# Annual Report

January 2018 - December 2018

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

**Kumbalgamuwa Mini Hydro Power Plant**

This is located in KumbalgamaGramaNiladhari Division of Imbulpe, Divisional Secretariat Division and ImbulpePradeshiyaSabha 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.

**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 DeduruOya 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**

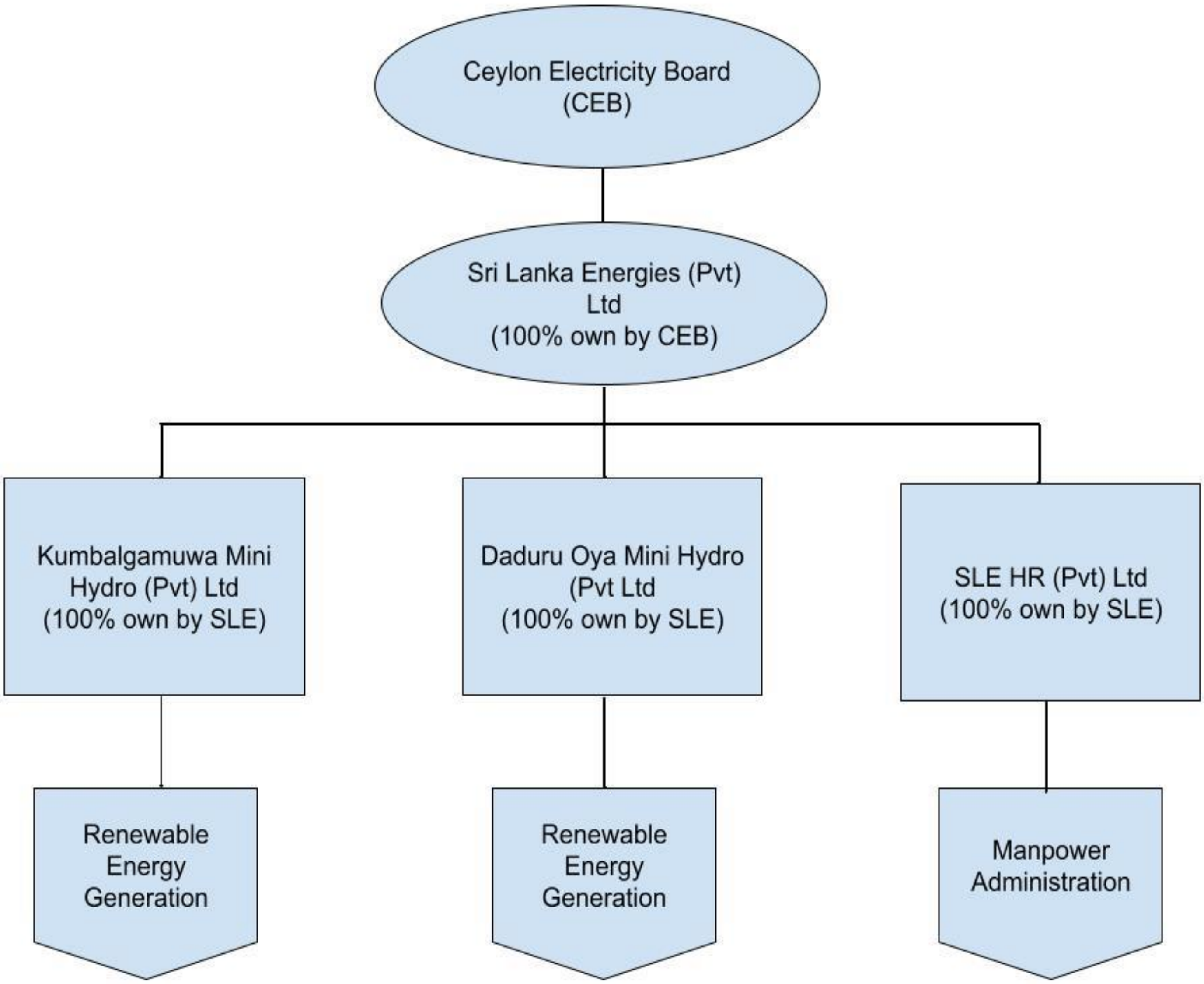
This division is responsible for the involvement of legal matters related to SLE. Any court cases related to the company are handled by this division. Moreover this includes, licensing activities, handling employee termination, handling contract agreements and dealing with intellectual property rights.

## 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



# 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**

**Eng.Vijitha Herath**

Chairman

**Mr. Nalinda Sampath Ilangakoon**

Director

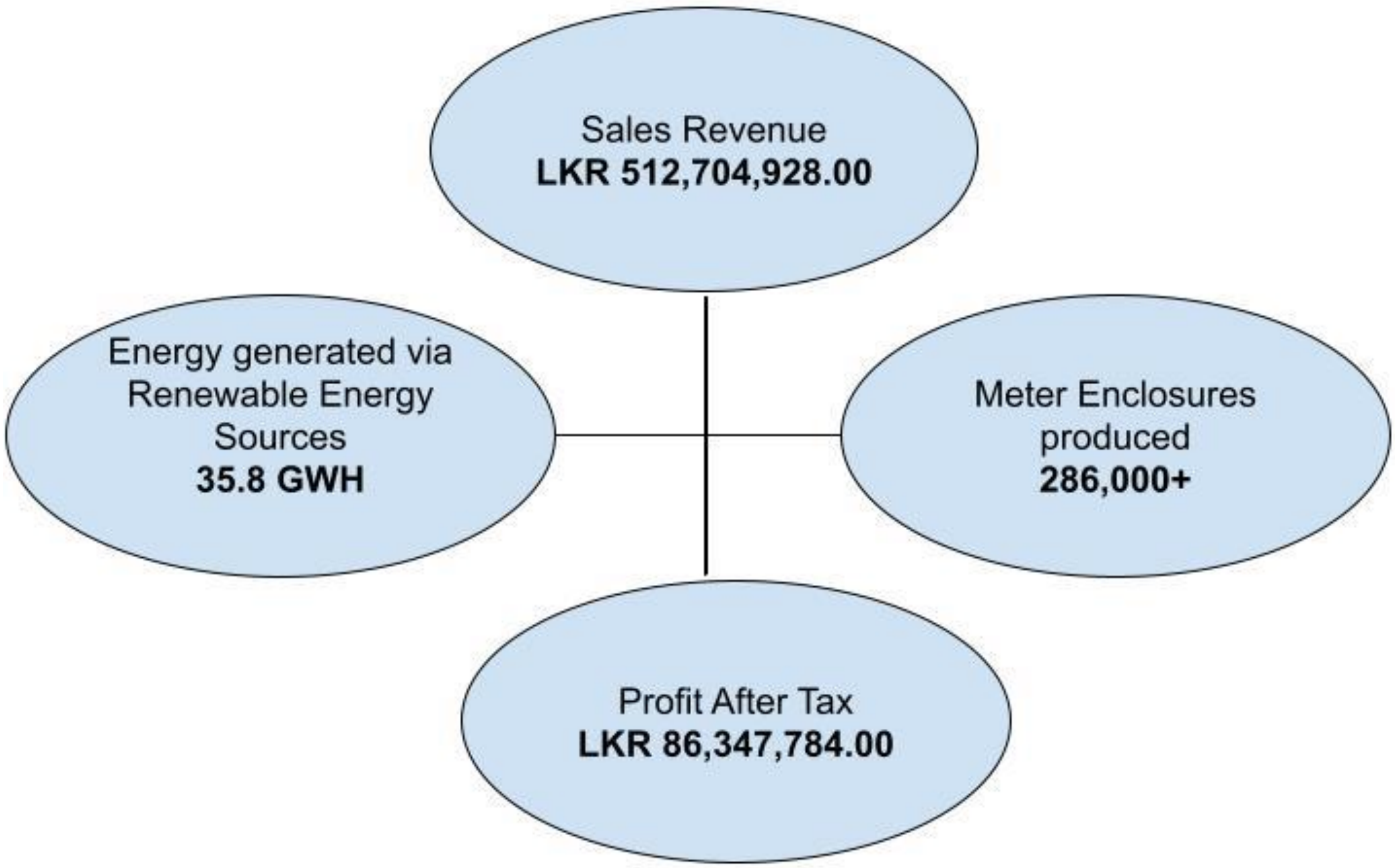
**Mr. M. R. Ranathunga**

Director

**Mr. D. P. C. E. Peiris**

Director

## 05. Summary of Annual performance update 2018



# 06. Annual Statement of Audited Financials

## Sri Lanka Energies (Private) Limited

## STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2018 | 2017 | 2018 | 2017 |
| **Assets** | | **Rs.** | **Rs.** | **Rs.** | **Rs.** |
| **Non-current assets** | | | | | |
| Property, plant and equipment | | 624,020,652 | 593,604,954 | 91,832,411 | 93,028,012 |
| Investment in subsidiaries | | - | - | 140,646,003 | 140,646,003 |
| Intangibles Assets | | 8,448 | 173,158 | - | 156,833 |
| Deferred tax assets | | 55,621 | 55,621 | 28,999 | 28,999 |
| Investment in Bric Project | | 2,660,000 | 2,660,000 | 2,660,000 | 2,660,000 |
| | | 626,744,721 | 596,493,733 | 235,167,413 | 236,519,847 |
| **Current Assets** | | | | | |
| Fixed Deposits | | 52,866,838 | 49,618,109 | 52,866,838 | 49,618,109 |
| Advances for machinery | | 98,062,502 | 50,375,261 | - | - |
| Inventory | | 14,188,026 | 106,987,473 | 14,188,026 | 106,987,473 |
| Trade and other receivables | | 113,385,075 | 108,035,387 | 62,808,570 | 66,859,652 |
| Amounts due from related parties | | - | - | 107,819,940 | 11,392,225 |
| Cash and cash equivalents | 8 | 12,408,594 | 21,999,964 | 3,606,560 | 17,056,377 |
| | | 290,911,036 | 337,016,195 | 241,289,934 | 251,913,837 |
| **Total assets** | | 917,655,757 | 933,509,929 | 476,457,347 | 488,433,684 |
| | | | | | |
| **EQUITY AND LIABILITIES** | | | | | |
| Stated Capital | 9 | 154,910,010 | 154,910,010 | 154,910,010 | 154,910,010 |
| Shared application amount received | | 20,000,000 | 20,000,000 | 200,000,000 | 20,000,000 |
| Accumulated Profit/(Loss) | | 104,154,816 | 17,807,032 | (74,208,638) | (128,682,689) |
| Total Equity | | 279,064,826 | 192,717,042 | 100,701,372 | 46,227,321 |
| | | | | | |
| **Non-current liabilities** | | | | | |
| Borrowings | | 392,897,419 | 427,696,900 | 82,647,419 | 84,546,900 |
| Retirement benefit liability | | 3,623,534 | 2,448,961 | 3,623,534 | 2,448,961 |
| | | 396,520,953 | 430,145,861 | 86,270,953 | 86,995,861 |
| **Current Liabilities** | | | | | |
| Trade and other payables | 11 | 106,413,436 | 204,013,375 | 41,944,498 | 142,792,158 |
| Income tax provisions | 17 | 45,560,157 | 22,155,819 | 30,767,722 | 9,126,591 |
| Borrowings | 10 | 63,149,227 | 70,430,400 | 30,149,227 | 42,860,400 |
| Bank overdraft | 8 | 17,959,844 | 5,317,269 | 17,926,546 | 5,010,277 |
| Amounts due to related party | 12 | 8,987,315 | 8,730,162 | 168,697,029 | 155,451,076 |
| | | 252,069,978 | 310,647,026 | 189,485,022 | 355,210,503 |
| **Total Equity and Liabilities** | | 917,655,757 | 933,509,929 | 476,457,347 | 488,433,684 |

# STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

| | | **Group** | | **Company** | |
|---|---|---|---|---|---|
| | | **2018** | **2017** | **2018** | **2017** |
| | **Note** | **Rs.** | **Rs.** | **Rs.** | **Rs.** |
| Revenue | 14 | 512,704,928 | 521,835,317 | 323,765,340 | 395,291,314 |
| **Cost of sales** | | (270,550,441) | (282,892,769) | (166,365,092) | (229,796,623) |
| **Gross Profit** | | 242,154,487 | 238,942,548 | 157,400,248 | 165,494,682 |
| Direct project expenses | | (40,642,991) | 40,422,175 | (40,619,301) | (40,401,480) |
| Administrative expenses | | (50,001,931) | 67,466,871 | (42,628,004) | (60,566,424) |
| Finance Expenses | 22 | (46,634,610) | 78,170,371 | (6,464,154) | (23,807,722) |
| Finance income | | 4,626,471 | 5,222,480 | 4,396,904 | 4,694,933 |
| Other income | | 250,697 | 1,321,555 | 4,029,488 | 1,321,555 |
| **Profit/(Loss) before Tax** | | 109,752,124 | 59,427,166 | 76,115,183 | 46,735,544 |
| Income Tax Provision | | (23,404,339) | (6,315,638) | (21,641,131) | (6,034,599) |
| **Profit/(Loss) after Tax for the year** | **22** | 86,347,784 | 53,111,528 | 54,474,052 | 40,700,945 |
| Other comprehensive income | | - | - | - | - |
| **Total comprehensive income** | | 86,347,784 | 53,111,528 | 54,474,052 | 40,700,945 |

# STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

| **Group** | **Stated Capital** | **Share Application Money** | **Accumulated Losses** | **Total** |
|---|---|---|---|---|
| | **Rs.** | **Rs.** | **Rs.** | **Rs.** |
| Balance as at 31 December 2016 | 154,910,010 | 20,000,000 | (35,304,496) | 139,605,514 |
| Profit/(Loss) for the Year | - | - | 53,111,528 | 53,111,528 |
| Balance as at 31 December 2017 | 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 2018 | 154,910,010 | 20,000,000 | 104,154,784 | 279,064,826 |

| **Company** | **Stated Capital** | **Share Application Money** | **Accumulated Losses** | **Total** |
|---|---|---|---|---|
| | **Rs.** | **Rs.** | **Rs.** | **Rs.** |
| Balance as at 31 December 2016 | 154,910,010 | 20,000,000 | (169,383,634) | 5,526,376 |
| Profit/(Loss) for the Year | - | - | 40,700,945 | 40,700,945 |
| Balance as at 31 December 2017 | 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 2018 | 154,910,010 | 20,000,000 | (74,208,638) | 100,701,372 |

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

# STATEMENT OF CASH FLOWS

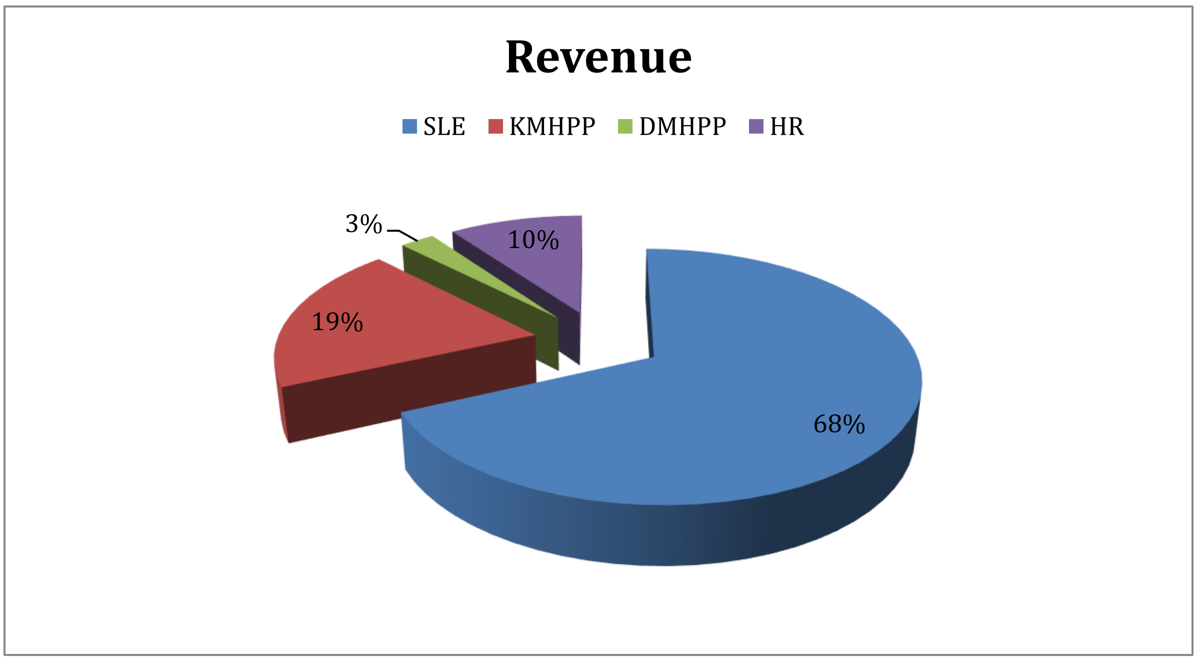
Year ended 31 December 2018

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | Period from January 01, 2018 to December 31, 2018 | Period from January 01, 2017 to December 31, 2017 | Period from January 01, 2018 to December 31, 2018 | Period from January 01, 2017 to December 31, 2017 |
| | | Rs. | Rs. | Rs. | Rs. |
| **Cash flows from (used in) operating activities** | | | | | |
| Profit/(Loss) before Tax | | 109,752,124 | 59,427,166 | 76,115,183 | 46,735,544 |
| Adjustments for, | | | | | |
| Adjustments for prior reporting periods | | | | | |
| Financial cost | | 46,634,610 | 78,170,371 | 6,464,154 | 23,807,722 |
| Depreciation | 3 | 52,367,094 | 50,175,929 | 20,636,742 | 19,691,543 |
| Amortization | 4 | 164,711 | 215,941 | 156,833 | 212,575 |
| Adjustment for Impairment | | - | 4,704,447 | - | 4,704,447 |
| **Operating profit before Working Capital Changes** | | 208,918,538 | 192,693,854 | 103,372,912 | 95,151,831 |
| Increase/ (decrease) in trade and other receivables | | (5,349,688) | (42,369,025) | 4,051,081 | (21,442,054) |
| Increase/ (decrease) in amount due from Related Party | | - | (0) | (96,427,715) | (691,245) |
| Increase/ (Decrease) in Inventory/Fixed Deposits/Advance | | 41,863,477 | (157,313,215) | 89,550,718 | (106,937,953) |
| Increase/ (decrease) in retirement benefits | | 1,174,567 | 962,573 | 1,174,573 | 962,573 |
| Increase/ (decrease) in amount due to related party | | 257,152 | (925,170) | 13,245,953 | (13,698,950) |
| Increase/ (decrease) in trade and other payables | | (97,599,940) | 135,082,467 | (100,847,660) | 129,315,720 |
| Net cash flows from operating activities | | 149,264,107 | 128,131,484 | 14,119,862 | 82,659,922 |
| **Cash flows used in investing activities** | | | | | |
| Acquisition of property, plant and equipment | 3 | (82,782,787) | (12,138,413) | (19,441,141) | (2,671,411) |
| Acquisition of intangible assets | 4 | - | (19,691) | - | - |
| Investment in Subsidiaries | | - | - | - | (44,364,140) |
| Net cash flow used in investing activities | | (82,782,787) | (12,158,104) | (19,441,141) | (47,035,551) |
| **Cash flows from financial activities** | | | | | |
| Proceeds from loans | | - | 10,906,153 | | 10,906,155 |
| Repayment of Loans | | (42,080,654) | (43,179,682) | (14,580,654) | (12,869,664) |
| Finance cost | | (46,634,610) | (78,170,371) | (6,464,154) | (23,807,722) |
| Net cash flows from financing activities | | (88,715,264) | (110,443,900) | (21,044,808) | (25,771,231) |
| **Net increase in cash and cash equivalents** | | (22,233,944) | 5,529,480 | (26,366,087) | 9,853,140 |
| Cash and cash equivalents at the beginning of the period | | 16,682,695 | 11,153,215 | 12,046,100 | 2,192,961 |
| **Cash and cash equivalents at the End** | 8 | (5,551,249) | 16,682,695 | (14,319,987) | 12,046,100 |

## 07. Segmental Analysis of Sri Lanka Energies (Pvt) Ltd Group Revenue

| **Revenue** | **SLE** | **%** | **KMHPP** | **%** | **HR** | **%** | **Total** | **%** |
|---|---|---|---|---|---|---|---|---|
| Quarter Ended 30 June 2018 | 229,265 | 64.39% | 48,217 | 13.54% | 43,119 | 12.11% | 356,059 | 100% |
| | | | | | | | | |
| Year Ended 31 Dec 2017 | 323,765 | 63.15% | 115,197 | 22.47% | 73,742 | 14.38% | 512,704 | 100% |
| | | | | | | | | |
| Year Ended 31 Dec 2016 | 395,291 | 75.75% | 106,274 | 20.37% | 20,269 | 3.88% | 521,834 | 100% |

* SLE - Sri Lanka Energies (Pvt) Ltd – Parent Entity
* KMHPP - Kumbalgamuwa Mini Hydro (Pvt) Ltd - Subsidiary
* HR - SLE HR (Pvt) Ltd - Subsidiary



## 08. Auditor General Opinion on the Financial Statements


ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය
எனது இல.
My No. POE/D/SLE/FS/2020/07

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date 28 September 2021

**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 2018 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 and the consolidated financial statements of the Company and its Subsidiaries for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 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 significant 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. My report to 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 statements 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 2018, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### 1.2 Basis for Qualified Opinion

(a) According to paragraph 37 of the Sri Lanka Accounting Standard on Inventories (LKAS 02), the Company shall disclose the information about the carrying amounts held in different classifications of inventories. However, the Company had not disclosed different classifications of inventories in the financial statements.

(b) As per paragraph 118 (a) and (b) of the Sri Lanka Accounting Standard (LKAS) 38 – Intangible Assets, the Company shall disclose whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortization rate used and the amortization method used for intangible assets with finite useful lives. However, the Company had not presented the required disclosures in the financial statements.

(c) As per Note No. 07 in the financial statements, the Withholding tax receivable outstanding amount over two years was Rs. 2,120,524. However, the WHT certificate were not made available for audit perusal.

(d) Documentary evidences were not available to the audit for a sum of Rs. 13,861,600 of electronic fund Transfers.

(e) As per paragraph 79 (b) of the Sri Lanka Accounting Standard (LKAS 16) – Property, Plant and Equipment, the Company shall disclose the gross carrying amount of any fully depreciated property, plant and equipment that is still in use. However, I was observed Rs. 9,573,376 amount of fully depreciated asset and the Company had not presented the required disclosures in the financial statements.

(f) The Company had not taken action to clear the suspense account balance of Rs. 2,218,582 exist as at 31st December 2018 in the financial statements of the year under review.

(g) A sum of Rs. 729,992 shown in the financial statements as accrued expenditure as at end of the year under review are remained over three years without been settled. However, no action had been taken to settled the outstanding balance.

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 Company's 2018 Annual Report.

The other information comprises the information included in the Company's 2018 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 Company's 2018 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

As per Section 16(1) of the National Audit Act No. 19 of 2018, the Company is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Company.

### 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 Company's internal control.

- 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 Company'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 Company 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.

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 effect of the matters described in the Basis for Qualified Opinion paragraph, 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) (d) 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 of the Company comply with the requirement of section 151 of the Companies Act, No. 07 of 2007.

2.1.3 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.

2.1.4 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.

2.2 Based on the procedures performed and evidence obtained wich 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 Laws, Rules and Regulations etc. | Non-compliance |
|---|---|
| ---------------------------------------------- | ---------------------- |

| | | |
|---|---|---|
| (a) | Inland Revenue Act, No. 24 of 2017 | The duly completed return along with the schedule and any other required documents should be submitted to the Inland Revenue Department on or before the 30th November subsequent to the end of the year of assessment. However, the Company had not submitted any Income tax returns since the incorporation of the Company in year 2015. |
| (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 2018 had been submitted to the Auditor General on 28th April 2018. |

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

## 2.3 Other Matters

(a) The Group has invested Rs. 7,364,447 as at 31 December 2014 to build a factory for manufacture and sale of cement based products using fly ash and bottom slag with joint venture, Amtrad Holdings (Private) Limited. However, the joint venture agreement has been terminated and the asset has been idling due to non-availability of a business partner. According to the valuation report of the Department of Valuation, the assessment of the property was Rs. 2,660,000 by 31 May 2018 and difference was impaired. It was unable to obtain sufficient appropriate evidence on the recoverability of the costs incurred in this regard.

(b) The Company had engaged in produce of meter enclosures and supply the product to Ceylon electricity board and Lanka Electricity (Pvt) Limited. However, any agreement or MOU had not been submitted to audit relating to the production of meter enclosures.

## 09. Replies to the Report of Auditor General

**Reply for the observations made under the Annual Audit of Sri Lanka Energies (Pvt) Ltd for the year ended 31 December 2018**

| Reference Number under Audit Draft Opinion | Reply by Sri Lanka Energies (Pvt) Ltd |
|---|---|
| **1.2(a)** | Value of the inventories stated under the Financial Statement are related to the Meter Enclosure Manufacturing of SLE and this value is basically consisted of meter Enclosures. This will be detailed and adhere to this best practice from next time onwards. |
| **1.2(b)** | Will adhere to this best practice in future. |
| **1.2(C)** | Will adhere to this best practice in future. |
| **1.2(d)** | Each and every payment was proceeded with properly approved documents and if the each payments dates and values can be provided in detail, we will be able to sought out this doubt. |
| **1.2(e)** | Will adhere to this best practice in future. |
| **1.2(f)** | Actions will be taken to rectify this immediately |
| **1.2(g)** | Actions will be taken to rectify this immediately |
| **2.3(a)** | With the approval BOD-SLE, This was communicated to CEB to handover the said building at Norocholai to CEB. |
| **2.3(b)** | MOU was not signed and this is one of the in-house business causes SLE is 100% owned subsidiary of CEB |

## 10. Project plans related to increasing the performance of the organization for the year 2019 – 2021

### 10.1. Scrap Aluminum Recycling Project

**Recycling Scrap Aluminum of CEB**

- Pilot Testing was done successfully
- Land acquisition in progress for the establishment of plant.

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.

## 10.2. Re-Installation of Hambantota Wind Farm Project

- 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.

## 10.3 Project of Issuing Certificates for the safety of Elevator and Escalator