabinet Approval granted in July 2021, the contract for construction of Headquarters building complex was awarded in 02nd August 2021 for the contract sum of Rs. 4,774.6 million. The date of commencement was 16th August 2021 and the scheduled date of completion was 15th August 2023. During the construction was in progress, the Contractor faced several difficulties due to effect of Covid-19 Pandemic, shortage of labours and material, high price increase of local & imported construction materials, fuel shortage etc. Accordingly, the Contractor reduced the rate of progress of works by his own decision. Further, Contractor's request for additional amount of money due to prevailing market prices, additional advance payment to proceed the work, requesting financial assistance from CEB to purchase materials were beyond the contract provisions. Meanwhile instructions were given at a meeting with the Hon. Minister of Power on 07th December 2022 to hold the on-going construction works of the building as appropriate in order to control public expenditure during the challenging period.

CEB noted that the on-going construction work cannot be stopped abruptly. At such time, the progress of works at ground floor and the first floor were 80% and 25% respectively. Remaining works and exposed reinforcement cannot be kept as it was for a long time. Therefore, it was required to complete the construction activities at desired level with necessary protection works. Accordingly, The Board at its meeting held on 14th February 2023 decided to terminate the construction works after completion of necessary protection works and to follow the contractual procedure to terminate the project.

Accordingly, the Contractor was informed regarding the employer's decision. The project consultant issued the reduced scope, which was to be completed by the contractor by 15th August 2023. The project consultant accepted that the project was substantially completed as at 15th August 2023 except Water Sump. Further, the Contractor was informed that the Taking Over Certificate will be issued only upon successful completion of construction defects which were identified during construction period. The progress as per the original scope was only 13.2%.

Replies to the Report of the Auditor General (Contd.)

The Contractor was so far failed to successfully complete the construction defects to the satisfaction of the consultant, despite several rectification methods followed. The termination of the construction contract was delayed due to delay of rectification work. However, the Contractor was advised to complete all the rectification and hand over the project by 08th February 2025. Meanwhile, due to the reduction of scope, the Contractor raised several claims which are under evaluation at the Dispute Adjudication Board.

Payments	
Piling Contract	= Rs.276,776,388.61
Consultancy Services	= Rs.31,218,750.00
Total	= Rs.307,995,138.61
Building Contract	= Rs. 753,853,575.79
Consultancy Services	= Rs.20,945,544.36
Total	= 774,799,120.05

The advance payment under this contract was fully recovered. The retention amount of Rs. 82.7 million and the retained amount for defects of Rs. 25 million to be released after completion.

- (b) **The Seethawaka Ganga Hydropower Project, identified in the Board's Master Generation Plan in 1988, was set to be commissioned by 2022. Initially managed by Sri Lanka Energies (Pvt) Ltd, it was later transferred to the Board after incurring Rs. 1.3 million in preliminary expenses. By 30 September 2021, the Board had spent Rs. 301.19 million on preliminary activities but ultimately decided to wind up the project and transfer it back to Sri Lanka Energies (Pvt) Ltd to develop two mini hydro plants of 7 MW. This decision rendered the Board's expenditures uneconomical, and no efforts were made to recover these costs or account for them appropriately.**

AGM(Projects) has sent a board paper for writing off and the approval of the board is still pending.

- (c) **The eighteen (18) lands had been purchased at a cost of Rs.188.38 million for project activities, for the construction of regional engineer offices, consumer service centers and Grid Substations during the period from 2000 had not been utilized for the expected purposes even at the end of the year 2023. Out of those lands, four (4) lands valued at Rs.36.48 million had not been recorded in the fixed asset registers of the distribution division 01, 02 and 04. Further, as per the random audit test check, it was observed that the Board had failed to complete the acquisition activities of ten lands acquired for the various construction activities even though over 6 years had been passed after publishing the relevant Gazette Notifications.**

Division	Amounts	Reply
DD 01	1,600,000.00	Answers have already been submitted with the reply to the Audit query No: PWR/A/CEB/2023/AQ/06 on 23rd January 2024.
	2,500,000.00	
DD 02	3,825,000.00	Answers have already been submitted with the reply to the Audit query No: PWR/A/CEB/2023/AQ/06 on 23rd January 2024.
	229,000.00	
	12,000,000.00	
DD 03	14,750,000.00	The above balance includes one land purchased for Rs. 14mn to construct an area office in WPS 2. The land is recorded in the fixed assets register of DD3. Board approval and ministry approval has already been obtained for the construction. However, with the suspension of all constructions through Public Enterprises Circular No 04/2022 on 08.08.2022, the construction work was unable to be continued.

Replies to the Report of the Auditor General (Contd.)

DD 04	6,750,000.00	SP 1 Rs. 36.9 mn lands relevant to SP1 was mentioned in the annexure of audit query. Instructions were given by the Circular No. 2019/GM/18 dated 2019.04.23 to stop immediately the capital expenditure related to purchasing of lands & construction of buildings due to the present financial situation. Therefore, Constructions were not started.
	3,000,000.00	
	23,750,000.00	
	917,475.00	SP 2 (1) Proposed CSC for Kaburupitiya - Construction halted as new constructions are not allowed as per the enforce circulars , (2) Proposed CSC for Dickwella - Construction halted as new constructions are not allowed as per the enforce circulars, (3) Proposed Area Engineers office for Tangalle - Construction halted as new constructions are not allowed as per the enforce circulars.
	33,825,000.00	
	7,400,000.00	
	1,750,000.00	The land is capitalized once the land purchase and costs are transferred to the corporate office by Transfer Voucher.
	1,650,000.00	
Projects	15,500,000.00	Out of these 18 lands, only 3 lands belong to the Projects Division. These three lands are in the Fixed asset registers which were shared with the Auditor, and the reason for not utilizing them for the purpose is as follows.
	6,700,000.00	
	26,236,093.00	

No	Division	Land Address	Intended purposes of the Land Purchase	Comment
2	Projects Division-Transmission Projects Branch	Sembukulan Watta, Mundalama	Proposed Kiriyanakalliya GS	According to the approved LongTerm Transmission Expansion Plan 2018 - 2027, it was decided to construct a new 132kV Grid substation at Keeriyankalliya expecting the improvement of the system requirement and to cater for the expected load growth in the area. This project was coming under the Clean Energy Absorption Transmission Development Project 2022 and is to be funded by the Agency Francis de Development. (AFD) according to the Board paper no. CE/TP/T19, March 19,2021. It emphasized the necessity of conducting pre-development activities like acquisition of land, carrying out all preliminary investigations, etc. in advance to the loan signing. As per AFD's condition, land availability was a requirement to commit funding for the construction of the Grid Substation. With the approval of the Board (CEB/DGM (Tr.Pr.)/PMU/008/CEATP dated August 18, 2021) the land was acquired in 2021. However, due to the country's bad economic situation, the requirement for Keeriyankalliya GS will emerge after 2028 according to the long-term transmission development plan. Consequently, a proposal was made to temporarily transfer the land acquired for the construction of Keeriyankalliya GS for the use of AGM (DD1) and handed over on 16.02.2024.

Replies to the Report of the Auditor General (Contd.)

No	Division	Land Address	Intended purposes of the Land Purchase	Comment
16	PD-PSRSP	Lukus Goda, Palliya Goda	Proposed Thissamaharama GS	This project was suspended due to financial constraints in the country over the past few years. However, we are currently in discussions with the Asian Development Bank (ADB) to secure financing for this project.
17	PD-Transmission Project Branch	Madatiyawela, Pahalagama.	Proposed Kotadeniyawa GS	According to the approved Long Term Transmission Expansion Plan 2015 - 2024, it was decided to construct a new 220kV Grid substation at Kotadeniyawa expecting the improvement of the system requirement and to cater the expected load growth in the area. The implementation of this substation construction was expected through the financing of Asian Development Bank (ADB) through the Power System Reliability Strengthening Project (PSRSP) project. In the Tranche I of the ADB funding, it was reviewed and not considered due to the non-availability of a land in 2020. As per ADB's condition, land availability was a requirement to commit funding for the construction of the Grid Substation. With the approval of the Board, the land was acquired in 2021. Subsequently, ADB agreed to include in the next tranche of ADB financing. However, due to the country's bad economic situation, the urgent requirement was scrutinized and the requirement for this Grid Substation has been delayed in the CEB's Long Term Transmission Plan for 2023-2032. CEB decided to hand over to the use of the DGM (WPN) province of the DD2 Division avoid the land being idle.

- (d) **As per the Electricity (Amendment) Act, No. 16 of 2022, the requirement to submit a tender on the publication of a notice shall not be applicable in respect of any new generation plant or to the expansion of any existing generation plant that is being developed or to be developed on a permit issued by the Sri Lanka Sustainable Energy Authority (SLSEA) for the generation of electricity through renewable energy sources. However, out of the projects with aggregating capacity of 598 MW forwarded to the Board by SLSEA during the year 2022, power plants with aggregating capacity of 4 MW had only been commissioned up to 31 December 2023.**

The breakdown of technology wise capacity and SPPA signed progress is tabulated below.

Technology	Capacity (MW)	Percentage Value [Technology wise]	SPPA Signed capacity (MW) up to Dec 31, 2023	Percentage Value [SPPA signed capacity]
MHP	194	33%	19	10%
Solar	266	45%	39	15%
Wind	70	12%	10	15%
BMP-Dendro	52	7%	15	29%
BMP-AW	16	3%	6	37%
	598	100.00%	89	15%

Several reasons contributed to the lack of implementation of NCRE projects during 2022-2023 following the Electricity Act Amendment.

Replies to the Report of the Auditor General (Contd.)

- **Suspension of the Feed-In Tariff (FIT) process:** around year 2017, the Feed-In Tariff process has been suspended, leading to a backlog of projects on the SLSEA side. While the CEB did not process NCRE projects upto the signing of SPPA, SLSEA continued issuing EPs and PAs during this period. Most of these backlog projects, totaling 598 MW, were initiated three to four years ago, and developers have shown little interest in proceeding with them. Only 15% of total capacity has progressed upto the signing of SPPAs.
- **Economic Concerns:** The economic crisis during this period caused many developers to hesitate in starting new projects due to financial uncertainties, high interest rates, inflation rates reaching almost 60%, lack of foreign exchange reserves and limitations on opening of LCs and importation of goods etc..
- **Lack of Interest in MHPs:** 33% of the total capacity consists of MHPs, but only 10% had signed SPPAs. This shows a lack of interest from developers in investing in MHPs. Additionally, constructing mini hydro plants is time-consuming and faces numerous environmental concerns and objections from various third parties.
- **Solar PV Projects:** 45% of the total capacity consists of solar PV projects, but only 15% had signed SPPAs by December 31, 2023. Out of the 266 MW, 210 MW is located in Hambantota, where the existing network had no available grid capacity. To integrate these plants, a new business model was developed, requiring constructing a 220 kV transmission line and 4 x 90MVA, 220/33 kV transformers. Developers must bear the total transmission facility cost also within the SPPA tariff itself.
- **Wind Projects:** Similarly, 60 MW out of 70 MW of wind projects are located in the Kalpitiya area, which is also lacking availability of grid capacity. To integrate these WPPs, it was proposed to install a 220/33kV, 75 MVA second transformer at the Norochcholai GSS. Developers need to bear the total transmission facility cost themselves within the SPPA tariff.

Therefore, to integrate NCRE generation into the system according to the LTGEP, it is not sufficient to simply monitor the progress of NCRE projects; it is also crucial to develop the network. Without strengthening the network, the ability to absorb NCRE generation and deliver of quality power may be compromised.

- (e) **The Generations constraints and Transmission Network constraints of the Southern Grid had been highlighted by the Board since 2016, when requesting the approval from the PUCSL for procuring emergency power. However, Polpitiya – Hambantota 220 kV, 150km Transmission Line which was proposed to strengthen the Southern Grid had been energized on 22 August 2023 with a delay 2 years and 7 months. Also, Horana – Padukka 132kV, 25 km Transmission Line which was expected to be completed on 20 April 2022 and Kotmale – New Polpitiya, 220kv Transmission Line which was expected to be completed on 01 April 2021 to strengthen the Southern Grid had not been completed even at the end of the year under review. The physical progress of these projects as at 31 December 2023 was only 51.15 percent and 59 percent respectively. Further, the contract of Kotmale – New Polpitiya project had been terminated.**

01. Construction of Polpitiya – Hambantota 220kV, 150km Transmission Line

This transmission line, Sri Lanka's longest transmission line is 150km in length having a wayleave corrido of 35m width for safety and electrical clearance. Accordingly, more than 2,000 cases for payment of compensation were handled by the PMU and the only case that held up was this land issue of Carney Estate, Siripagama, Rathnapura which finally ended up at the PUCSL on August 11, 2023, after taking series of steps.

Further, this case was reported to the Asian Development Bank (ADB) and they were also intervening in the process under their public safeguard policy matrix as the funding agency. Therefore, CEB had to fulfil both country regulations and ADB public safeguard policy guidelines. According to the ADB public safeguard policy matrix, replacement cost needs to be paid to the affected party in case of damage due to the transmission line. The government valuation for the damage was lower than the replacement cost that was claimed by the affected parties. With these constraints, it was dragged until August 11, 2023, to resolve this matter at the PUCSL. The project was completed by March 18, 2023, and the transmission line was energized and put into operation by August 22, 2023.

Further, the progress of the project was seriously affected by the Easter bomb attack, COVID19 pandemic and the negative economic situation of the country during this period.

02. Construction of Horana – Padukka 132kV, 25km Transmission Line

It seemed very slow to progress in construction work. The progress of the project was seriously affected by the Easter bomb attack, COVID-19 pandemic, and the negative economic situation of the country during this period. However, there is a 75% progress in procurement. Accordingly, the project was de-scoped with a CEB Board approval by removing the balance of civil works and installation works from the contract. Under the new scope, the project was completed by January 19, 2024. The balance works of the project will be carried out by CEB.

03. Kotmale – New Polpitiya, 220kv Transmission Line

At the beginning of 2022, the Sri Lankan government faced economic & financial challenges, issues exacerbated by external shocks. Followings are outlining the key factors and consequences:

- Debt Burden: Sri Lanka had been grappling with a heavy debt burden for years, with a significant portion of its revenue being allocated to debt servicing rather than development projects. This debt burden was largely a result of previous infrastructure projects financed through loans, often from foreign sources.
- Trade Deficit: Sri Lanka had been experiencing a persistent trade deficit, meaning that the value of imports exceeded the value of exports. This imbalance put pressure on the country's foreign exchange reserves.
- Political Instability: Political instability and frequent changes in government leadership have contributed to inconsistent economic policies and hindered long-term planning and execution of economic reforms.
- Pandemic Impact: Like many countries, Sri Lanka faced economic challenges exacerbated by the COVID-19 pandemic. Lockdowns and restrictions disrupted economic activities, particularly in sectors such as tourism, which is a significant contributor to the country's GDP.

Key Events of the Crisis can be described as follows.

1. Foreign Exchange Reserves Depletion: By 2022, Sri Lanka's foreign exchange reserves had dwindled to critically low levels. This was partly due to a decline in exports and remittances, coupled with increased import costs, particularly for essential commodities such as fuel and food.
2. Currency Depreciation: The depletion of foreign exchange reserves led to a rapid depreciation of the Sri Lankan rupee against major international currencies. This depreciation further fuelled inflationary pressures, making imported goods more expensive and reducing the purchasing power of the local population.
3. Fuel and Energy Crisis: Sri Lanka faced acute shortages of fuel and electricity, leading to widespread power outages and disruptions in transportation and industrial production. These shortages were exacerbated by the country's inability to pay for imported fuel due to the foreign exchange crisis.
4. Austerity Measures: In response to the crisis, the Sri Lankan government implemented austerity measures, including subsidy cuts and tax hikes, aimed at reducing public spending and increasing revenue. However, these measures were unpopular and met with public resistance, further exacerbating social and political tensions.

Construction of the transmission line of Package 03 was done by Joint Venture of Kinden Corporation and Kalpataru Power Transmission Ltd was planned to be completed by June 2022. However, since the beginning of the year, construction work progress has drastically dropped due to a shortage of fuel, shortage of construction materials, and price escalation due to the economic crisis that prevailed in Sri Lanka during the period.

In addition to the above, the following factors affected the work progress thereafter.

Funding Agency, JICA stopped disbursement of for the contractors from April 2022 and pending Payments LKR

Replies to the Report of the Auditor General (Contd.)

685 for work done from February 2022 was not paid to the contractor of NTDND&EIP Package 03 at that time. Subsequently Letters of Credit (LCs) were also expired and not extended due to the unavailability of JICA funds. Hence, no foreign currency payments could be made to the contractor at that time.

In this background Contractor of the above Contract, Joint Venture of Kinden Corporation and Kalpataru Power Transmission Ltd has issued a Notice on Suspension of Work by his letters no. KKJV/NTDND&EIP/SITE/W0353/864 dated May 17, 2022, pursuant to Sub Clause 16.1 of the General Conditions of the Contract. with effective from 17th May 2022. Also, the Contractor has served Notice of Force Majeure by his letters no. KKJV/NTDND&EIP/SITE/W0353/866 dated May 23, 2022.

As there was no positive response from JICA regarding the resumption of disbursement, the Contractor has served the Termination of the Contract by his letter no. KKJV/NTDND&EIP/HO/W0353/895 dated February 02, 2023, pursuant to Sub Clause 16.2(c) of the General Conditions of the Contract. Which became effective from 02nd February 2023.

Considering all the above factors resulting in the default condition of the country leading to the suspension of funds disbursement by JICA to the National Transmission and Distribution Network Development & Efficiency Improvement Project from April 2022 onwards.

The stoppage of JICA funds leads to delaying all the payments (Interim Payment Certificates, Tax Payments, Duty Reimbursements) which should have been paid to the contractor with already submitted invoices. There were many Interim Payment Certificates that were raised from time to time and got delayed as mentioned above in a considerable period due to the financial instability of CEB. These Interim Payment Certificates were settled to the contractor from time to time soon after the financial stability gained by the CEB in the end of the 2022 and beginning of 2023.

- (f) Due to delay in making payments on time, a sum of Rs.16,320 million and Rs.5,620.6 million had been incurred as delay interest on power purchases and fuel purchase (CPC) respectively during the year under review. Further, an amount equivalent to Rs.10.33 million had also been incurred for the year under review as default interest due to delay in repayment of loan instalments by the Board in respect of local bank loans.**

Rs.14.23 Bn (from 2022 Jan to 2023 April) has been settled by the Treasury on 30.04.2023 to CPC as delayed interest on behalf of the fuel purchased for the Thermal Power Plants. No delayed interest balance after 30.04.2023 in the books of accounts because CEB has been purchasing fuel on a cash basis from February 2023 onward.

During the said period through the Financial Statements, it is reckoned that the working capital Debt Stock has been increased significantly in lieu of financing the energy suppliers to maintain the uninterrupted power to the country due to far below electricity tariff than the cost of it.

In this circumstance, the increase of the finance cost is obvious and it would not be happened if the fair pricing of electricity is pushed through by the stakeholders.

- (g) Due to the matters such as delay in implementation of the Least Cost Long Term Generation Expansion Plans, delay in implementations of NCRE projects, emergency power purchase without approval of the PUCSL, significant increase in the number of permanent employees of the CEB in 2016, unauthorized benefits made or being made to the CEB employees etc. the Board had to obtained short term loans and long-term loans for the procurement of oil, coal and spares, payment for the power purchases and capital expenses of the Board. As a result, the Board had to incur a sum of Rs.36,873.4 million as interest expenses during the year under review.**

CEB has incurred significant interest expenses on various forms of borrowing, including bank overdrafts, short-term loans, and long-term loans. These borrowings were essential to manage the cash flow requirements of the organization.

The primary drivers behind these borrowings include the procurement of oil, coal, and spare parts, as well as payments for power purchases and capital expenditures. These expenses were necessary to maintain continuous power supply and infrastructure development, despite the challenges of negative operating cash flows.

Replies to the Report of the Auditor General (Contd.)

The global increase in oil and coal prices put immense pressure on the procurement costs. As a result, the CEB had to secure additional financing to cover these rising expenses, leading to higher interest costs.

The overdraft interest rates, along with short-term and long-term loan rates, have been on the rise due to the tightening monetary policy of the Central Bank of Sri Lanka and broader economic challenges. This further compounded the financial burden on CEB.

Borrowings were critical to procure essential inputs such as fuel and coal, without which the CEB would not have been able to generate electricity. Ensuring uninterrupted power supply is a national priority, and securing financing for these essential purchases was unavoidable.

Payments to power producers and investments in capital infrastructure were also essential to meet the growing energy demand and maintain the reliability of the power grid. Delaying these payments or investments would have risked power outages and infrastructure failures, which would have had far-reaching consequences for the economy and society.

Non cost reflective tariff up to August 2022 was also the major reason for the cashflow issues faced by the CEB, that has resulted in borrowings that is essential to meet the day to day working capital requirements and financing capital investment projects.

- (h) **Procurement procedure should be followed for Non-Conventional Renewable Energy (NCRE) projects after 6 August 2013 as per the Sri Lanka Electricity Act, No. 20 of 2009 as amended. However, only 7 procurements for NCRE projects with aggregating capacity of 390 MW had been initiated up to 31 December 2021 by following procurement procedure and out of the said capacity, power plants with aggregating capacity of 102 MW had only been commissioned up to 31 December 2023.**

There are 07 nos. of NCRE procurements initiated (with the approval of Ministry of Power & Energy) up to December 31, 2021 under International Competitive Bidding (ICB) with aggregating capacity of 400MW. Even though, CEB requested the approval of Ministry of Power & Energy to initiate bids, (by appointing the PC and CANC), for total capacity of 190MW on 25th August 2020, approval had not been granted to initiate the bids upto 31.12.2021,

Out of these tendered projects, power plants with aggregating capacity of 103MW have been commissioned up to December 31, 2023. The following table indicates the breakup of the said procurements.

No.	Project	Initiated up to December 31, 2021	Awarded Projects		Commissioned Up to December 31, 2023	Remarks
		Total Capacity (MW)	No. of Plants	Total Capacity (MW)	Total Capacity (MW)	
1	60X 1MW Solar PV Power Plants tender (Advertised on 20/02/2017, Closing date 14/06/2017)	60	35	35	35	Project Completed
2	90X 1MW Solar PV Power Plants tender (Advertised on 25/01/2018, Closing date 06/04/2018)	90	68	68	41	Commissioned - 41 Plants Cancelled - 18 Plants Ongoing - 9 Plants (Out of the 9 Plants, 4 Plants were commissioned on June 18-19, 2024 and 5 Plants are under force majeure status)
3	10MW Vavunathivu Solar PV Power Plant tender (Advertised on 04/07/2017, Closing date 13/09/2017)	10	1	10	10	Commissioned (28/09/2022)

Replies to the Report of the Auditor General (Contd.)

No.	Project	Initiated up to December 31, 2021	Awarded Projects		Commissioned Up to December 31, 2023	Remarks
		Total Capacity (MW)	No. of Plants	Total Capacity (MW)	Total Capacity (MW)	
4	10MW Polonnaruwa Solar PV Power Plant tender (Advertised on 04/07/2017, Closing date 14/02/2018)	10	1	10	-	Ongoing and expect to commission in September 22, 2024 (Extended the deadline)
5	60MW Wind Power Plants (1-10MW) tender (Advertised on 28/11/2019, Closing date 12/03/2020)	60	3	25	15	Commissioned - 02 Plants (10MW & 5MW Plants) Cancelled - 03 Plants
	10MW(Retender) (Advertised on 18/11/2020, Closing date 16/02/2021)		2	10	-	
6	EET-Solar PV with agriculture/farming tender (Advertised on 30/01/2019, Closing date 15/05/2019)	10	1	10	-	Project Cancelled
7	150MW Solar PV Power Plants (1-10MW) tender (Advertised on 06/03/2020, Closing date 22/07/2020)	150	23	147	2	Commissioned - 01 Plants Cancelled - 22 Plants
	Ground Mounted Solar PV Power Projects for year 2021, under Standard Tariff Approach Defined in the Guidelines Recommended by Hon. Attorney General	10	1	10	-	Project Cancelled
Total		400	135	325	103	

Commonly, the progress of all above projects were hampered due Covid -19 travel restrictions and the financial crisis in the country from year 2022 onwards, which was due to the sudden increase of foreign exchange rate on March 08, 2022 which resulted in increasing of bank loan rates, local inflation, fuel shortages, etc. Further, the shortage of USD liquidity in Banks caused delays in opening of Letters of Credit (LC's) & import restrictions resulted delays in the importation of power plant materials. Therefore, Project Companies faced difficulties in implementing the projects for the tariff rates quoted at the bidding stage of these tenders and requested for a solution.

Replies to the Report of the Auditor General (Contd.)

Subsequently, a grievance committee was setup comprising members of CEB, SLSEA and Ministry of Power & Energy to evaluate those constraints raised by those PPA signed project companies and the final recommendation was submitted to Secretary, Ministry of Power & Energy. Thereafter, the matter was taken up by the Cabinet of Ministers and subsequent Cabinet decisions were received for the same in order to cancel projects with no progress and extend deadlines of projects which had demonstrated considerable progress. Accordingly, considering the Cabinet decisions and terms & conditions of PPA's CEB has taken action to cancel and extend projects as indicated in table above.

- (i) **The avoided cost-based tariff was introduced for Non-Conventional Renewable Energy (NCRE) projects before the year 2000. This tariff now applies only to NCRE projects approved before 2007, with 28 such projects currently in operation. The avoided cost method is based on thermal plant dispatch and varies according to fuel costs. According to letter No. DGM/SYC/TCH/41 from the DGM (System Control) dated January 16, 2020, the actual unit cost for hydro plants should be less than Rs. 10.00, even for new plants. However, the avoided cost method determined rates for mini hydro plants in 2023 at Rs. 25.09 for the wet season and Rs. 28.46 for the dry season. In comparison, the average CEB hydro cost per unit for the year was Rs. 3.52. Despite a Board decision on 16 August 2022, no actions were taken to apply a reasonable ceiling price for mini hydro plants based on the avoided cost method by the end of the review year.**

According to the Board Decision given on 16 August 2022 regarding Avoided Cost Tariff, GM appointed a committee, the Committee submitted their report on January 16, 2024 and board approval had been given on 2024.02.07.

Consequently, the Energy Purchases branch has informed all developers still under the Avoided Cost category to transition to the TTT by entering new SPPAs based on cost-reflective, technology-specific three-tier tariffs.

However, it is noted that none of these developers have yet signed addendum to the initial agreement to transition to the proposed TTT despite receiving obligations and declining requests from CEB to transition from the avoided cost tariff to the three-tier tariff.

Regarding proposed transition from avoided cost principle to cost reflective, technology specific three tier tariff structure, a committee has appointed by Secretary, Ministry of Power & Energy on 2024.06.28 to make their recommendations.

Ceylon Electricity Board approval has been granted for the recommendation of the committee appointed by the Secretary, Minister of Power & Energy to investigate the avoided cost Tariff based on Borad Minute No: BM/2024/12/32 dated 2024-09-10. Following specific recommendations have been approved by the Board of Directors regarding above.

- i. To continue the avoided cost tariff for the developers who are in cost reflective tariff category until the completion of their initial term of 15 years.
- ii. To continue the CEB Board approved 2023 avoided cost tariff rates for wet and dry periods (Rs.25.09/kWh for the wet period and Rs.28.46/kWh for the dry period) for the year 2024 for 17 developers mentioned in section i.
- iii. To pay avoided cost tariff for remaining developers, referred in section i. from January 2025 subjected to maximum CEB Board approved 2023 avoided cost tariff, until the completion of the 15-year period for each of the remaining projects respectively.

- (j) **With respect of three foreign funded projects with the aggregated estimated cost of Rs.32,719.06 million, a considerable delay ranging from 26 to 70 months was observed from the scheduled completion date to the end of the year under review. It was further observed that the said projects had not been completed within the first extension granted to the contractors and the physical progress as at the end of the year under review was ranging from 60 percent to 99.7 percent.**

Reasons for Delay Green Power Dev. & Energy Efficiency Improvement Project Tranche 1 Part 1 (Morgolla Hydropower Project)

Delay in appointment of PMU, Consultancy procurement delay by CACPC decision, Dam redesign and delay in EIA approval by MASL, Covid-19 pandemic affected in supplying labor, machinery, materials, etc. delay in supply of explosives from India, Work suspensions due to COVID-19 spreading among site workers and staff, Shortage of Fuel, Cement, etc.

Replies to the Report of the Auditor General (Contd.)

Financial issues of the contractors, import of machine parts delayed due to Covid-19 restrictions in China, Due to the delay in the approval of CEB personnel for Factory Acceptance Tests.

Reasons for Delay Habarana - Veyangoda Transmission Line Project

Delay or cancellation in bringing stringing gangs from Pakistan due to attacks on churches, Restrictions on explosives following attacks delayed the rock blasting for foundations, travel restrictions due to Covid, shortage of Fuel and material such as cement due to economic crisis, inflation of costs, migration of experts. - Until the last 20km from Dambulla to New Habarana is completed by National transmission, connection is not possible. Full scope completed by 30th April 2024, defects in progress.

Reasons for Delay of SESRIP (Package 4)

1. Covid 19 Pandemic

The delays caused by the Covid 19 pandemic from the end of 2019 to the year 2022 are given below.

Internationally

- Delays in planning stage of the project as the Chinese engineers could not involve for the project work due to international travel ban.
- Due to the closure of factories around the world, the goods and accessories could not be supplied within the planned time.
- Limitation of the presence of engineers and other workers required for the project due to restriction of international air services.
- Planning activities were delayed as communication activities had to be done only through the online system.

Locally

- Limitation of transport facilities due to restrictions on travel throughout the island.
- Limiting the number of employees that can be employed according to the rules and regulations imposed by the government for health and safety.
- With the compliance of the rules and regulations imposed for health and safety, the efficiency of the limited number of employees was reduced.
- Objections from the general public living around site locations while directing external work teams to the construction of tower bases and difficulty in finding accommodation for them.

2. Economic Crisis in Sri Lanka

With the economic instability of the country in the year 2022, the shortage of raw materials and fuel has directly affected the work of this project.

a) Obtaining Cabinet Approval for Contingency Payments

In the Contract Agreement signed between Ceylon Electricity Board and M/S Qingdeo Huijintong Power Equipment Co.Ltd, a formula for price increase was included. However, approval of Cabinet of Ministers was not obtained for contingency payments. Hence, it was not possible to disburse contingency payments occurred due to price escalations. The contractor encountered with financial issues with these payment delays and it affects to the progress of the project. Accordingly, in accordance with Cabinet Memorandum No. 42/2023/PE dated 23-08-2023 and its decision dated 26 September 2023, the contingency provisions of this project was approved.

Replies to the Report of the Auditor General (Contd.)

1. Introducing of Helical Technology

Due to the new technology of Helical Anchoring, difficulties are experienced in the construction of tower lines with Helical foundations. Contractor encountered several unexpected obstacles while implementing this technology. Obtaining design approval & material shipping from Hubbell Power Systems took additional time than expected. While carrying out the helical installation works, hard soil/rock layers were observed in some locations. Considering the difficulty in installing the helical anchors in such locations, it was decided to convert those foundations to pad & chimney. Hence, up to now nearly 40% of the locations converted for pad & chimney type. With this change, additional time was taken to complete the foundations of helical lines. Further, the PMU had to establish a payment method for this change of foundation type.

1. Objections from third party for construction of tower lines

Though initial clearance has been taken, still CEB has to deal with third party objections received for construction of tower lines. Considerable delays were occurred due to such objections.

2. Clearance issues in gantry lands

Locations of the following gantry lands had to be changed due to unavoidable reasons.

- Wellawaya – Due to compensation issues had to change the land location from private land to Government-owned land.
- Maskeliya – As it was unable to achieve the required earthing standards, had to change the location of the gantry land (within the same estate). The approval process of new land is in progress.

3. Time taken for obtaining interruptions for stringing work

The 286km of tower lines and 9 gantries under the scope of work of the SESRIP Package 4 are extended over nine districts of the country and interruptions have to be arranged with the coordination of other Branches of CEB. Hence, time taken to arrange interruptions is longer period than expected.

4. Contractor's request on price escalation

Application of CIDA formula - The Contractor has forwarded the grievances continuously about the price escalation due to the recent economic crisis. Hence, the Board decided to appoint a TEC to review on application of CIDA formula for this contract which comprehensively cover the most of the local cost escalations related to construction. Resolving this issue is in progress.

Other Issues – PMU currently handling some other issues occurred due to lack of information and no proper demarcations at the initial bidding stage.

Due to above two matters, considering the cash flow issue, the Contractor has slow down the implementation work at site.

(k) **The contract for the development of 100 MW Solar Park Facility at Siyambalanduwa on Build, Own and Operate (BOO) Basis and Construction of 132 Kv Transmission Facility on Turnkey Basis had been awarded on 16 August 2023. The following observations are made in this regard.**

(i) **It was observed that the one consortium partner of the consortium (The selected bidder) had not complied with the all criteria under the financial capability (clause No. 4.2.1, 4.2.2, 4.2.3 (1) and (ii) of Volume I in the Request for Proposal (RFP) documents.) and Project Committee (PC) had noted that non compliances observed in financial capabilities of the said consortium partner was a deviation.**

Correct as per Project Committee (PC) evaluation reports

- (ii) **After considering the requested clarification response from the consortium, PC was of the view that the consortium had not fulfilled the financial capability requirements stipulated in Clause 4.2 in Volume I of RFP which was a deviation. However, PC had recommended to negotiate with the consortium to reach a tariff of 7.61 USD Cents/kwh for Solar Park Facility and Semi annuity payment of USD 1.25 million for Transmission Facility as maximum acceptable values, considering the financial deviation mentioned above positively by its report dated 22 March 2023. If not, PC had recommended to conclude the ongoing RFP process and initiate a new RFP process to this project.**

Correct as per Project Committee (PC) evaluation reports

- (iii) **As per the financial proposal submitted by consortium, the tariff for Solar Park Facility and Semi annuity payment for Transmission Facility was 12.2 USD Cents/kwh and USD 1.67 million (Present value of all the transmission facility payments proposed was USD 25.58 million) respectively. Even though present value of all the transmission facility payments proposed by the consortium was within the ceiling value imposed in the RFP (Present value of all the transmission facility payments should be less than USD 27.3 million), it was observed that some of EPC cost of Transmission facility had been loaded to the EPC cost of Solar Park Facility (1.31 USD Cents/kwh had been loaded to the tariff of Solar Park Facility). As instructed by the Cabinet Appointed Negotiated Committee (CANC), the consortium had provided a separate proposal by removing Transmission Facility cost from Solar Park Facility loading on 03 May 2023. According to the revised proposal, Tariff for Solar Park Facility was 8.15 USD Cents/kwh and semi annuity payment for the Transmission Facility was USD 3.31 million. Accordingly, it was observed that present value of all the transmission facility payments revised (Present value of all the transmission facility payments was USD 50.81 million approximately) was exceeded the ceiling value imposed in the RFP by 86 percent.**

Correct as per PC evaluation reports. It's understood that USD 3.31 million semi annuity payment has been discounted at the rate of 3.8% in calculating the present value. However, market rates of cost of capital (USD) at the time of bid evaluation / negotiations were way higher than this value.

Hence suggest using a reasonable rate for discounting that match the economic situation of the country at that time in calculating the present value.

- (iv) **As per the letter dated 17 May 2023, the consortium had finally agreed to revise the tariff for Solar Park Facility as 8.00 USD Cents/kwh and semi annuity payment for the Transmission Facility as USD 2.29 million with some changes in scope of work in Transmission Facility. Therefore, it was observed that present value of all the transmission facility payments revised (Present value of all the transmission facility payments was USD 35.13 million) was exceeded the ceiling value imposed in the RFP by 29 percent.**

It is understood that USD 2.29 million semi annuity payment has been discounted at the rate of 3.8% in calculating the present value. However, market rates of cost of capital (USD) at the time of bid evaluation / negotiations were way higher than this value.

Hence suggest to use a reasonable rate for discounting that match the economic situation of the country at that time in calculating the present value.

- (v) **As per the Clause No. 8.1.3 (iv) (b) of the signed contract agreement for the 1 Transmission facility, project company shall be entitled to reimburse the taxes, duties, levies, and tees (including SSCL) in terms of Clause 5.3.4 via submitting a Reimbursement invoice if it was not granted exemptions from customs, other import taxes, duties, levies and tees (including VAT and SSCL) payable by the project company on all imports of plants, machinery, equipment and material even the Minister of Finance, Economic Stabilization and Nation Policies had observed that it should be decided also taking into account the condition mentioned in the RFP and such conditions had not been mentioned in the RFP. Further, it was observed that present value of all the transmission facility payments after taking into account of estimated Custom Duties & Other Levies on CUSDEC amounting to USD 3.27 million (Present value of all the transmission facility payments was USD 39.96 million) was further exceeded the ceiling value imposed in the RFP by 46 percent.**

Though it was not specifically mentioned in the RFP, as decided by the CANC during negotiations with the bidder on arriving at the final semi annuity value, taxes & levies related to the transmission facility development were to be either exempted or reimbursed by CEB.

In the Transmission facility agreement, provisions have been included either to get the exemptions from taxes & levies or if not, to reimburse by CEB to the project company.

Replies to the Report of the Auditor General (Contd.)

This was included in such a manner as Treasury consent on the applicable tax exemptions were not received by CEB prior to signing the transmission agreement.

Since as per finally negotiated and decided semi annuity payment by CANC was without the taxes and levies, provisions in the clause 8.1.3 are in line with that where taxes and levies either has to be exempted or reimbursed to developer by CEB.

Correct as per PC evaluation reports. The USD 3.27 million value for taxes and levies is only an estimated value by the bidder at the exchange rates and tax rates prevail at that time.

Transmission facility is developed on built & transfer basis by the developer as a turnkey project. Generally, in all turnkey transmission projects of CEB, taxes and levies related to the project are either exempted or reimbursed to the contractor by CEB. However, due to an oversight, that was not specifically mentioned in the issued RFP document (this project was the first project where this newly developed modality and RFP was used).

Further, the ceiling value (27.3 MUSD) of the transmission facility estimated by CEB was also without the taxes & levies as it was estimated based on rates of earlier completed turnkey projects (where taxes & levies are not part of turnkey contract price).

- (vi) **The Cabinet Appointed Negotiated Committee (CANC) had decided to award the contract to the consortium at 8.00 USD Cents/kwh for Solar Park Facility and semi annuity payment of USD 2.29 million for the Transmission Facility at its meeting held on 15 May 2023. The approval of the Cabinet of Ministers had been granted for the same at its meeting held on 17 July 2023. However, it was observed that any recommendation had not been made by PC to CANC for the awarding contract to the consortium. Further, it was observed that the accepted tariff for Solar Park Facility and accepted semi annuity payment for the Transmission Facility had been exceeded the maximum acceptable tariff of 7.62 USD Cents/kwh for Solar Park Facility and the maximum acceptable semi annuity payment of USD 1.994 million for Transmission Facility recommended by PC at its report dated 27 April 2023.**

CANC conduct the final negotiations with bidder based on evaluation data provided by the PC and decision on awarding the contract is vested with CANC which ultimately has been approved by the Cabinet of Ministers.

- (vii) **The fact that the submission of two RFPs for such a procurement and only one RFP being considered for technical evaluation and financial evaluation did not create the competition as expected from the procurement guideline. Hence, it was observed that the opportunity to get more favorable price for both Solar Park facility and Transmission facility had been deprived to the Board. Further, it was observed that Rejection of all bids received can be justified when lack of effective competition is clearly evident as per the section 7.12.1 of the National Procurement Guidelines.**

CEB is of the view that CANC has made their final determination considering the complex nature of the project (where solar park facility & transmission facility coupled together), qualification evaluation requirements of both facilities, time required for retendering process, requirement of timely implementing the generating plants to cater the growing power demand and the country's economic situation at that time.

After the CANC and Cabinet approvals, the proposed tariff has also been approved by the Public Utilities Commission of Sri Lanka (PUCSL) as per clause 43(7) of the Sri Lanka Electricity act which endorsed that offered tariff complies the principle of least cost.

- (i) **Demand Side Management Unit of the Board had been established by the Board Decision taken on 07 March 2023 and after 8 months of its operations, it had been decided to suspend its activities by the board decision taken on 31 October 2023. During this short period, in order to make aware the public the importance of reducing electricity consumption and demand management 18 videos had been prepared through 03 external organizations by incurring a sum of Rs.14.33 million without following proper procurement procedure as stipulated in the Procurement Guideline-2006. Further, as per the report of Government Analyst Department, these videos had been produced by computer animation without being live recording. Hence, Board had paid Rs.6.4 million to above contactors for activities which had not been actually done by the them as quoted.**

Regarding this issue, decision was given by the Board on 31.10.2023 in Minute No. 23.14430F. case was transferred to Chief Internal Auditor for initial investigations.

Accordingly, all the payments vouchers related to the expenses incurred for each project has already been transferred to the Chief Internal Auditor

Replies to the Report of the Auditor General (Contd.)

As per the special Investigation report of the CIA, management has already suspended the service of publicity manager & the D.G.M (Demand side management) also further investigation action is being carrying out for the same.

- (m) **A sum of Rs.15.2 million had been incurred by the Board for the Opening ceremony of Mannar Wind Power Generation project which was commissioned in 2021 which was observed as uneconomical.**

The payment of Rs. 1,345,914.44 was carried out by the PMU of MWPP based on the Board approval for the same. Further, the event expenditure of Rs. 9,674,887.86 was handled by the AGM(Projects) division and the BOS branch of AGM(CS) division and the respective cost was transferred to the project. However, the PMU was not informed about the other payments as amounting Rs. 4,261,000.00 was carried out by BOS branch of AGM(CS) division and the cost had been transferred to the projects division.

2.3 Other Matters

- (a) **Trade debtor balance as at 31 December 2023 was Rs. 70,019.1 million. Out of that, a sum of Rs.6,181 million had remained outstanding over 6 months as at 31 December 2023. Further, a sum of Rs.2,252.2 million had remained outstanding over 5 years. The provision for impairment of trade debtors made by the Board as at 31 December 2023 was Rs.4,625.9 million. Following further observations are made in this regard.**
- (i) **Out of the above total debtor balance, a sum of Rs.2,773.3 million had been categorized and transferred to finalized debtors balance (inactive debtors) due to not recovering outstanding for long period and out of which, Rs.1,106.6 million was related to the distribution division 01.**

Division	Amount	Reply
DD-01	1,106,562,037.11	Continues recovery actions are being taken to recover outstanding dues from finalized debtors and actions have been taken to send the letter of demand to particular customers and follow up as per procedure.
DD-02	906,257,535.17	Out of the total finalized debtors, almost 940Mn has been recovered during the period of 05 months ended in the year 2024. 221 Mn represents the dues from 'Valachchenai Paper Corporation' and "Kanthale Sugar Corporation 122 Mn and 76 Mn respectively. Since Valachchnei Paper Corporation initially agreed with CEB to settle total dues of Rs 122 Mn from 2023 to 2026 based on the agreed amounts monthly.12Mn was recovered in 2023 and 03Mn recovered in 2024 and balance amount differed further 06 months based on Board paper of CEB. Further related to the Dues from Kantale Sugar corporation CEB board has agreed to write off 44.8M subject to the settlement of the balance 31.5Mn. However, the settlement 31.5Mn has not been settled by the Corporation
DD-03	481,943,898	The following actions have been taken to clear the finalized debtor balances. • To recover the balances in the finalized accounts from security deposit both ordinary and bulk debtors. • Send reminders for long outstanding balances and finalized accounts less than two years. • Identify the defaulted finalized consumer's active accounts and transfer the balances to the active accounts.
DD-04	278,512,977	Recovery action will be carried as per the circular instructions
Total	2,773,276,447	

Replies to the Report of the Auditor General (Contd.)

- (ii) **Out of the finalized debtors in distribution divisions, a sum of Rs.1,983.3 million had remained outstanding for over 3 years period. Out of that, Rs.927.8 million represents finalized debtors in distribution division 01.**

DD-01

Finalized debtor balances (over 3 years) of DD1 as at 31-05-2024 as follows.

Province	Ordinary Supply	Bulk Supply	Total Rs. Mn.
Colombo City	231.13	29.40	260.53
NWP 1	204.54	2.87	207.40
NWP 2	94.40	0.33	204.87
NCP	186.34	16.76	203.10
NP	187.05	38.04	225.09

As per the instruction of Additional General Manager - DD1 following actions are taken to recover long outstanding finalized debtors balances.

To recover the outstanding balance of finalized account by way of preceding mediation board, taking legal actions and recover from deposit in terms of Circular DCC/COM/03/2009.

1. Appointments of Provincial Revenue committees.
2. Reminder letters were sent to consumers requesting to settle the outstanding balances.
3. Disconnection programmes, consumer awareness programmes & etc are being implemented to recover outstanding balances without categorized as finalized accounts.

DD-02

Out of the total bulk supplier finalized debtors as at 31.12.2023, almost 940Mn has been recovered during the period of 05 months ended in the year 2024.

DD-03

Out of the above balance, only Rs, 336 mn is related to DD3. The following actions have been taken to clear the balances.

- Send reminders for finalised accounts less than two years.
- Identify the defaulted finalized consumer's active accounts and transfer the balances to the active accounts.

- (iii) **Out of finalized ordinary supply debtors of Rs.104.39 million in DGM (Southern Province 02) in relation to 41,441 connections, a sum of Rs.33.65 million had remained outstanding for over one year. Further, it was observed that out of above connections a sum of Rs.10.98 million had remained as credit balances in relation to 13,549 connections. However, action had not been taken to clear them in terms of the Circular DCC/COM/03/2009 of the Board. Apart from that, it was observed that new connections had been given to finalized customers without taking action to recover the previous outstanding balances.**

SP-02 have completed the clearing of credit balances as per the DCC/COM/03/2009 and the AGM (DD04) approved documents have been forwarded to IT unit to remove the abnormal credit balances. The bulk supply Finalized balance has come down to 1.75 million for SP02 and for the Ordinary supply finalized debtor, the balance is expected to drop once the IT unit carries out the actions we have recommended as per the DCC/COM/03/2009.

- (iv) **As per the audit test check conducted in relation to the outstanding debtors of Eastern, Northern and Sabaragamuwa province as at 31 October 2023, it was observed that action had not been taken to recover the outstanding balances of Rs.39.65 million due from 357 number of customers whose bills were over Rs.50,000 and remained over one year.**

Replies to the Report of the Auditor General (Contd.)

(v)

	No. of Accounts	Bills over Rs.50,000 and remained more than one year
Eastern Province		
Ampara	11	1,518,180
Batticloa	34	2,764,159
Trinco	30	2,955,146
Valachchene	12	1,301,805
kalmune	13	1,157,098
Sub Total	100	9,696,388
Northern Province		
Jaffna-East	2	1,476,372
Jaffna	70	9,196,043
Kilinochchi	100	10,601,129
Vaunia	37	3,321,649
Sub Total	209	24,595,193
Sabaragamuwa Province		
Ehaliyagoda	8	774,972
Ambilipiyita	25	3,708,345
Kahawatta	3	328,105
Ruwanwella	12	1,093,452
Sub Total	48	5,904,874
Grand Total	357	40,196,455

DD-01

Committee has been appointed by AGM (DD1) , by his letter no. DD1/AGM/54 dated 26th January 2024 to improve & review the receivable position of the provinces of DD1.

Accordingly, several meetings were held and targets given to provincial DGM and Area Engineers to recover long outstanding arrears and improve receivable position of NP.

DD-02

Eastern Province

A detail answers have already been submitted on 9th April 2024 for the Audit query No; PWR/A/CEB/ 2024/AQ/02.

DD-03

Sabaragamuwa

Out of the 48 consumer accounts, 19 customers have already settled the due amounts (Rs3.2Mn). The remaining 29 accounts have already been disconnected.

- (vi) **As per the audit test check, 46 electricity supply connections accounts given to quarters of parliamentary representatives had been categorized as finalized (inactive) debtors at the end of the year under review due to non-payment of outstanding electricity bills amounting to Rs.12.21 million for a long period. Out of that, a sum of Rs.11.66 million had remained outstanding for over one year and a sum of Rs.5.29 million had remained outstanding for over five years without being recovered.**

DD-01

It is agreed that there are outstanding balances from parliamentary representatives, remaining without being recovered. However, with the close supervision and instructions of Additional General Manager and DGM Colombo City, CEB was able to recover the balances of present parliamentary representatives of Rs.12.01 Mn and continuous recovery actions are being taken which includes followings.

1. The list of persons details were obtained from the Ministry of Public Administration, Home Affairs, Provincial Council and local government authorities.
2. Checking/ verifying consumer files and identify present and previous occupancies of each and every quarter of parliamentary representatives.
3. Appointing Revenue Committees to recover the long outstanding trade debtor's arrears.
4. Sending Reminder letters to consumers requesting to settle the outstanding balances

DD-04

The Trade debtor recovery methodology is being applied to recover the balances of the parliamentarians. Only one considerable balance remains in the SP02 province.

- (b) **Other debtors balance as at the end of the year under review was Rs.24,327.1 million. Following observations are made further in this regard.**
- (i) **A sum of Rs.256.91 million had remained outstanding from sacred places on the supply of electricity at the end of the year under review. Out of that, a sum of Rs.70.14 million had remained outstanding for over five years without being recovered. Further, a sum of Rs.42.5 million due from sacred places with aging for over 5 years relating to the distribution division 01. Further, in relation to the Hambanthota regional engineer office, it was observed that some of the temporary connections had been given without obtaining security deposit or estimated fee contrary to the Guideline issued by Additional General Manager (DD 04) on 26 April 2010 with regard to the procedure to be followed on temporary connections.**

DD-01

Dues from sacred places in DD 1 are Rs.79.81 Mn and out of the above Rs 34.07 Mn. is remaining over 5 years.

In this regard, a board paper was submitted to write off the above receivables and the Board had referred the matter to Audit committee to its recommendations.

Audit & Management Committee of the CEB requested additional information in this regard from Distribution Divisions and currently working on providing such information.

Replies to the Report of the Auditor General (Contd.)

The breakup of receivables from sacred places are given below.

S/NO	PLACE	BALANCE AS AT 31.12.2023
1	SRIMAHA BODDHI AWASA	13.87
2	ABAYAGIRI DAGABA	5.87
3	SANDAWASA BOMALUWA LIBRARY - SRIMAHA BODGI	0.01
4	JETHAWANARAMA	0.27
5	LOWAMAPAYA	0.01
6	ABHAYAGIRI VIHARA	0.09
7	ABAYAGIRIYA STHUPA	0.25
8	ABAYAGIRI VIHARA	0.71
9	LANKARAMA VIHARA	0.31
10	LANKARAMA VIHARA	1.21
11	MIRISAWETIYA OFFICE	2.63
12	MIRISAWETIYA SANGARAMAYA	1.68
13	THUPARAMA STHUPA	1.79
14	THUPARAMA TEMPALE	0.61
15	SINGHE KANUWA, SRI MAHA BODHI RD.	2.13
16	RUWANWELISAYA (STREET LAMP)	10.06
17	UDAMALUWA TEMPALE (PARITTA SQUARE)	0.18
18	RUWANWELISAYA TEMPALE	0.04
19	MIHINTALA TEMPALE	11.83
20	ISURUMUNI RAJA MAHA VIHARAYA	0.01
21	ISURUMUNI MAHA VIHARAYA	1.34
22	ISURUMUNI VIHARA SANGARAMAYA	0.07
23	DIMBULAGALA TEMPLE	7.43
24	JETHAWANA PROJECT	17.40
	TOTAL	79.81

DD-02

A board paper was submitted to the Board to write off the balances of sacred places and the same was referred to Audit Committee (CEB) for ensuring the accuracy and according to audit committee inquiries, clarifications were re submitted.

DD-03

Dues from sacred places includes the electricity consumption cost settled by CEB based on a Board Decision. This balance is supposed to be received from the government. Since the funds have not been received so far, a board paper has been submitted to obtain approval to write off the same. The Board paper has been referred to the audit committee and clarification requested by the audit committee has been sent. After receiving feedback from the audit committee further action will be taken

DD-04

Rs 8.3Mn is due from the Ministry of Buddha Sasana and Cultural Affairs for a Sacred Relic exhibition that was held in 2012. The event was fully sponsored by the government and we have written to the Ministry of Buddha Sasana & Cultural Affairs and the Ministry of Power & Energy separately requesting funds. However, we have not received any positive feedback from both the Ministries. Therefore, the management has decided that this amount cannot be recovered. Accordingly, a board paper will be submitted to obtain the approval to write off the dues from religious places.

Replies to the Report of the Auditor General (Contd.)

- (ii) **Sundry debtors included in other debtors amounting to Rs.3,261.9 million had remained outstanding as at 31 December 2023. Out of that, a sum of Rs.677.59 million had remained outstanding for over one year and a sum of Rs.329.38 million had remained outstanding for over five years. Out of over five years receivable balances, a sum of Rs.14.34 million, Rs.155.61 million and Rs.2.66 million had remained receivable from consumer bulb loan, temporally electric supply for institutions and cash shortage of Colombo city revenue counter in the year of 2013 respectively. However, no action had been taken to recover them even at the end of the year under review.**

Division	Amount	Reply
DD-01	312,003,562.08	Out of Rs. 1,427,423 outstanding from consumer bulb loan of DD1, Rs.1,348,454 is relating to Northern Province. This amount is being recovered through consumer bill and some consumer accounts were finalized due to non-payment of electricity bill. Due to that loan recovering is delayed and continues action is being taken to recover the loan amount from the consumers.
DD-02	64,975,662	Out of the sundry debtors of Rs.64.97mn ,12.7mn represented more than 5 years outstanding as at 31.12.2023. 1.57Mn has been recovered during the period of 5 months in 2024 and board paper has been submitted for Mahinda chinthana for Rs. 1.1mn where the decision is still pending.
DD-03	1,199,043,838	Action will be taken to recover the outstanding balances
DD-04	63,370,028	Action will be taken to recover the outstanding balances
Transmission	1,105,030,264	Action will be taken to recover the outstanding balances
HQ	33,858,354	An amount of Rs. 11.38 million is due for security lights for parliamentarians. This amount is currently being negotiated with the Ministry of Power and Energy for recovery. The remaining balance will be written off with the concurrence of the Board of Directors in due course. An amount of Rs. 20.5 million, recognized as POS Counter Deposits & Equipment, has been paid for the establishment of counters (POS) at People's Bank. Headquarters will make the necessary arrangements to transfer the balance to the respective divisions. All other miscellaneous balances will be recovered, and any remaining amounts will be written off from the books of account with the concurrence of the Board of Directors.
Generation	44,744,480	Total Receivable balance over 5 years amounting to Rs.34.43 Mn. This balance consists of two identical balances. • GHQ - Bandula Ranjith Rs.187,449/- This employee was dismissed from the service in the year 2006. However, his PF balance was insufficient to recover his loan balance, and Rs. 187,449 remained unsettled. • LVPP – Stock adjustment amount - Rs. 34,153,686.61 Stock surpluses and shortages of the years before 2021 will be cleared from the stock adjustment account in the year 2024 after receiving the approval of the board.
Projects	427,668,520	Projects Division balance of 427 .68 in the sundry debtor Accounts has been rectified
AM	10,952,338	Action will be taken to recover the outstanding balances

Replies to the Report of the Auditor General (Contd.)

- (iii) **Stock shortages aggregated to Rs.65.81 million relating to all distribution divisions, generation division and asset management division had remained in sundry debtors for over 1 year and out of that stock shortage amounting to Rs.34.15 million related to Lakvijaya Power Plant in Generation division which had remained unsettled for over 5 years. Further, out of the above stock shortages, a sum of Rs.31.66 million had been identified with the responsible officers. Nevertheless, the recovery actions had been taken only for stock losses worth of Rs.2.8 million.**

Store Keeper,

A reminder has been sent to Chief Legal Officer (CEB) to send the list of documents required for filing the case.

Store Keeper

A letter has been sent to Accountant (Pension Fund) to send the total amount of arrears of pension and gratuity due by the Board for the said person as at 2024-09-30 to produce the Board memorandum to the Board as per the Audit Committee Meeting held on 2024-05-30.

LVPP

Balance Comprises from the stock adjustment balance of 34.15Mn will be cleared in 2024 after receiving the approval of the board.

Division	Value	Reply			
DD01	13Mn	Employee	Amount Rs.	Province	Action
		Store Keeper	8,294,535	NP	Legal Branch of CEB has to take action.
		Store Keeper	1,967,080	NCP	Monthly deducting from the salary.
		Store Keeper	30,123	NP	Employee was interdicted.
		Store Keeper	34,300	NP	Fully settled in month of January 2024.
		Electrical Superintendent	224,245	NWP 1	Employee was died. Balance was not enough to recover.
		Store Keeper	839,943	NP	Monthly deducting from the salary.
		Store Keeper	1,595,450	NWP 1	Legal case is pending.
		Total	13,085,676		
DD02	5Mn	The preliminary investigation done, and the report forwarded to AGM (DD 02) by Eastern province, and it has been forwarded to Internal Auditor of CEB. Waiting for the decision to do the necessary adjustments in the ledger.			
DD03	7Mn	Sabaragamuwa Recovery actions are in progress from the existing employees for the stock shortages and actions will be taken to clear the long outstanding non-recoverable amounts.			
DD04	3Mn	SP1 Relevant unit heads were informed of long outstanding matters. After receiving relevant information, actions will be taken.			

- (iv) **A sum of Rs.435.52 million had remained outstanding from 99 government institutions for the supply of lifts, air conditioners and power generators by the asset management Division of the Board as at 31 December 2023. Out of that, a sum of Rs.153.03 million and a sum of Rs.83.41 million had remained outstanding for over one year and five years respectively without being recovered. Further, a sum of Rs.110.5 million had only been made as provision for impairment at the end of the year under review.**

Follow-up actions have been taken to recover the outstanding amount relating to government institutions for the supply of lifts, air conditioners and power generators.

Replies to the Report of the Auditor General (Contd.)

(v) **A sum of Rs. 714.96 million due from Lanka Coal Company through Taurian Iron and Steel Company and Liberty Commodities Ltd had remained outstanding for over six years without being recovered. Gen**

This balance comprises with Rs. 478,179,795.00 related to M/s Taurian Iron and Steel Company and Rs 236,785,639.43 related to Liberty Commodities Ltd. A Cabinet Committee was appointed concerning Taurian Iron and Steel Company dues and the final report was handed over to the Secretary of the Ministry of Ports & Shipping for a settlement. In the case of Liberty Commodities, LCC has commenced an arbitration process. This will be cleared based on the decision of the arbitration process taken by Lanka Coal Company (LCC) against Liberty Commodities Ltd.

Another committee was appointed by the secretary of the Ministry of Power & Energy on 19.06.2024 to submit a report regarding the transaction between Lanka Coal Company and M/s Taurian Iron & Steel Company.

General Manager CEB has also issued a letter dated 10.05.2024 to the Chairman of Lanka Coal Company requesting to settle this long outstanding receivable balance in CEB books of accounts since LCC is fully committed to repaying the financial loss due to non-compliance with CEB's instructions and errors in the formulae in the agreement between LCC and Coal Suppliers.

(vi) **A sum of Rs.241.72 million had remained outstanding from temporary electricity connections given by the Board as at 31 December 2023. Out of that, Rs.189.67 million had remained outstanding for over one year for temporary electricity connections given to government institutions by Colombo city province.**

The Government Installation (GI) Unit, a department responsible for providing services to various government installations like:

- Presidential House
- Temple Trees (Prime Minister's official residence)
- Prime Minister's Office
- Government Hospitals
- Ministry of Finance

Despite the significant value delivered by the GI Unit (Rs. 176 million in services provided for 2024 so far), a major challenge lies in the frequent need to prioritize urgent requests before receiving payment. This pre-payment service is necessary due to the urgency of the work.

While some government institutions, including the National Hospital, Treasury and Department of Motor Traffic, have commendably settled their dues and several others remain outstanding. Despite repeated efforts to collect payment, including meetings and reminder letters, the following government institutions have not yet made arrangements to settle their outstanding.

Government Institutions	Due amount	Payment pending Period
Presidential Secretariat	LKR 333 million	2012 to 2014 and 2018 to 2022
Prime Minister's Office	LKR 60 million	2018 to 2022
Minister of Health (LRH, Castle Hospital)	LKR 18 million	2018 to 2022
Gangarama Temple	LKR 19 million	2011 to 2016

DD-04

Rs 8.3Mn is due from the Ministry of Buddha Sasana and Cultural Affairs for a Sacred Relic exhibition that was held in 2012. The event was fully sponsored by the government and this has been written to the Ministry of Buddha Sasana & Cultural Affairs and the Ministry of Power & Energy separately requesting for funds. However, positive feedback has not been received from both the Ministries. Accordingly, a board paper will be submitted to obtain the approval to write off the dues from religious places.

Replies to the Report of the Auditor General (Contd.)

- (c) **A sum of Rs.1,270.8 million in relation to Deemed Dividend Tax for the year of assessment 2013/14 had not been settled to the Department of Inland Revenue even by the end of the year under review.**

This issue is resolved in 2024. Inland Revenue department finally agreed to resolve this issue accepting the request of CEB to recalculate the deemed dividend tax for the year of assessments Y/A 2009/2010 and Y/A 2010/2011 using accounting profit and deemed dividend tax was reassessed. Meetings to discuss the final payable amount was held at Department of Inland revenue Legacy unit with the participation of IRD officials and CEB officials and it was agreed to reduce the tax credits after applying the accounting profit basis for the calculation of deemed dividend tax for the Y/A 2009/2010 and 2010/2011 from final payable corporate income tax balance from 2007/2008 -2013/2014. Assessments for final payable amount was issued by Inland revenue department and after receiving the board approval CEB have settled this amount (Rs.124,031,790.00) to Inland revenue department in September 2024.

- (d) **As per the report of the Chief Internal Auditor of the board, it was observed that the Board had to incur an approximate loss of Rs.262.6 million to purchase additional private electricity as a result of releasing water in Randenigala & Rantambe reservoirs without generating electricity due to trade union action in 2022. However, no action had been taken to recover the loss from the responsible officers even at the end of the year under review. Further, it was observed that a committee had been appointed by the board of directors on 25 July 2022 and the report had been submitted on 16 November 2022 and on 08 December 2022. However, the board of directors had rejected the report and appointed a new committee on 22 February 2023. Although, the committee had submitted their report to the board of directors on 22 November 2023, the recommendations made by the committee had not been implemented even by the end of May 2024. A sum of Rs.1.23 million had been paid by the Board for the members of the above two committees.**

General Manager has informed all the Heads of Divisions and the CLO, CIA to implement recommendation of the Committee as appropriate.

- (e) **As per the provisions in the draft collective agreement, the board had increased employee salaries by 25 per cent in the year 2021 based on the decision taken by the board of directors on 15 June 2021 in terms of Cabinet Decision 21/0786/318/025 dated 10 May 2021. Accordingly the personnel expenses had been increased approximately by Rs.9,629.9 million in 2021, Rs.6,725.9 million in 2022 and Rs.8,354.7 million in 2023 respectively compared to 2020.**

During the special Board meeting held on June 15, 2021, the Board decided to grant approval to increase the C.E.B. employees' salaries by 25% for the period 2021-2023 with effect from January 2021 in terms of Cabinet Decision /21/0786/318/025 dated 10.05.2021. Further, the Board advised the GM, CEB to issue relevant circular instructions in this regard. Based on the decision of the Board, GM, CEB issued the relevant circular.

- (f) **The following observations are included in the Performance Audit report on Purchasing Containerized Mobile Diesel Generators with an estimated cost of Rs.3,000 million and the amount paid by the board to the contractor as at 31 August 2023 including 10 per cent advance of the contract value of Rs.2,373.32 million. The report had been tabled in parliament on 13 October 2023.**

- (i) **The bidding documents approved by the Technical Evaluation Committee (TEC) appointed by the Department of Public Finance and the Standing Cabinet Appointed Procurement Committee (SCAPC) for commencement of procurements for purchase of the aforesaid generators, has been additionally revised in two instances considering the requests of the bidders. The TEC had notified the Procurement Committee to refrain from making revisions in the conditions maintaining the quality of generators mentioned in the bidding documents as per the requests made by the bidders.**

Agreed with the above statement.

- (ii) **Despite the recommendations made by the TEC, the contract had been awarded to the bidder who had not fill the requirements of the section 23(b) and 23(d) of the special conditions in the bidding documents and non-comply with the percentage of sulphur contained in the fuel with the percentage of sulphur which should be used in generators not for the substantially responsive bidder.**

Agreed with the above statement.

Replies to the Report of the Auditor General (Contd.)

- (iii) **During the inspection of performance of the generators, it was observed that the generators had not been operated for a considerable number of hours due to Forced Outage instances, lack of fuel and lubricants and technical defects etc. Due to technical defects, the generators had not operated for 52,452 hours, 36,120 hours, 57,320 hours and 35,345 hours during the year 2019, 2021, 2022 and 2023 respectively. Further, the total repair cost and the cost of the spare parts incurred during 2020 to 2023 was Rs.245.71 million and Rs.591.88 million respectively.**
There were no outages due to lubrication oil.

- (iv) **The machines were subject to occasional breakdowns due to technical defects and some generators were inactive for long period. According to inspection carried out on 13 November 2023 and the information received to the audit it was observed that the plant availability factor of those machines remained less than 80 percent during the months of July to September in Mathugama site and June in Kolonnawa site in the year 2022 and in the month of August 2023 in Mathugama and Hambanthota site.**

Occasional breakdowns have occurred from time to time. The plant availability factors have been considerably affected by the lack of fuel due to the economic crisis of the country.

- (g) **Following observations are made with regard to the audit of LTL Holdings Ltd.**

- (i) **With the 19th Constitutional Amendment, the audit of public companies came under the purview of the Auditor General and in relation to the audit of LTL Holdings Limited and its subsidiaries, an interim injunction had been obtained on 10 July 2020, against the statutory audit of LTL Holdings Limited through the court case filed by employees' union of LTL Transformers Holdings (Pvt) Limited along with two others in the Honorable Court of Appeal and another court case filed by H.D. Chaminda and 15 others in the Honorable Court of Appeal. In spite of that, by the court order dated 10 October 2022, that obstacle was removed and the audit of that company could have been carried out under my direction in pursuance of provisions assigned to the Auditor General as per the Constitution. However, at that time, my staff had been obstructed the audit of LTL Holdings Limited by citing the interim order obtained from the Commercial High Court against holding the special general meeting that was proposed to be held to remove the auditors appointed in the annual general meeting of the said company. Due to the above facts, the audit of that company could not be carried out under my direction from the year 2020 to 2023.-**

Action has been taken by CEB to refer this matter to Ministry of Energy.

- (ii) **According to the Cabinet decision taken on 01 January 2024, it was decided at the board meeting of the Electricity Board held on 01 February 2024 to transfer 28 percent of the 63 percent share capital of LTL Holdings Limited for the settlement of part of the dues to the West Coast (Pvt) Limited by the Electricity Board. Accordingly, 919,517,200 numbers of shares were transferred to Westcoast (Private) Limited by LTL Holdings Limited on 07 February 2024 for a consideration of Rs.26.08 billion. However, legal clearance had not been obtained from Hon. Attorney General with regard to the crossholding in accordance with Section 72 of the Companies Act No.07 of 2007. Further, all the liabilities to LTL Holdings Ltd and its subsidiaries had not been settled by the Electricity Board as instructed by the Secretary to the Ministry of Finance, Economic Stabilization and National Policies and the Director General of Public Enterprises in his observations**

As per the Sec. 72 (1) of the Companies Act, No 07 of 2007 the Cross holding is defined as follows,

" A company which is a Subsidiary of another company

Shall not acquire shares in the holding company

May continue hold any shares in the holding company acquired by the Subsidiary before it became a subsidiary of the holding company , but may not exercise any right to vote which attach to those shares. "

As per the above definition, WPCL was not a subsidiary of any company. However the legal opinion was obtained by the company concerned from their corporate lawyers.

LTL and its subsidiaries are involved in various business transactions with CEB ongoing basis. LTL is the sole transformer and galvanizing provider to CEB. Further LTL has several subsidiaries that have power plants which sell power to CEB ongoing basis. CEB enjoys agreed credit period in these transactions and those are disclosed in current liabilities, long term liabilities , finance leases , contingent liabilities and goods in transit accounts at any given point of time. The balance given in the query represents only some segments of the overall contractual

Replies to the Report of the Auditor General (Contd.)

and other obligations of the CEB to LTL holdings and its subsidiaries. These liabilities are settled by CEB on an ongoing basis. Therefore, it is not possible to settle all liabilities before the share transfer.

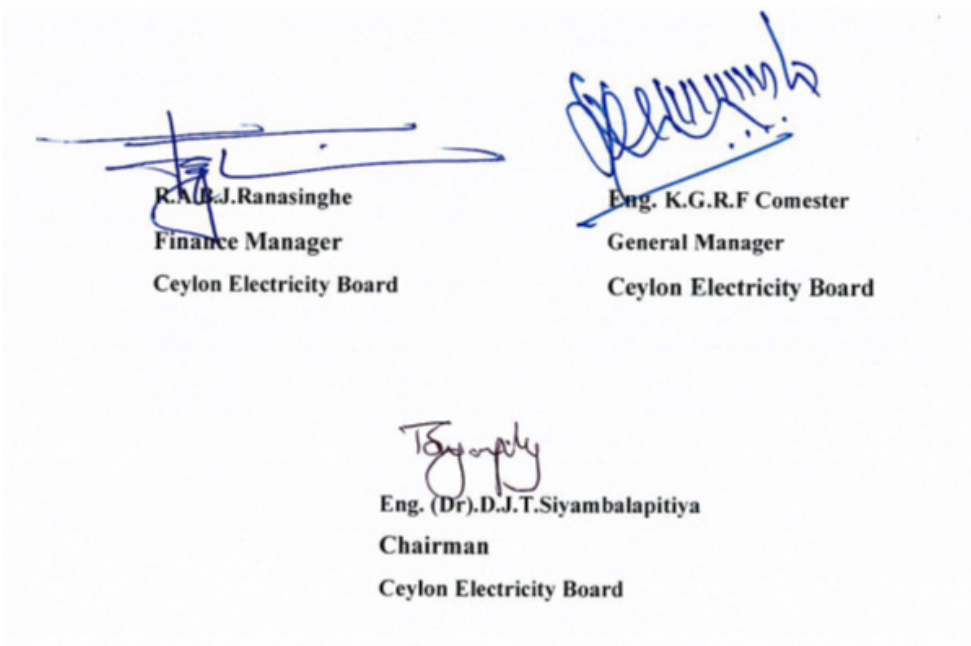
- (iii) **The approval of the Board of Directors of LTL Holdings Limited and full approval granted by the Board of Directors of Ceylon Electricity Board for the realization of shares had not been communicated to the Treasury before commencing the share transfer process as instructed by the Minister of Justice, Prison Affairs and Constitutional Reforms.**

Treasury owned the majority of WPCL and Treasury representatives are present in both WCPL and CEB board meetings. The board of directors of CEB and WPCL extensively discussed the share transfer prior to granting their approvals. The relevant board decisions were communicated to the Treasury by CEB letter dated 11th March 2024.

Subsequently, a meeting was held by the Deputy Secretary to the Treasury with the Secretary, Ministry of Power and Energy, the Chairman CEB and Director General, Director & Assistant Director of the Department of public Enterprises to appraise the completion of the share transaction process. The conclusive meeting minute sent by the department of public Enterprises of the ministry of finance is submitted to the audit.

- (iv) **Further, the soft version of the financial statements with detailed workings was not provided to audit in order to verify the accuracy of account balances in the financial statements at the end of the year under review.**

GM (CEB) have informed (letter reference no CEB/FM/AFM(Corp)/Acct (con)/GA-2023 date: November 07th 2024) Chairman- LTL Holdings Ltd to provide the soft copy of the Financial Statements of LTL Holdings Limited as at 31st December 2023, along with the relevant links , at their earliest convenience in order to carry out the Group Audit for the year 2023.



R.A.B.J. Ranasinghe
Finance Manager
Ceylon Electricity Board

Eng. K.G.R.F Comester
General Manager
Ceylon Electricity Board

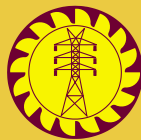
Eng. (Dr).D.J.T.Siyambalapitiya
Chairman
Ceylon Electricity Board

Abbreviations

AC	- Air Conditioner	FS&PD	- Functional Strategy & Process Development
ADB	- Asian Development Bank	FSUR	- Floating Storage and Regasification Unit
AFM	- Additional Finance Manager	GC	- Grid Connected
AGM	- Additional General Manager	GEF	- Global Environment Facility
AIIB	- Asian Infrastructure Investment Bank	GE T&D	- General Electric Transmission & Distribution
AVR	- Automatic Voltage Regulator	GIS	- Gas Insulated Substation
AWPLR	- Average Weighted Prime Lending Rate	GOSL	- Government of Sri Lanka
B&OS	- Business & Operational Strategy	GPDEIIP	- Green Power Development & Energy Efficiency Improvement Investment Program
BOC	- Bank of Ceylon	GS	- Grid Substation
BOO	- Build-Own-Operate	GSM	- Global System for Mobile Communication
BOQ	- Bill of Quantities	GT	- Gas Turbine
BSC	- Breaker Switched Capacitors	HES	- Head-End System
BSTA	- Bulk Supply Transaction Account	HR	- Human Resource
CA	- Corporate Affairs	HRM	- Human Resource Manager
C&C	- Commercial & Corporate	HVDC	- High Voltage Direct Current
CE	- Chief Engineer	IBC	- Intermediate Bulk Containers
CEB	- Ceylon Electricity Board	IDR	- Issuer Default Rating
CEMS	- Continuous Emission Monitoring Systems	IEEE	- Institute of Electrical and Electronics Engineers
CERT	- Computer Emergency Readiness Team	IESL	- Institution of Engineers Sri Lanka
CIMA	- Chartered Institute of Management Accountants	IPG	- Internet Payment Gateway
CMDS	- Circulars, Manuals and Documents System	IPO	- Initial Public Offering
COPE	- Parliamentary Committee on Public Enterprises	IPP	- Independent Power Producers
CP	- Central Province	IT	- Information Technology
CPC	- Ceylon Petroleum Corporation	ITI	- Industrial Technology Institute
CPD	- Continuous Professional Development	JICA	- Japan International Cooperation Agency
CS	- Corporate Strategy	KPI	- Key Performance Indicators
CS&RA	- Corporate Strategy and Regulatory Affairs	KPS	- Kelanitissa Power Station
CSC	- Consumer Service Center	KCCP	- Kelanitissa Combined Cycle Power Plant
CSR	- Corporate Social Responsibility	LC	- Letter of Credit
CVT	- Capacitive Voltage Transformer	LECO	- Lanka Electricity Company (Pvt.) Ltd.
DBB	- Double Busbar	LKAS	- Lanka Accounting Standards
DD1	- Distribution Division 1	LKR	- Sri Lankan Rupee
DD2	- Distribution Division 2	LOI	- Letter of Intent
DD3	- Distribution Division 3	LNG	- Liquefied Natural Gas
DD4	- Distribution Division 4	LTL	- Lanka Transformer Limited
DGM	- Deputy General Manager	LTSH	- Low Temperature Super-Heater
DGM(P)	- Deputy General Manager (Personnel)	LV	- Low Voltage
DGEU	- Department of Government Electrical Undertakings	LVPP	- Lakvijaya Power Plant
DJPS	- Dakunu Janani Power Station	MBA	- Master of Business Administration
DOAS	- Differential Optical Absorption Spectroscopy	MEPA	- Marine Environmental Protection Authority
DS	- District Secretariat	MIV	- Main Inlet Valve
EGC	- Employees Grievances Committee	MLKR	- Million Sri Lankan Rupees
EIAR	- Environmental Impact Assessment Study Report	MLTS	- Middle Level Technical Staff
EMU	- Environmental Monitoring Unit	MOI	- Ministry of Irrigation
FD	- Fix Deposit	MT	- Metric Ton
FIE, SL	- Fellow Member of Institution of Engineers, Sri Lanka	MV	- Medium Voltage
FIET, UK	- Fellow Member of Institution of Engineering and Technology, United Kingdom	MVA	- Mega Volt-Amperes
		MYPs	- Mathugama Yatadola Power Station

Abbreviations

NARA	- National Aquatic Resources Research and Development Agency	SCADA	- Supervisory Control and Data Acquisition
NCP	- North Central Province	SESRIIP	- Supporting Electricity Supply Reliability Improvement Project
NCRE	- Non-Conventional Renewable Energy	SLAS	- Sri Lanka Administrative Service
NGO	- Non-Governmental Organization	SLFRS	- Sri Lanka Financial Reporting Standards
NSB	- National Savings Bank	SLIDA	- Sri Lanka Institute of Development Administration
NSCC	- National System Control Centre	SLTB	- Sri Lanka Transport Board
NVQ	- National Vocational Qualification	SMS	- Short Message Service
NWP	- North Western Province	SP	- Southern Province
OEM	- Original Equipment Manufacture	SPPA	- Standardized Power Purchase Agreement
PCB	- Polychlorinated Biphenyl	ST	- Steam Turbine
PD	- Project Director	SVS	- Static Var System
PEA	- Provincial Environment Authority	TL	- Transmission Line
PMU	- Project Management Unit	UK	- United Kingdom
POP	- Persistent Organic Pollutants	UNT	- Uniform National Tariff
PPA	- Power Purchase Agreement	UNIDO	- United Nations Industrial Development Organization
PP	- Power Plant	UOMDP	- Uma Oya Multipurpose Development Project
PS	- Power Station	URL	- Uniform Resource Locator
PUCSL	- Public Utilities Commission of Sri Lanka	USA	- United States of America
PV	- Photovoltaic	USD	- United States Dollar
QR	- Quick Response	VAT	- Value Added Tax
R&D	- Research & Development	WPN	- Western Province North
RCL	- Regional Centre for Lighting	WPS	- Western Province South
RE	- Rural Electrification	WRB	- Water Resource Board
RT	- Rooftop	WTG	- Wind Turbine Generator
SAIDI	- System Average Interruption Duration Index		
SAIFI	- System Average Interruption Frequency Index		



CEYLON ELECTRICITY BOARD
Colombo 00200, Sri Lanka
www.ceb.lk