Annual Report

January 2021 - December 2021

Sri Lanka Energies (Pvt) Ltd
11th Floor
Sethsiripaya stage II
Battaramulla,

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01. Corporate Information

Sri Lanka Energies Private Limited (SLE) was established in 2012 as a wholly owned subsidiary of the Ceylon Electricity Board (CEB). This corporation primarily focuses on renewable energy project building, operation, and maintenance, and serves as CEB's accessory manufacturing arm, representing the Sri Lankan government (GOSL). SLE has broadened its market segmentation to include both domestic and international markets, thanks to product diversification and the completion of relevant research and feasibility studies on sustainable energy projects in accordance with CEB standards.Two mini hydro power plants, a meter enclosure manufacturing facility, a manpower service division, and an ongoing aluminum project are all managed by SLE.

SLE has two minor hydro power plants: the Kumbalgamuwa mini hydro power plant in Belihuloya, Balangoda, and the Deduruoya mini hydro power plant in Deduruoya, Kurunegala. SLE is also working on a few additional mini hydro power projects.

SLE has created a new section to give support to its parent company (CEB) by supplying experienced people who are well-suited for the industrial sector through SLE's Manpower Service. SLE also serves as the CEB and Lanka Electricity Company (Pvt) Ltd's exclusive home energy meter enclosure manufacturer (LECO). Additionally, SLE has started the construction work of the plant for the SCRAP Aluminium Recycling project, which will also be sold to CEB at the end. SLE has earned a reputation for offering outstanding service to their clients thanks to the availability of a state-of-the-art factory with sophisticated Injection Molding Technologies and competent workers.

1.1 Engineering Division

Operation Division

Smooth, profitable and quality production is a successful achievement of the Operation Division which is in line with the level of contribution that it provides to SLE. It ensures that the production is completed from start to finish in a predetermined successful manner. Head of Operations in SLE is responsible for managing almost all the activities in the process of production as well as supplying of services. Operation process monitoring, designing and development of the operating systems for effective output, planning, control, performance improvement, asset management and effective finance management can be identified as the key segments of operation division.

When considering the Operation Division of SLE, four ongoing operations can be listed down as below.

1. Deduruoya Mini Hydro Power Plant -Energy Generation / Hydro Power
2. Kumbalgamuwa Mini Hydro Power Plant -Energy Generation / Hydro Power
3. Meter Enclosure Manufacturing Plant - Production using Injection Moulding
4. Manpower Services Division - Supplying of Manpower Service

Deduruoya Mini Hydro Power Plant

Deduruoya Reservoir project was implemented with the purpose of multiple functions as irrigation, water supply and electricity generation. Once this potential availability of hydro power energy was identified, SLE collaborated with the Department of Irrigation to make this course of work success. The project was successfully commissioned in January 2021, and handed over to the nation. This Project is located at Katuwannawa Grama Niladhari Division of Maho in Kurunegala District in North Western Province. The main intention of this project is to provide green energy to the national electricity grid, reducing the fossil fuel energy generation in the country.

Technical Details of Deduruoya Mini Hydro Power Plant

Capacity	1.343 MW
Annual Average Energy	3.8 GWh

This saves an outflow of Rs.100 million per annum where Sri Lanka has to spend on fossil fuels.

Kumbalgamuwa Mini Hydro Power Plant

This is located in Kumbalgama Grama Niladhari Division of Imbulpe, Divisional Secretariat Division and Imbulpe Pradeshiya Sabha area in Ratnapura District, in the Sabaragamuwa Province. This project has been contributing to the economy since 2016 and this plant focuses on generation of 1.2Mw of electricity by utilizing the water that is leaking from Samanalawewa Reservoir.

Technical Details of Kumbalgamuwa Mini Hydro Power Plant

Capacity	1.276 MW
Annual Average Energy	6.0 GWh

The generated power will be added to the national electricity grid and finally to cater for the increasing power demand within the country. As mentioned above, hydro power is green energy and it contributes to reducing greenhouse gasses. This project has raised the country's energy efficiency by using renewable generation.

Meter Enclosure Manufacturing Plant

Meter enclosure is a type of polycarbonate compartment that is fixed to a wall to cover the household electricity energy meters. According to CEB standards, the metering units must be enclosed safely using transparent meter enclosures. Further it should provide the required protection to the metering units from unfavorable environmental conditions and unauthorized human contact. MEMP is located in Galigamuwa Divisional Secretariat Division, Sabaragamuwa Province in Kegalle District.

With the above intention, a plant at Galigamuwa was established by SLE and as a Meter Enclosure Manufacturing Plant (MEMP) to supply polycarbonate meter enclosures as per the needs of CEB and LECO. This plant has been in operation since 2017. Additionally, this plant is located inside an industrial zone. Due to that reason all the basic requirements such as transportation, water and electricity were fulfilled easily.

Scrap Aluminium Recycling Project

Scrap Aluminum Recycling project can be identified as one of the economic as well as the environment friendly project initiated by Sri Lanka Energies (Pvt) Ltd and this includes the process of recycling the Scrap Aluminum of Ceylon Electricity Board and manufacturing of Aluminum Rods. Currently Sri Lanka Energies (Pvt) Ltd is in a process of collecting the scrap aluminum from island wide CEB Depots and the establishment of Plant and Nanneriya, Galgamuwa, Sri Lanka.

Man Power Services Division

The main objective of setting up this division by SLE, is to provide suitable employees for the requirements of Parent Entity (CEB) and its subsidiaries.

Going deeper into this process, this service was started in 2015 and provides its contribution in the current context also in a considerable manner.

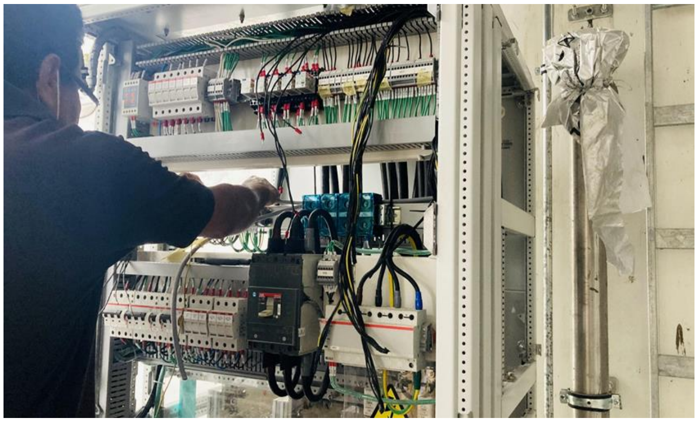
1.2 Projects Division

Projects division is responsible for defining and maintaining a standard for project management within the organization. When a new project is initiated from the new business development division, the responsibility of the project execution is conducted by the projects division. The main focus of the project division is given as follows; Manpower planning, Materials planning, Procurement planning, Designing, Project funds and petty cash management, Construction , Meeting the milestones, Reviewing the project focus, Stick to the project timeline, Installation and commissioning of equipment.

1.3 Electrical Engineering Division

Electrical Engineering division is responsible for all the electrical related design, installation, operation, maintenance and commissioning related works of SLE. Starting from procurement planning, specification preparation, supply chain management and coordination with local as well as foreign stakeholders as appropriate are performed by this department.

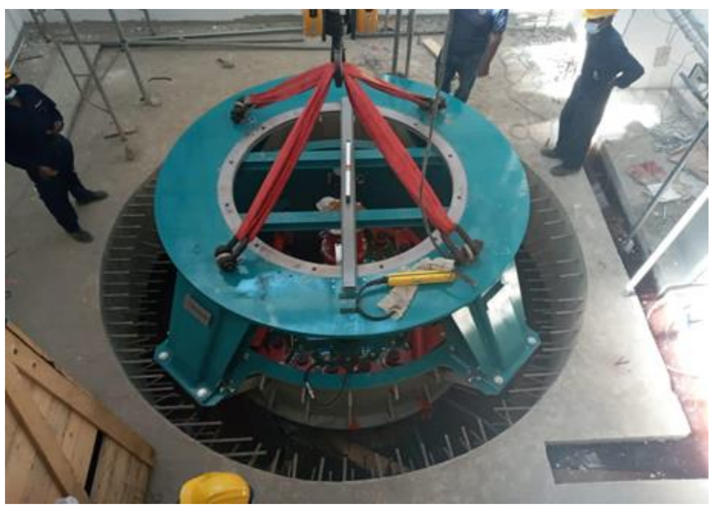
Through the experiences gathered from previous projects, SLE consisted with a competent team of electrical engineers where the commissioning of Deduru Oya Mini Hydro Power project was totally controlled as an in-house project including panel installation, cabling and commissioning. This resulted in considerable knowledge gaining for the team of engineers and avoided costs for the outsourced consultants.



1.4 Mechanical Engineering Division

The Mechanical Engineering division focuses on design, operation, maintenance and commissioning of mechanical related all aspects of SLE. Starting from the design stage, machine installation, smoothing the operational procedure, procurement planning and coordinating with local and foreign stakeholders as appropriate are performed by this department.

This department serves for each and every overhaul of power plants as well as all the maintenance work related to the machinery at MEMP. This resulted with periodic equipment service as an in-house method without proceeding with further maintenance agreements with the machinery suppliers and other outsource competencies.



1.5 Civil Engineering Division

The Civil Engineering division consists mainly of the design and construction related works of SLE and its subsidiaries. SLE has the experience of designing and constructing the civil structures by themselves without offering contracts to third parties. Even the Deduruoya Mini Hydro Power Plant was established with the knowledge and experience of the Civil Engineers team of SLE which avoided the cost of being outsourced.

For the development of Hydro Power Plants, SLE team of Civil Engineers have taken the lead of conducting the surveys with their own available technology and developing the feasibility reports with their own.

1.6 Business Development and R&D Division

Business development and R&D division focus on creating long-term value for an organization through customers, markets, developments and relationships. This division focuses on doing research and identifying new business opportunities including; new market research, analyzing growing areas, identifying market gaps and planning for favorable opportunities. After a new business concept is identified by this division, the pre-feasibility study and the financial analysis is also performed.

As in every organization who is in commercial operation, SLE develops its own R & D center for its own betterment of the future. The R & D team under SLE focuses on performing new research and new developments, which improves the performance of the operating plants and factories as well as the quality of the business of SLE as a whole. This department engages with continuous development of improving the outcomes of the operating plants & factories, developments related to the ongoing projects which are in the planning stage and construction stage. Moreover, Project management system and document management system are currently used at SLE.

1.7 HR development Framework

Human Resource Development Unit performs a major role in SLE, by handling many functions regarding the company's human resource. These crucial functions can be classified as recruitment & selection, training the workforce, performance management and handling specific performance issues, learning & development, succession planning, compensation and benefits, HR information systems, HR data and analysis, employee safety and health and maintaining employee and labor relations.

Furthermore, the company has developed an HRIS system, which helps to perform HR activities electronically

1.8 HRIS System

A HRIS, which is also known as a human resource information system or human resource management system (HRMS), is basically an intersection of human resources and information technology through HR software. This allows HR activities and processes to conduct through the online platform.

To put it another way, a HRIS may be viewed as a way, through software, for businesses big and small to take care of a number of activities, including those related to human resources, accounting, management, and payroll. A HRIS allows a company to plan its HR costs more effectively, as well as to manage those costs and control them without needing to allocate too many resources toward it.

Performance Evaluation

SLE is following a format when evaluating the performance of the company employees. This evaluation is usually done once a year. Based on the results of these evaluations, the performance appraisals such as bonuses and increments are given. Further, when granting promotions, the results of this performance evaluation will also be taken into consideration.

Compensation and benefits

Offering compensations and other benefits to employees will be based on their performances. It will encourage the employees to bring the best at the workplace. In SLE, there are ways that SLE offers compensation benefits to our employees. Those methods can be mentioned as below,

- Insurance under NITF
- Annual bonuses
- Paying gratuities as performance appreciation
- Sponsoring employees in field training
- Medical scheme

Health and Safety

All workers are entitled to work in environments where risks to their health and safety are properly controlled. Under health and safety law the primary responsibility for this is down to employers. The decisions about the health and safety matters will be taken by SLE, by coordinating with the employees and their family members. As a highly reputed company, the employees are strongly protected by the labor law and regulations. Moreover, SLE has its own medical scheme, which will be beneficial for the employees.

Training and Development

SLE focuses on the training and development of its employees in many ways. Professional development and career guidance programs are encouraged and sponsored by the company, for the betterment of the employees and their self-development. These programs are concentrated for many aspects including engineering, management, law and safety.

Moreover, physical training for all the employees are arranged annually which covers firefighting, annual trips, leadership and team building events. Moreover, adhering to serve the society, SLE offers training opportunities for undergraduate students, students from technical colleges as well as clerical trainees in a wide variety of contexts.

Involvement in Legal matters

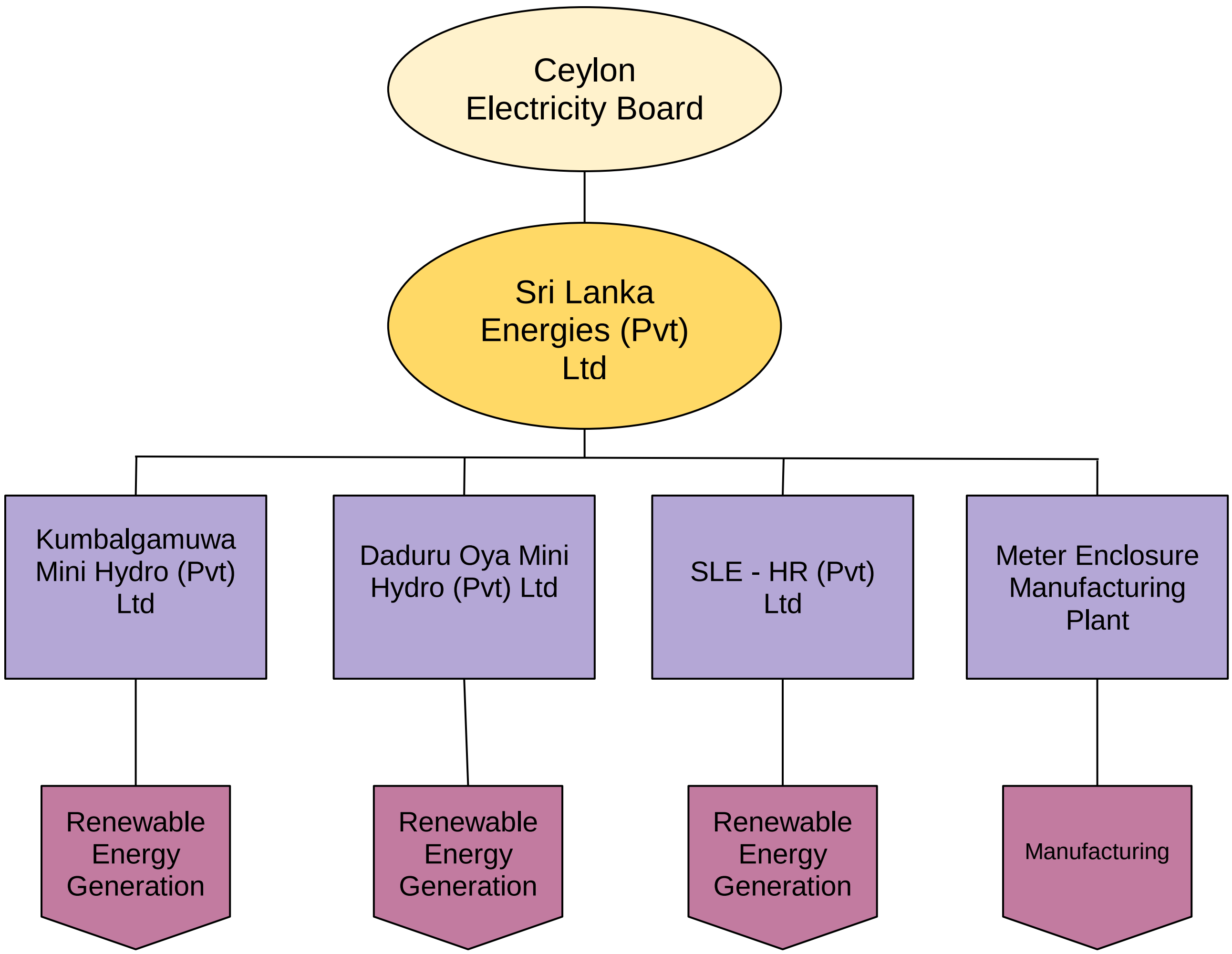
This division is responsible for the involvement of legal matters related to SLE. Any court cases related to the company are handled by this division. Moreover this includes, licensing activities, handling employee termination, handling contract agreements and dealing with intellectual property rights.

1.9 FINANCE DIVISION

Finance is one of the major pillars of any organization and an essential ingredient to a successful business. Nowadays, a finance department has a broad range of roles to carry out within or outside an organization. The performance and success of any company greatly depend on how well the finance is handled. Keeping a close watch on the financing function is very important for the smooth operation of a company.

The Finance Department is the part of an organization that is responsible for acquiring funds for the firm, managing funds within the organization and planning for the expenditure of funds on various assets. It is the part of an organization that ensures efficient financial management and financial control necessary to support all business activities.

02. Group Composition



03. Vision & Mission

Vision

To be a significant contributor to the sustainable energy development that cares for both people & planet for a better tomorrow

Mission

Encourage the growth of sustainable energy to tackle climatic changes and bring social and economic benefits to millions

04. Board of Directors

Mr. H.N.V. Herath

Mr. N.S. Ilangakoon

Chairman

Mr. M.M.C. Ferdinando

Director

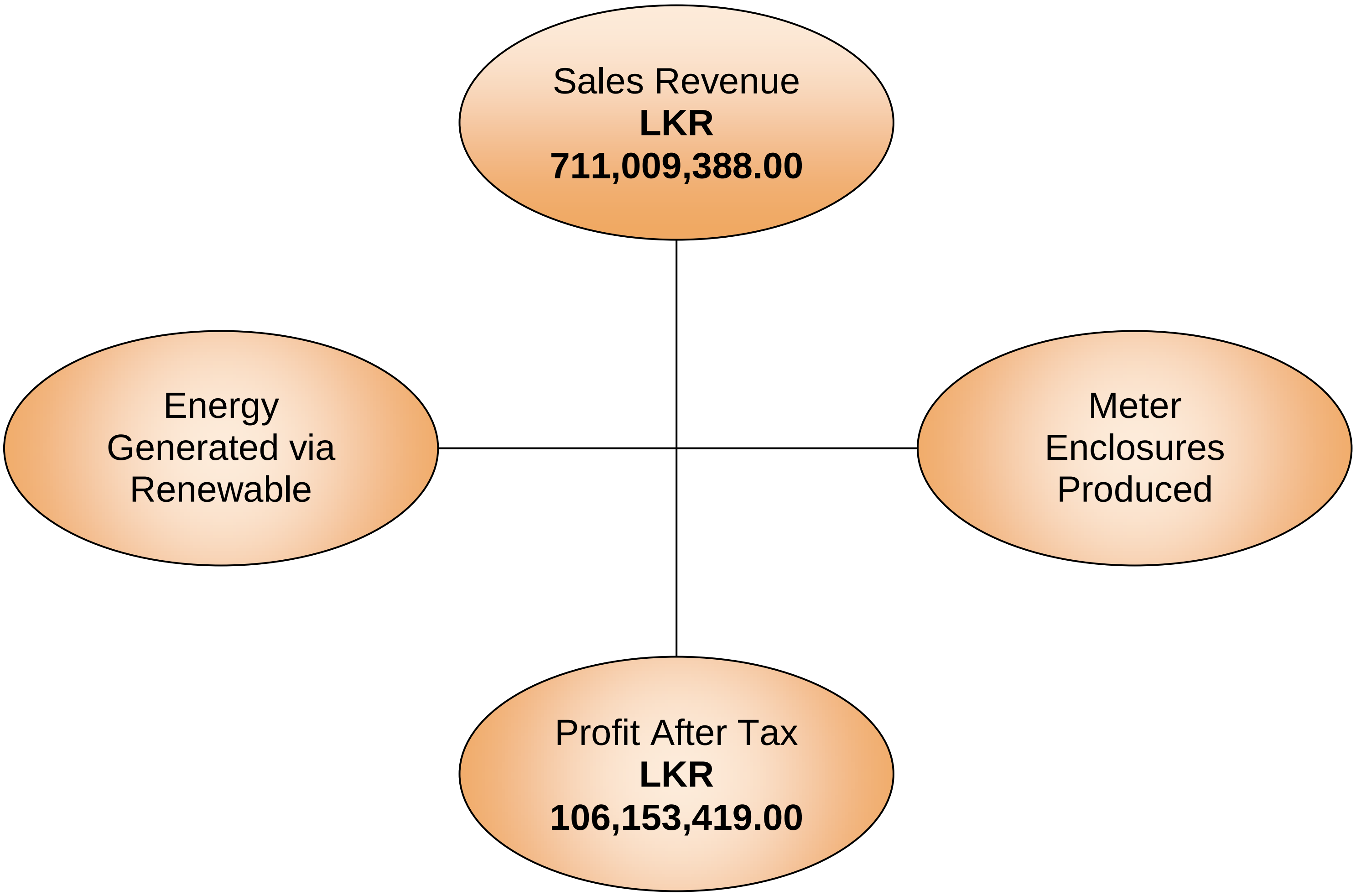
Mr. D. P. C. E. Peiris

Director

Mr. N.W. Kumudinie Herath

Director

05. Group Highlights



06. Annual Statement of Audited Financials

Sri Lanka Energies (Private) Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		Group		Company	
		2021	2020	2021	2020
ASSETS	**Note**	**Rs.**	**Rs.**	**Rs.**	**Rs.**
Non-Current Assets					
Property, Plant and Equipment	3	825,227,577	624,020,652	76,233,573	91,832,411
Investment in Subsidiaries	13	-	-	140,646,003	140,646,003
Intangible Assets	4	141,847	8,448	141,275	-
Defferd Tax Asset		55,621	55,621	28,999	28,999
Investment in Bric Project	5	2,660,000	2,660,000	2,660,000	2,660,000
		828,085,046	626,744,721	219,709,851	235,167,413
Current Assets					
Fixed Deposit	16	54,694,269	52,866,838	54,694,269	52,866,838
Advance for Machinary		-	98,062,502	-	-
Inventory	6	91,744,607	14,188,026	91,744,608	14,188,026
Trade and Other Receivables	7	178,694,540	113,385,075	73,948,854	62,808,570
Amounts Due from Related Parties	12	2,067,813	-	152,096,661	107,819,940
Cash at Cash Equivalents	8	38,431,638	12,408,594	13,017,914	3,606,560
		365,632,866	290,911,036	385,502,306	241,289,934
Total Assets		1,193,717,912	917,655,757	605,212,156	476,457,347
EQUITY AND LIABILITIES					
Stated Capital	9	154,910,010	154,910,010	154,910,010	154,910,010
Share Application Money Received		20,000,000	20,000,000	20,000,000	20,000,000
Accumulated Profit/(Loss)		210,308,236	104,154,816	(43,619,965)	(74,208,638)
Total Equity		385,218,246	279,064,826	131,290,045	100,701,372
Non Current Liabilities					
Borrowigs	10	388,952,695	392,897,419	47,002,696	82,647,419
Retirement Benefit Liability	15	5,055,220	3,623,534	5,055,220	3,623,534
		394,007,915	396,520,953	52,057,916	86,270,953
Current Liabilities					
Trade and Other Payables	11	266,664,401	106,413,436	181,081,646	41,944,498
Income Tax Provision	17	66,772,898	45,560,157	40,427,303	30,767,722
Borrowigs	10	62,688,658	63,149,227	14,688,658	30,149,227
Bank Overdraft	8	10,102,963	17,959,844	10,102,963	17,926,546
Amounts Due to Related Party	12	8,262,830	8,987,314	175,563,625	168,697,029
		414,491,750	242,069,978	421,864,194	289,485,022
Total Equity and Liabilities		1,193,717,912	917,655,757	605,212,156	476,457,347

These financial statements are in compliance with the requirements of the Companies Act No.7 of 2007

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Finance Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the board by:

.... Director

.... Director

The accounting policies and notes on following pages are an integral part of the Financial Statements.

16/03/2022

Colombo

Sri Lanka Energies (Private) Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

		Group			Company		
	Note	2021 Rs.	2020 Rs. Restated	2020 Rs.	2021 Rs.	2020 Rs. Restated	2020 Rs.
Revenue	14	711,009,388	512,704,928	512,704,928	410,214,850	323,765,340	323,765,340
Cost of Sales		(456,059,286)	(311,193,432)	(270,550,441)	(312,160,881)	(206,984,393)	(166,365,092)
Gross Profit		254,950,103	201,511,496	242,154,487	98,053,969	116,780,947	157,400,248
Direct Project Expenses		-	-	(40,642,991)	-	-	(40,619,301)
Administrative Expenses		(81,165,832)	(50,001,931)	(50,001,931)	(54,323,355)	(42,628,004)	(42,628,004)
Finance Expenses	22	(49,558,479)	(46,634,610)	(46,634,610)	(12,195,463)	(6,464,154)	(6,464,154)
Finance Income		2,505,469	4,626,471	4,626,471	2,062,313	4,396,904	4,396,904
Other Income		634,899	250,697	250,697	6,650,789	4,029,488	4,029,488
Profit / (Loss) before Tax		127,366,160	109,752,124	109,752,124	40,248,253	76,115,183	76,115,183
Income Tax provision	17	(21,212,741)	(23,404,339)	(23,404,339)	(9,659,581)	(21,641,131)	(21,641,131)
Profit/(Loss) after Tax for the Year	22	106,153,419	86,347,784	86,347,784	30,588,672	54,474,052	54,474,052
Other Comprehensive Income			-	-	-	-	-
Total Comprehensive Income		106,153,419	86,347,784	86,347,784	30,588,672	54,474,052	54,474,052

The accounting policies and notes on following pages are an integral part of the Financial Statements.

Sri Lanka Energies (Private) Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2021

Group

	Stated Capital Rs.	Share Application Money Rs.	Accumulated Losses Rs.	Total Rs.
Balance as at 31 December 2019	154,910,010	20,000,000	17,807,032	192,717,042
Profit / (Loss) for the Year	-	-	86,347,784	86,347,784
Balance as at 31 December 2020	154,910,010	20,000,000	104,154,816	279,064,826
Profit / (Loss) for the Year	-	-	106,153,419	106,153,419
Balance as at 31 December 2021	154,910,010	20,000,000	210,308,235	385,218,245

Company

	Stated Capital Rs.	Share Application Money Rs.	Accumulated Losses Rs.	Total Rs.
Balance as at 31 December 2019	154,910,010	20,000,000	(128,682,689)	46,227,321
Profit / (Loss) for the Year	-	-	54,474,052	54,474,052
Balance as at 31 December 2020	154,910,010	20,000,000	(74,208,637)	100,701,373
Profit / (Loss) for the Year	-	-	30,588,672	30,588,672
Balance as at 31 December 2020	154,910,010	20,000,000	(43,619,965)	131,290,045

The accounting policies and notes on following pages are an integral part of the Financial Statements.

Sri Lanka Energies (Private) Limited

STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	Note	Group Period from 01 January 2021 to 31 December 2021 Rs.	Group Period from 01 January 2020 to 31 December 2020 Rs.	Company Period from 01 January 2021 to 31 December 2021 Rs.	Company Period from 01 January 2020 to 31 December 2020 Rs.
Cash Flows from / (Used in) Operating Activities					
Profit/(Loss) Before Tax		127,366,160	109,752,124	40,248,253	76,115,183
Adjustments for,					
Adjustments for prior reporting period					
Finance Cost		49,558,479	46,634,610	12,195,463	6,464,154
Depreciation	3	68,672,799	52,367,094	21,373,811	20,636,742
Amortization	4	24,101	164,711	16,225	156,833
Operating Profit before Working Capital Changes		245,621,539	208,918,539	73,833,753	103,372,912
Increase/ (Decrease) in Trade and other receivables		(65,309,465)	(5,349,688)	(11,140,285)	4,051,081
Increase / (Decrease) in Amount Due from Related Party		(2,067,813)	-	(44,276,721)	(96,427,715)
Increase / (Decrease) in inventory/Fixed Deposit/Advance		18,678,491	41,863,477	(79,384,011)	89,550,718
Increase / (Decrease) in Retirement Benefit		1,431,686	1,174,567	1,431,686	1,174,573
Increase / (Decrease) in Amount Due to Related Party		(724,485)	257,152	6,866,596	13,245,953
Increase/ (Decrease) in Trade and other Payables		160,250,968	(97,599,940)	139,137,148	(100,847,660)
Net Cash Flows From Operating Activities		357,880,921	149,264,107	86,468,166	14,119,862
Cash Flows Used in Investing Activities					
Acquisition of Property, Plant and Equipment	3	(269,879,730)	(82,782,787)	(5,774,973)	(19,441,141)
Acquisition of Intangible Asstes	4	(157,500)	-	(157,500)	-
Investment in subsidiaries		-	-	-	-
Net Cash Flow Used in Investing Activities		(270,037,230)	(82,782,787)	(5,932,473)	(19,441,141)
Cash Flows from Financing Activities					
Proceeds from Loans		83,200,000	-	-	-
Repayment of Loans		(87,605,292)	(42,080,654)	(51,105,292)	(14,580,654)
Finance Cost		(49,558,479)	(46,634,610)	(12,195,463)	(6,464,154)
Net Cash Flows From Financing Activities		(53,963,771)	(88,715,264)	(63,300,755)	(21,044,808)
Net Increase in Cash and Cash Equivalents		33,879,920	(22,233,944)	17,234,938	(26,366,087)
Cash and Cash Equivalents at the Beginning of the Period		(5,551,249)	16,682,695	(14,319,987)	12,046,100
Cash and Cash Equivalents at the End	8	28,328,671	(5,551,249)	2,914,951	(14,319,987)

The accounting policies and notes on following pages are an integral part of the Financial Statements.

07. Segmental Analysis of Sri Lanka Energies (Pvt) Ltd Group Revenue Amounts in LKR (,000)

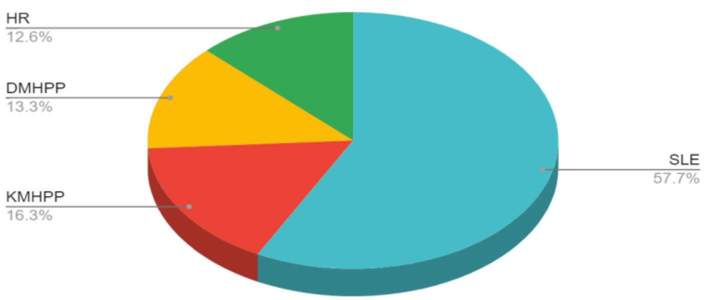
Revenue	SLE	%	KMHPP	%	DMHPP	%	HR	%	Total	%
Year Ended 31 Dec 2021	410,214	57.69%	116,107	16.34%	94,780	13.33%	89,905	12.64%	711,006	100%
Year Ended 31 Dec 2020	323,765	63.15%	115,197	22.47%	-	0%	73,742	14.38%	512,704	100%
Year Ended 31 Dec 2019	395,291	75.75%	106,274	20.37%	-	0%	20,269	3.88%	521,834	100%

*SLE - Sri Lanka Energies (Pvt) Ltd - Parent Entity

*KMHPP - Kumbalgamuwa Mini Hydro (Pvt) Ltd - Subsidiary

*DMHPP - Daduru Oya Mini Hydro (Pvt) Ltd - Subsidiary

*HR - SLE - HR (Pvt) Ltd - Subsidiary



08. Auditor General Opinion on the Financial Statements

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

My No. PWR/B/SLE/FS/2021/25 | Your No. | Date 11 November 2022

The Chairman
Sri Lanka Energies (Private) Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of Sri Lanka Energies (Private) Limited for the year ended 31 December 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018

The above mentioned report together with the audited financial statements is sent herewith.

W.P.C. Wickramaratne
Auditor General

Copies to: - 1. The Secretary, Ministry of Power and Energy

2. The Secretary, Ministry of Finance, Economic Stabilization and National Policies

SRI LANKA ENERGIES (PVT) LTD
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The Chairman

Sri Lanka Energies (Private) Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Sri Lanka Energies (Private) Limited and its subsidiaries for the year ended 31 December 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

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1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Sri Lanka Energies (Private) Limited ("Company") and its subsidiaries ("Group") for the year ended 31 December 2021 comprising the statement of financial position as at 31 December 2021 and the statement of profit and loss and other 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 significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018.My report to the Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statement of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 December 2021, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standard.

1.2 Basis for Qualified Opinion

(a) As per the financial statements, the building of meter enclosure factory of the Company valued at Rs.39,638,800 had not been depreciated since 01 January 2018.

(b) According to the paragraph 79(b) of Sri Lanka Accounting Standard LKAS 16- Property, Plant & Equipment, the Company should disclose the gross carrying amount of fully depreciated property, plant and equipment that still in use. However, the Company had not disclosed the total cost of fully depreciated property, plant & equipment amounting to Rs.19,214,335 that were in use.

(c) Income tax provision of the Company had been computed as 24 per cent of the profit before tax. As per the financial statements, the accumulated income tax provision as at 31 December 2021 was Rs. 40,427,303, and the provision for income tax for the year 2021 was Rs. 9,659,581. However, the Company had not prepared an income tax computation in accordance with the provisions in Inland Revenue Act No.24 of 2017 and its amendments.

(d) According to the paragraph 20 of Sri Lanka Accounting Standard LKAS 07-Statement of Cash Flows, under the indirect method, the net cash flows from operating activities to be determined by adjusting profit or loss for the effect of non-cash items. However, the Company had adjusted the change of retirement benefits amounted to Rs.1,431,686 under the working capital changes instead of being adjusted as a non-cash item.

(e) The Company had not disclosed information about the carrying amounts held in different classifications of inventories in the financial statements as per the paragraph 37 of Sri Lanka Accounting Standard on Inventories (LKAS 02).

(f) According to the financial statement of the Company as at 31 December 2021, unidentified payable balances of EPF and ETF amounting to Rs.357,495 and Rs.32,908 respectively were observed in audit.

(g) The company had not claimed the long outstanding WHT receivable balance amounting to Rs. 2,120,524 against the income tax payable as at the end of the year under review. Further, the WHT certificates were not made available to audit.

(h) The company had not taken proper actions to identify and clarify an un-identified deposits amounting to Rs.7,114,988 which had been accumulated since 2019 and shown under trade and other payables in the financial statements.

(i) The Company had not taken adequate actions to clear the balance of un-identified payments amounting to Rs.2,156,356 shown in the financial statements as at 31 December 2021.

(j) The balance confirmation relating to the balance payable to the Ceylon Electricity Board amounting to Rs. 8,262,820 was not made available to audit.

(k) According to the financial statements of the Company, closing balance of Sampath Bank was Rs.72,052,267. However, the balance confirmed by the Sampath Bank was Rs.71,430,255 and no action had been taken to reconcile the difference of Rs. 622,012 between two balances.

(l) Proper actions had not been taken by the Company to settle the long outstanding accrued balance of Rs.729,992 shown in the financial statements .

(m) The Company had not taken actions to activate or to close the dormant account in People's Bank . The balance in the inactive account as at the end of the year under review was Rs. 736,930.

(n) The accuracy of the retirement benefit obligations as at the end of the year under review amounting to Rs. 5,055,220 could not be ascertained in audit since computation schedules had not provided for audit.

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 Group's 2021 Annual Report.

The other information comprises the information included in the 2021 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after 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.

When I read the Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

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 intends 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 Company 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 for the Company and 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 scepticism 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 Company 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 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

2.1.1 Except for the effects 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 Company as per the requirement of section 163(2) of the Companies Act, No. 7 of 2007 and 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.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.2 (a), (c), (e), (f), and (g) 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 Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause 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 Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12(f) of the National Audit Act, No. 19 of 2018 ,except for;

	Reference to law/ direction	Description
(a)	Inland Revenue Act, No. 24 of 2017	The duly completed returns along with the schedules and any other required documents should be submitted to the Inland Revenue Department on or before the 30November subsequent to the end of the year of assessment. However, the Company had not submitted Income tax returns since the incorporation of the Company in year 2011.
(b)	Public Enterprises Circular No. PED /12 of 02 June 2003 and Public Enterprises Circular No. PED/45 dated 02 October 2007.	Approved financial statements along with the draft performance report should be rendered to the Auditor General within 60 days after the close of the financial year. However, the financial statements for the year 2021 had been submitted to the Auditor General on 05 April 2022.

2.2.3 to state that the Company 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.

2.2.4 to state that the resources of the Company 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.

2.5 Other Matters

(a) The Group had invested a sum of Rs.7,364,447 as at 31 December 2014 to build a factory for manufacturing and selling of cement based products using fly ash and bottom slag with a joint venture with Amtrad Holdings (Private) Limited. However, the joint venture agreement had been terminated and the asset had been remained idle due to non-availability of a business partner. According to the valuation report of the Department of Valuation, the assessment of the property was shown as Rs. 2,660,000 by 31 May 2019. However, it was unable to obtain sufficient and appropriate evidence on the recoverability of the costs incurred by the Company.

(b) The Company had engaged in a business to produce and supply of meter enclosures to the Ceylon Electricity Board and Lanka Electricity Company (Pvt) Limited. However, according to the information made available to audit, there were no any business agreement or MOU entered in to between the two parties.

W.P.C. Wickramaratne

Auditor General

09. Replies to the Report of Auditor General

Report of the Auditor General on the Consolidated Financial Statements of the Ceylon Electricity Board and its Subsidiaries for the year ended 31 December 2021 in terms of Section 12 of the National Audit Act, No. 19 of 2018

<u>1.2.1.2 (at Audit Query - Sri Lanka Energies (Pvt) Ltd</u>

Reply already made by Sri Lanka Energies (Pvt) Ltd for the Draft Audit Opinion report is as follows.

(a)Meter Enclosure factory of Sri Lanka Energies (Pvt) Ltd consist with two major components including factory building and injection molding machineries. Among these two, injection molding machineries and rest of the equipment have been depreciated from the point that they were available for use. Only the factory building need to be depreciated and this will be adjusted accordingly.

(b)Will adhere to this and disclose accordingly in next time.

(c)The financial statement of the Sri Lanka Energies (Pvt) Ltd was finalized with an income tax provision of 24% from the profit before tax. This provision was made for the purpose of finalizing the annual financial statements till the final income tax computation is conducted from the inception of the company. Currently under the process of finalizing the same.

(d)This is Noted and will rectify the same as mentioned.

(e) Please refer to the note number 06 under the F/S where the classification has been made for inventories as per LKAS 02 by classing the finish product, WIP and raw materials separately.

(f)This is Noted and will rectify the same as mentioned.

(g)This is Noted and adhere to this in next time

(h) Most of this has been cleared by identifying the deposit of Rs. 3,416,970.00 which was received from NWP DGM Office of CEB for the meter enclosure sales. Rest also will be cleared in due course.

(i) This payment was identified soon after the finalization of annual financials and this payment was a Bill of Lading Settlement by the bank directly in accordance with the Letter of Credit for the importation of Electro Mechanical Equipment for the establishment of Deduru Oya Power Plant.

(j) Request were sent for all the material balance confirmations and didn't receive any confirmation from any of the CEB Branch even for the Meter enclosure sales also.

(k)This is Noted and will rectify the same as mentioned.

(l) Actions will be taken to settle these outstandings

(m) Actions have been taken by the board of directors to re-activate this bank account.

(n) This matter is noted and will take necessary actions to avoid these errors in future.

2.5 Other Matters

(a) With the decision by the BOD-SLE, Request letters were communicated to CEB in this regard and to handover the same to CEB. Several discussions were already completed and advised by the Secretary of Ministry of Power to conduct internal investigation in this regard and BOD-SLE has obtained the decision to kand over this task to Chief Internal Auditor of CEB.

(b) Sri Lanka Energies (Pvt) Ltd is 100% owned subsidiary of CEB and this is a inhouse business and selling price will be determined according to a pricing formula established by both SLE,CEB and LECO in year 2017.

10. Performance Update – SLE Group

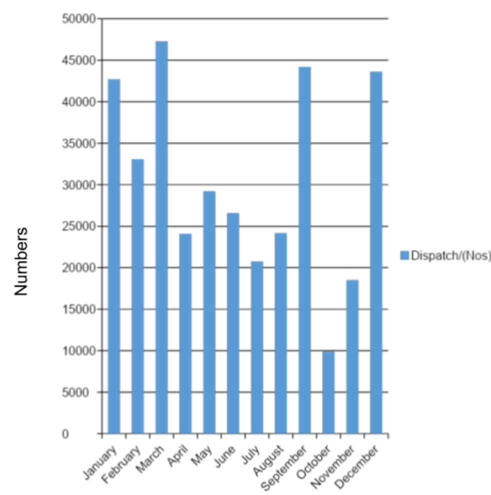
10.1. Performance of Meter Enclosure Manufacturing Plant (MEMP)

Meter Enclosure Manufacturing Plant

Product	-Domestic Energy Meter Enclosure
Material	-Polycarbonate (PC)
Plant Capacity	-500,000 units / year

Monthly dispatch over last one year period

Year	Month	Dispatch/(Nos)
2021	January	42700
	February	33070
	March	47267
	April	24078
	May	29200
	June	26575
	July	20750
	August	24155
	September	44210
	October	9880
	November	18500
	December	43610
	Total	363995



10.2. Performance of Kumbalgamuwa Mini Hydro Power Plant (KMHPP)

Kumbalgamuwa Mini Hydro Plant

Capacity	1.2 MW
Plant Head	40 m
Channel Length	2.5 km

Plant Summary, Dec - 2021

Description	Dec - 21
Energy supply to the Grid (kWh)	531,820
Plant Factor (%)	56.02
Plant Availability (%)	98.89
Income Mn. LKR	9.50

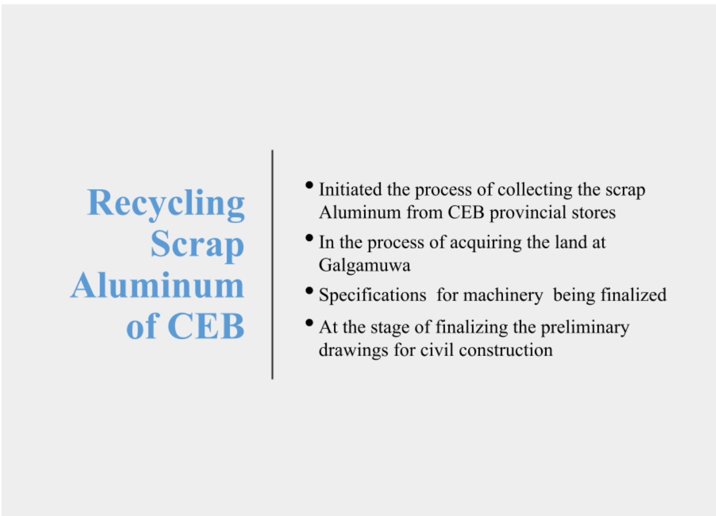
10.3 Performance of Daduru Oya Mini Hydro Power Plant (DMHPP)

Plant Summary, Dec - 2021

Description	Dec - 2021
Energy supply to the Grid (kWh)	786,834
Plant Factor (%)	82.88
Plant Availability (%)	99.25
Income Mn. LKR	13.6

11. Forecasted Segmentation Expansions for 2022 – 2023

11.1 Scrap Aluminium Recycling Project



With the concerns to mitigate the damage to the environment and also to make these Scrap Aluminum in a manner that will worthwhile to the Ceylon Electricity Board, Sri Lanka Energies (Pvt) Ltd is in a process of establishing a plant for Scrap Aluminum Recycling and manufacturing Redraw Rods for the future use of Ceylon Electricity Board. This will facilitate the Sri Lankan economy also by mitigating the burden against the Dollar requirement to import the Aluminum.

11.2 Re-Installation of Hambantota Wind Farm Project

Re-Installation of Hambantota Wind Farm

- Total Capacity – 3 MW
- Number of turbines – 5 (600kW x 5)
- Expected Annual Energy – 5

Steering Committee study is finalizing and for next board meeting the proposal will be submitted to the Board.

11.3 Project of Issuing Certificates for the safety of Elevators and Escalators