Annual Report

January 2022 - December 2022

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

Contents

1. Corporate Information

Sri Lanka Energies (Pvt) Ltd is a 100% government-owned subsidiary of the Ceylon Electricity Board (CEB), and its primary focus lies in the construction, operation and maintenance of renewable energy projects. This company plays a vital role as CEB's accessory manufacturing arm, effectively representing the interests of the Government of Sri Lanka (GOSL) in the energy sector. Under its renewable energy generation portfolio,

Sri Lanka Energies currently operates two mini hydro power plants, namely the Kumbalgamuwa Mini Hydro Power Plant and the Daduru Oya Mini Hydro Power Plant. In addition, the company operates a meter enclosures. The company also has a subsidiary, which is known as SLE HR, Specializes in proving labor services to CEB. This subsidiary plays a crucial role in ensuring that the necessary workforce is available to support CEB’s operations and maintenance activities.

Furthermore, the construction work is ongoing for the Seethawaka Mini Hydro Power Project, which represents another addition to their renewable energy portfolio. Secondly, Sri Lanka Energies is involved in an aluminum recycling project located in Galgamuwa, although this project is still in the construction phase. These endeavors underscore the company's commitment to promoting sustainable energy solutions and contributing to the country's environmental and energy goals.

1.1. Engineering Division

The Operation Division of Sri Lanka Energies (SLE) plays a crucial role in ensuring the smooth, profitable, and high-quality production of various services and products. Its success is directly aligned with the value it adds to SLE as a whole. The Head of Operations in SLE holds a pivotal position responsible for overseeing a wide range of activities related to production and service delivery. These responsibilities encompass managing the entire production process, from inception to completion, ensuring that it runs smoothly and efficiently.

The Operation Division can be broken down into several key segments:

- Operation Process Monitoring: This involves continuously monitoring and evaluating the production processes to identify any inefficiencies, bottlenecks, or areas for improvement. It aims to ensure that production remains on track and meets quality and performance standards.
- Designing and Development of Operating Systems: This aspect involves creating and enhancing the systems and processes that drive production. The goal is to optimize these systems for effective output, minimize downtime, and streamline operations.
- Planning and Control: Effective planning and control are essential to ensure that production and service delivery meet demand and quality expectations. This includes resource allocation, scheduling, and coordination of various activities within the division.
- Performance Improvement: Continuous improvement is a fundamental aspect of the Operation Division's role. This involves identifying areas where performance can be enhanced and implementing strategies and initiatives to achieve these improvements.
- Asset Management: Managing assets, including machinery, equipment, and facilities, is critical to maintaining efficient production. Proper asset management ensures that resources are utilized effectively and that maintenance and upgrades are performed as needed.
- Effective Finance Management: Financial management is a vital component of the Operation Division's responsibilities. This includes budgeting, cost control, and ensuring that production remains financially sustainable and profitable.

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

Deaduruoya Mini Hydro Power Plant, initiated with goal of serving electricity generation, representing a significant achievement in Sri Lanka Energies (Pvt) Ltd. Recognizing the potential for hydroelectric power generation, SLE collaborated closely with the Department of Irrigation to ensure the successful execution of this project. This Project is located at Katuwannawa Grama Niladhari Division of Maho in Kurunegala District in North Western Province. The intentions are to provide Hydro Power Generation and connect to the national grid. By reducing the reliance on fossil fuels, the project also has positive environmental implications. It helps lower air pollution and greenhouse gas emissions, making a significant contribution to the nation's efforts to mitigate the effects of climate change.

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 electricity generated from this power plant is added into the national electricity grid to meet the growing demand for power. 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. By generating electricity in an environmentally friendly manner, the project aids in reducing the country's carbon footprint and mitigating the effects of climate change.

Meter Enclosure Manufacturing Plant

The Meter Enclosure Manufacturing Plant (MEMP) is a specialized facility established by the Sri Lanka Energies (Pvt) Ltd - (SLE) to produce polycarbonate meter enclosures. These enclosures are designed to securely cover household electricity energy meters, in compliance with the standards set by the Ceylon Electricity Board (CEB). These enclosures serve a critical purpose by ensuring the safe and transparent housing of metering units, protecting them from adverse environmental conditions, and preventing unauthorized access.

MEMP is located in Galigamuwa Divisional Secretariat Division, Sabaragamuwa Province in Kegalle District. 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. This location is chosen with a clear purpose to efficiently supply the required polycarbonate meter enclosures to both the CEB and LECO (Lanka Electricity Company). Being in close proximity to these utilities allows for timely delivery and customization of enclosures to meet their specific needs. The plant has been operational since 2017, indicating its role in consistently providing essential meter enclosures to the nation's electricity infrastructure.

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

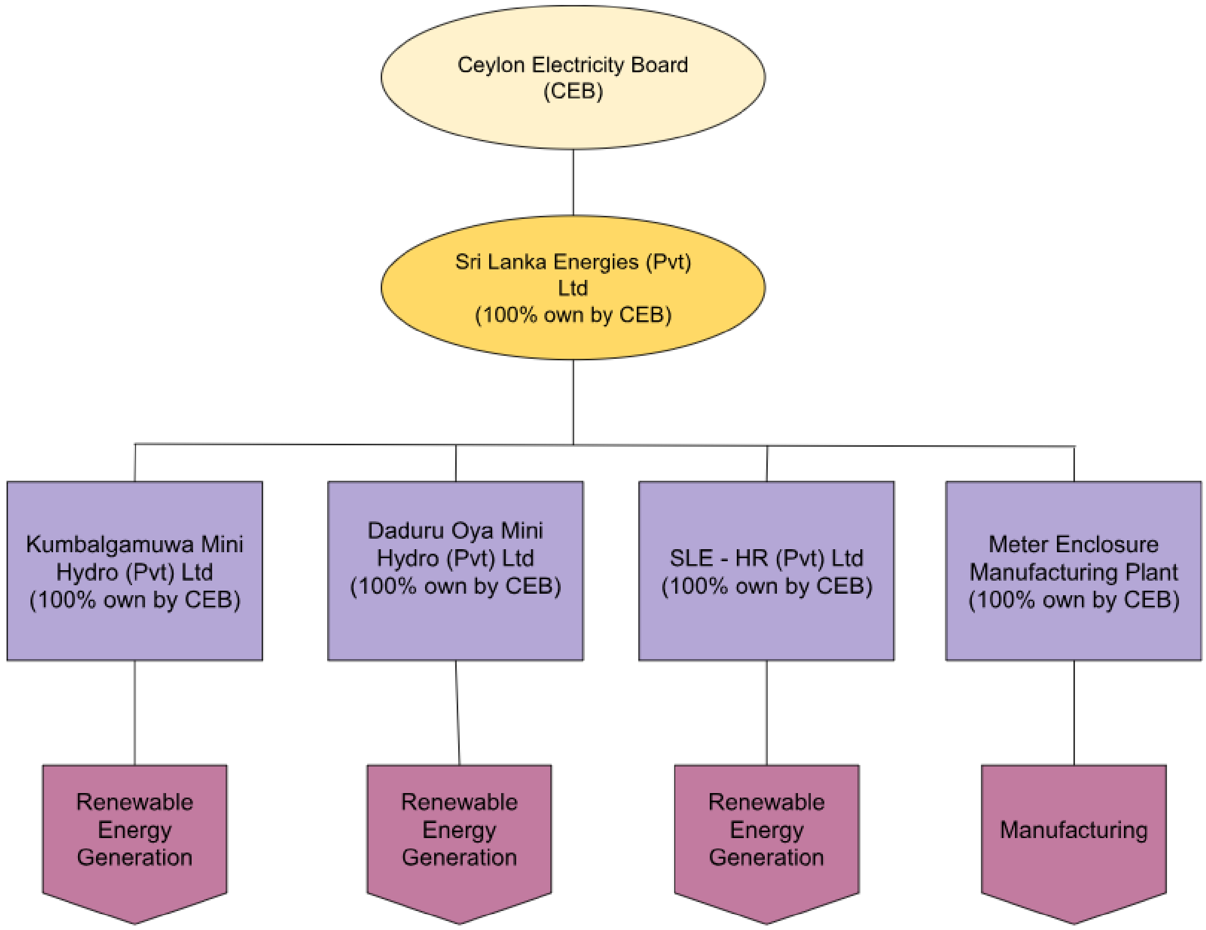
This division is responsible for the involvement of legal matters related to SLE. Any court cases related to the company are handled by this division. Moreover this includes, licensing activities, handling employee termination, handling contract agreements and dealing with intellectual property rights.

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. N S Ilangakoon

Chairman

Mr. D M S Dissanayaka

Director

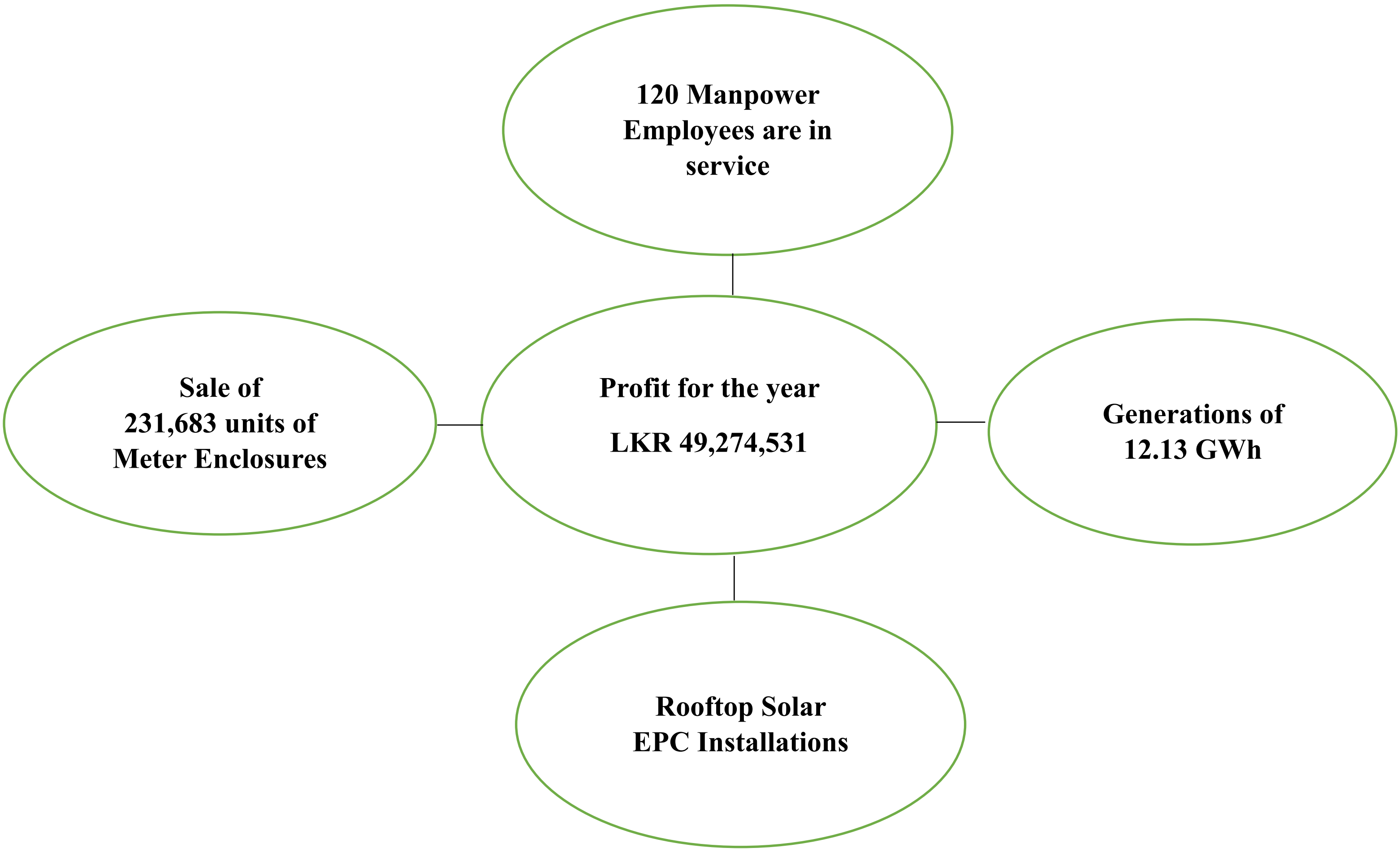
Mr. U N Mallawarachchi

Director

Mr. D K P U Gunathilaka

Director

05. Performance Update and Group Highlights for 2022



- ***Cumulative Energy Generation through Kumbalgamuwa Mini Hydro Power Plant and Daduru Oya Power Plant is 12.13 GWh.***
- ***231,683 Units of Meter Enclosures were produced and satisfied the requirement of both CEB and LECO***
- ***Satisfied the service requirement of CEB with the 120 man power Employees.***
- ***Recently an opportunity has been aroused for SLE to act as the EPC contractor for Rooftop Solar projects in***

06. Annual Statement of Audited Financials

Sri Lanka Energies (Private) Limited

STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		Group			Company		
		2022	2021	2021	2022	2021	2021
ASSETS	Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Non-Current Assets			Restated			Restated	
Property, Plant and Equipment	3	782,296,824	819,803,897	825,227,578	67,184,999	68,739,168	76,233,573
Investment in Subsidiaries	13	-	-	-	140,646,003	140,646,003	140,646,003
Intangible Assets	4	78,275	141,847	141,847	78,275	141,275	141,275
Defferd Tax Asset		55,621	55,621	55,621	28,999	28,999	28,999
Investment in Bric Project	5	2,660,000	2,660,000	2,660,000	2,660,000	2,660,000	2,660,000
		785,090,720	822,661,365	828,085,046	210,598,276	212,215,445	219,709,850
Current Assets							
Fixed Deposit	16	60,115,971	54,694,268	54,694,268	60,115,971	54,694,268	54,694,268
Inventory	6	39,223,792	91,744,607	91,744,607	39,223,792	91,744,608	91,744,608
Trade and Other Receivables	7	418,198,477	176,538,184	178,694,540	168,801,768	71,792,498	73,948,854
Amounts Due from Related Parties	12	3,075,989	2,067,813	2,067,813	156,924,226	154,253,017	152,096,661
Cash and Cash Equivalents	8	8,424,554	38,431,638	38,431,638	4,079,843	13,017,914	13,017,915
		529,038,783	363,476,510	365,632,866	429,145,600	385,502,305	385,502,306
Total Assets		1,314,129,503	1,186,137,875	1,193,717,912	639,743,876	597,717,750	605,212,156
EQUITY AND LIABILITIES							
Stated Capital	9	154,910,010	154,910,010	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	20,000,000	20,000,000
Accumulated Profit/(Loss)		252,002,727	202,728,197	210,308,236	(42,800,945)	(51,114,371)	(43,619,965)
Total Equity		426,912,737	377,638,207	385,218,246	132,109,065	123,795,639	131,290,045
Non Current Liabilities							
Borrowigs	10	347,376,984	388,952,695	388,952,695	64,126,984	47,002,696	47,002,696
Retirement Benefit Liability	15	10,832,530	5,055,220	5,055,220	5,728,111	5,055,220	5,055,220
		358,209,514	394,007,915	394,007,915	69,855,095	52,057,916	52,057,916
Current Liabilities							
Trade and Other Payables	11	333,376,744	266,664,401	266,664,401	188,670,390	181,081,647	181,081,646
Income Tax Provision	17	81,840,699	66,772,898	66,772,898	43,885,011	40,427,302	40,427,303
Borrowigs	10	70,086,971	62,688,658	62,688,658	16,736,970	14,688,658	14,688,659
Bank Overdraft	8	30,507,304	10,102,963	10,102,963	10,739,808	10,102,963	10,102,963
Amounts Due to Related Party	12	13,195,534	8,262,833	8,262,831	177,747,537	175,563,625	175,563,624
		529,007,252	414,491,753	414,491,751	437,779,716	421,864,195	421,864,195
Total Equity and Liabilities		1,314,129,503	1,186,137,875	1,193,717,912	639,743,876	597,717,750	605,212,156

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

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.

02 March 2023 - Colombo

Sri Lanka Energies (Private) Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Note	Group 2022 Rs.	Group 2021 Rs. Restated	Group 2021 Rs.	Company 2022 Rs.	Company 2021 Rs. Restated	Company 2021 Rs.
Revenue	14	757,873,810	711,009,388	711,009,388	442,045,005	410,214,850	410,214,850
Cost of Sales		(444,715,015)	(462,914,494)	(456,059,286)	(293,243,822)	(318,930,456)	(312,160,881)
Gross Profit		313,158,795	248,094,894	254,950,103	148,801,183	91,284,394	98,053,969
Direct Project Expenses		(5,350,783)	(724,830)	-	(5,350,783)	(724,830)	-
Administrative Expenses		(101,105,994)	(81,165,832)	(81,165,832)	(65,640,331)	(54,323,355)	(54,323,355)
Finance Expenses		(150,237,602)	(49,558,479)	(49,558,479)	(79,607,843)	(12,195,463)	(12,195,463)
Finance Income		6,863,374	2,505,469	2,505,469	6,269,224	2,062,313	2,062,313
Other Income		1,014,513	634,899	634,899	7,299,684	6,650,789	6,650,789
Profit / (Loss) before Tax		64,342,303	119,786,122	127,366,160	11,771,134	32,753,848	40,248,253
Income Tax provision	17	(15,067,772)	(21,212,741)	(21,212,741)	(3,457,708)	(9,659,581)	(9,659,581)
Profit/(Loss) after Tax for the Year		49,274,531	98,573,381	106,153,419	8,313,426	23,094,267	30,588,672
Other Comprehensive Income		-	-	-	-	-	-
Total Comprehensive Income		49,274,531	98,573,381	106,153,419	8,313,426	23,094,267	30,588,672

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 2022

Group

	Stated Capital Rs.	Share Application Money Rs.	Accumulated Losses Rs.	Total Rs.
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
Adjutment - Restated	-	-	(7,580,039)	(7,580,039)
Balance as at 31 December 2021	154,910,010	20,000,000	202,728,196	377,638,206
Profit / (Loss) for the Year	-	-	49,274,531	49,274,531
Balance as at 31 December 2022	154,910,010	20,000,000	252,002,727	426,912,737

Company

	Stated Capital Rs.	Share Application Money Rs.	Accumulated Losses Rs.	Total Rs.
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
Adjutment - Restated	-	-	(7,494,406)	(7,494,406)
Balance as at 31 December 2021	154,910,010	20,000,000	(51,114,371)	123,795,639
Profit / (Loss) for the Year	-	-	8,313,426	8,313,426
Balance as at 31 December 2022	154,910,010	20,000,000	(42,800,945)	132,109,065

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

STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Note	Group		Company	
		Period from 01 January 2022 to 31 December 2022	Period from 01 January 2021 to 31 December 2021	Period from 01 January 2022 to 31 December 2022	Period from 01 January 2021 to 31 December 2021
		Rs.	Rs.	Rs.	Rs.
Cash Flows from / (Used in) Operating Activities			Re-Stated		Re-Stated
Profit/(Loss) Before Tax		64,342,303	119,786,122	11,771,134	32,753,848
Adjustments for,					
Adjustments for prior reporting period					
Finance Cost		150,237,602	49,558,479	79,607,843	12,195,463
Depreciation	3	72,801,686	68,672,799	23,113,653	21,373,811
Amortization	4	63,572	24,101	63,000	16,225
Adjustment made		-	7,580,039	-	7,494,405
Operating Profit before Working Capital Changes		287,445,163	245,621,539	114,555,629	73,833,753
Increase/ (Decrease) in Trade and other receivables		(241,660,293)	(65,309,465)	(97,009,271)	(11,140,285)
Increase / (Decrease) in Amount Due from Related Party		(1,008,176)	(2,067,813)	(2,671,209)	(44,276,721)
Increase / (Decrease) in inventory Fixed Deposit/Advance		47,099,112	18,678,491	47,099,114	(79,384,011)
Increase / (Decrease) in Retirement Benefit		5,777,310	1,431,686	672,891	1,431,686
Increase / (Decrease) in Amount Due to Related Party		4,932,701	(724,485)	2,183,912	6,866,596
Increase/ (Decrease) in Trade and other Payables		66,712,344	160,250,968	7,588,745	139,137,148
Net Cash Flows From Operating Activities		169,298,160	357,880,921	72,419,811	86,468,166
Cash Flows Used in Investing Activities					
Acquisition of Property, Plant and Equipment	3	(35,294,613)	(269,879,730)	(21,559,485)	(5,774,973)
Acquisition of Intangible Asstes	4	-	(157,500)	-	(157,500)
Investment in subsidiaries		-	-	-	-
Net Cash Flow Used in Investing Activities		(35,294,613)	(270,037,230)	(21,559,485)	(5,932,473)
Cash Flows from Financing Activities					
Proceeds from Loans		-	83,200,000	22,500,000	-
Repayment of Loans		(34,177,366)	(87,605,292)	(3,357,399)	(51,105,292)
Finance Cost		(150,237,602)	(49,558,479)	(79,607,843)	(12,195,463)
Net Cash Flows From Financing Activities		(184,414,968)	(53,963,771)	(60,465,242)	(63,300,755)
Net Increase in Cash and Cash Equivalents		(50,411,421)	33,879,920	(9,604,915)	17,234,938
Cash and Cash Equivalents at the Beginning of the Period		28,328,671	(5,551,249)	2,914,951	(14,319,987)
Cash and Cash Equivalents at the End	8	(22,082,750)	28,328,671	(6,689,964)	2,914,951

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

07. Auditor General Opinion on the Financial Statements

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. PWR/B/SLE/1/22/21 | ඔබේ අංකය / உமது இல. / Your No. | දිනය / திகதி / Date 12 September 2023

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 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

The English version of the above mentioned report along with a copy of certified financial statements signed by the Auditor General is sent herewith.

S.M.N Thilakarathne
Deputy Auditor General
For Auditor General

Copies to: - 01. Secretary, Ministry of Finance, Economic Stabilization and National Policies
02. Secretary, Ministry of Power and Energy

SRI LANKA ENERGIES (PVT) LTD
RECEIVED
18 SEP 2023

ජාතික විගණන කාර්යාලය
தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

මගේ අංකය / எனது இல. / My No. PWR/B/SLE/1/22/21

ඔබේ අංකය / உமது இல. / Your No.

දිනය / திகதி / Date 12 September 2023

SRI LANKA ENERGIES (PVT) LTD RECEIVED 10 SEP 2023

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 2022 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 2022 comprising the statement of financial position as at 31 December 2022 and the statement of profit or 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 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 2022, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

1.2.1.2 Comments on Financial Statements of the Sri Lanka Energies (Private) Limited

The following observations are made.

a) 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 is 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. 672,891 under the working capital changes instead of being adjusted as a non-cash item.

b) Some administrative and direct expenses amounting to Rs. 7.39 million related to the previous periods had been recognized in the year under review without making prior year adjustments in the financial statements in terms of the provisions of the paragraph 42 of LKAS 08 – Accounting Policies, Changes in Accounting Estimates and Errors. As a result, the profit for the year under review had been understated by the same amount.

c) The fully depreciated assets amounting to Rs.100.08 million including the Injection Moulding Machinery of Rs.79.5 million were being used by the Company as at the end of the year under review without taking action to review the residual value and the useful life of those assets in terms of the paragraph 51 of LKAS 16 - Property Plant and Equipment.

d) The Company had entered into lease agreement for Galigamuwa land for 35 years from 07 July 2017. However, the right of use assets and lease liability in relation to the said lease had not been recognized in the financial statements by the Company as per the SLFRS – 16- Leases.

e) According to the rent agreement entered on 07 July 2017 for Galigamuwa land with a grace period of 5 years the Company had to pay the rent for the period from 07 July 2022 to 06 July 2023 on or before 07 July 2023. However, no provision had been made in financial statements regarding rent expenses amounting to Rs.118,000 relating to the six months period of the year under review.

f) An additional capital from Ceylon Electricity Board (CEB) amounting to Rs.20 million had been received in prior years and that amount had been included as "Share Application Money" under the equity of the statement of financial position. However, this balance had remained unchanged for a considerable time period without issuing shares.

g) According to the financial statements of the Company, the balance of trade receivables due from ultimate parent - Ceylon Electricity Board (CEB) as at 31 December 2022 was Rs.165.31 million. However, as per the financial statements of the CEB, the corresponding receivable balance was only Rs. 28.21 million and a difference of Rs. 137.1 million had been observed.

h) The Company had not claimed the long outstanding WHT receivable balance amounting to Rs. 2.12 million against the income tax payable even as at the end of the year under review. Further, the WHT certificates were not made available to audit.

i) As per the financial statements of the Company, the total balance of 06 Term loans obtained from a private commercial bank as at 31 December 2022 was Rs. 80.86 million and as per the balance confirmation, the loan balance was Rs. 87.65 million. Accordingly, a difference of Rs. 6.78 million was observed between the financial statements and the balance confirmation.

j) As per the financial statements, the loan interest expense (including the overdraft interest of Rs. 2.18 million) for the year under review was Rs. 18.46 million. However, as the bank had not confirmed the amount of loan interest charged for the year 2022 and no comprehensive details of loan repayments had been provided to audit, it was unable to ascertain the accuracy and the completeness of the above interest expense.

k) The Company had not taken proper action to recognize unidentified deposits totalling Rs. 7.06 million which had been accumulated since 2019 and shown under trade and other payables in the financial statements.

l) Income tax payable as at 31 December 2020 was Rs. 30.77 million and as per the income tax returns submitted to the Department of Inland Revenue (up to the year of assessment 2020/2021), income tax payable related to that period was Rs. 15.2 million. Accordingly, a difference of Rs. 15.57 million was observed and relevant adjustment had not been made in the financial statements as at 31 December 2022. Further, according to the financial statements, balance of Income Tax Payable as at 31 December 2022 was Rs. 43.88 million and the Company had not paid income tax since the year of assessment 2015/2016.

m) As per the financial statements of the Company, the balance of NBT payable as at 31 December 2022 was Rs. 595,036 and this balance was related to the year of assessment 2015/2016. However, the Company had not settled the said balance even as at the balance sheet date.

n) According to the financial statements of the Company, the inventory as at 31 December 2022 was Rs. 39.22 million. This balance had been arrived using the weighted average cost at the rates given by the system as at a date after the year end. Accordingly, audit was unable to ascertain the accuracy of the inventory balance shown in the financial statements as at 31 December 2022.

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 2022 Annual Report.

The other information comprises the information included in the 2022 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 of 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), (j), (k), (m), (n), (o) 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)	Section 33.3 (ii) of Inland Revenue (Amendment) Act No.45 of 2022 and Paragraph 3 of notice to tax payers No. PN/IT/2022-03 dated 15 December 2022	Income tax computation shall be prepared according to the pro rata basis and the rate of 24 per cent for the first 6 months and 30 per cent for the balance 6 months should be applied. However, the Company had prepared the Income Tax Computation by applying the rate of 24 per cent for the year ended 31 December 2022.

b) Operational Manual for State Owned Enterprises dated 16 November 2021 Section 6.6	The draft Annual Report and accounts should be handed over to the Auditor General within sixty (60) days after the close of the financial year. However, only the financial statements for the year 2022 were submitted to the Auditor General on 28 March 2023.
c) Section 2.2.5 (a) of the Guidelines on Corporate Governance for State Owned Enterprises dated 16 November 2021	It is mandatory to have a Board approved subsidiary policy that addresses issues including dividends, changes in equity and shareholding and major transactions. However, the Company had not established such a policy.

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 Company had entered into ajoint venture with Amtrad Holdings (Private) Limited on 27 July 2012 to build a factory for manufacturing and selling of cement based products using fly ash and bottom slag. As per the financial statements, the Company had invested a sum of Rs. 7.36 million as at 31 December 2014. However, the joint venture agreement had been terminated by the management on 27 March 2014 and the assets had been remained idle due to non-availability of a business partner. The Board of Directors of Sri Lanka Energies (Private) Limited had decided to hand over the said assets to CEB in 2016. However, it was unable to obtain sufficient and appropriate evidence on the progress of handing over process of the assets to the CEB.

Further, according to the valuation report of the Department of Valuation, the assessment of the property was shown as Rs. 2.66 million by 31 May 2019 and the value of the investment had been impaired in the financial statements for the year ended 31 December 2019 based on the said valuation. However, the board approval for the impairment was not made available to audit.

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 business agreement or MOU entered in to between two parties.

d) As per the financial statements, the balance of output VAT on sales payable as at 31 December 2022 was Rs. 55.08 million. However, the Company had not remitted VAT to the Department of Inland Revenue since 2018. Further, some VAT returns were not made available to audit. Accordingly, the audit was unable to ascertain the accuracy of the said amount of VAT satisfactorily.

W.P.C Wickramaratne

Auditor General

08. Replies to the Report of Auditor General

Reference Number	Reply / Action obtained by the Company
1.2.1.2	
a	This error is identified and will be rectified in next time.
b	This error is identified and will be rectified in next time
C	Actions have taken to revalue the fixed assets which have reached to the level of complete depreciation
d	This error is identified and will be rectified in next time
e	This error is identified and will be rectified in next time
f	This matter was addressed to the Board of Directors and advised company secretary to issue the Shares for the relevant remaining value.
g	May be error in CEB book keepers. If provided we can confirm the receivable balances.
h	May be error in CEB book keepers. If provided we can confirm the receivable balances.
i	This different was identified and currently under the of reconciliation process. Complete Reconciliation will be handed over to the Audit in one weeks time.
j	The request which was sent to the bank is only to confirm the Loan, Deposits, Saving and Current account balances as at 31.12.2022. This requirement of the audit was not previously communicated to us
k	Half of this balance is already been cleared. ERP system will be updated accordingly. Please refer to the attachment
l	Back log of Income Tax return filling was completed in April 2023 and previously only the provision was made and now the financials will be adjusted according to the IT Returns
M	Relevant Details were provided to the audit with a summary reconciliation.
n	Inventory valuation under ERP Cloud system is followed by the Weighted Average Cost. Accordingly the unit Price of an inventory item is changes accordingly with the inventory Moments. You may requested to refer to the quantity of each inventory item (Independent Report of Physical Valuation and System Report as at 31 Dec 2022) and there is no any deviance is identified in the quantity
2.3	
a	As detailed to the audit, the SLE internal Audit team has conducted a detail evaluation on This Ash – Brick Investment. The report by the internal audit team has already been Handed over to the Ministry of Power and Energy. You may requested to refer to the same for more information in this regard
b	It is done in accordance with the instruction of cabinet minister. MOU is under progress with CEB.

c	This matter was already replied under Comment No “t”. Company has already taken the actions to start the negotiations with IRD and to settle the same according to approved Payment plan.

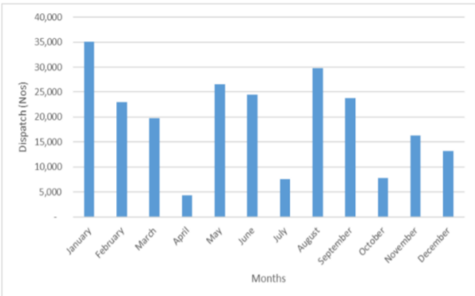
09. Performance Update – SLE Group

09.1. 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 ME dispatch - 2022



Year	Month	Dispatch (Nos)
2022	January	35,100
	February	22,950
	March	19,700
	April	4,300
	May	26,600
	June	24,480
	July	7,580
	August	29,818
	September	23,830
	October	7,800
	November	16,275
	December	13,250
Total		**231,683**

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

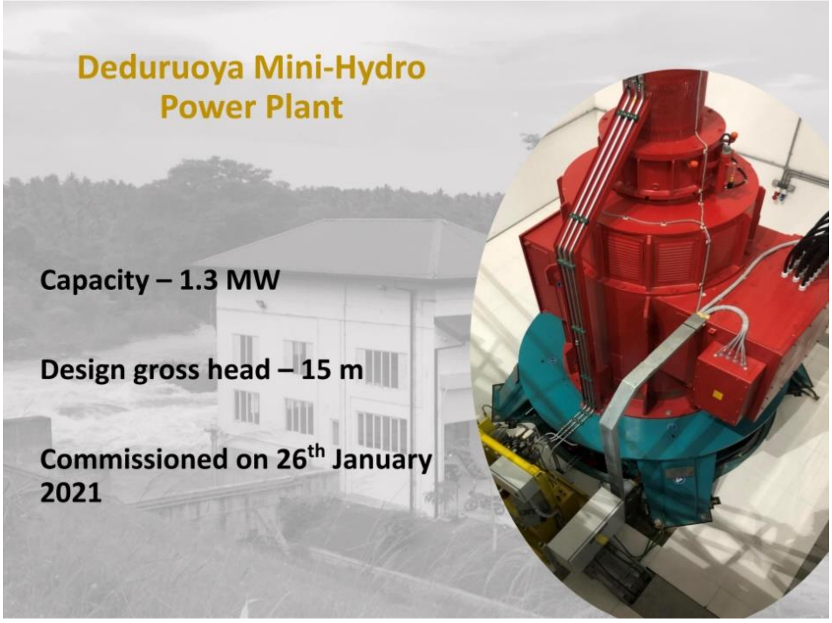
Kumbalgamuwa Mini Hydro Plant

Capacity	1.2 MW
Plant Head	40 m
Channel Length	2.5 km

Plant Summary, December - 2022

Description	December - 22
Energy supply to the Grid (MWh)	602.9
Plant Factor (%)	63.52
Plant Availability (%)	98.61
Income Mn. LKR	10.85

09.3. Performance of Daduru Oya Mini Hydro Power Plant (DMHPP)

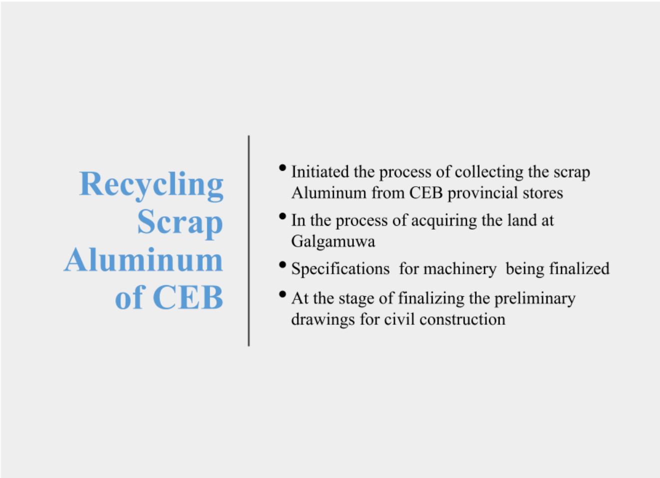


Plant Summary, December - 2022

Description	December - 2022
Energy supply to the Grid (kWh)	730,527
Plant Factor (%)	76.95
Plant Availability (%)	99.4
Income Mn. LKR	12.78

10. Forecasted Segmentation Expansions for 2022 – 2023

10.1. 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 has started the construction of the plant for Scrap Aluminum Recycling and manufacturing Redraw Rods for the future use of Ceylon Electricity Board. Agreement for this project was signed with Machine Supplier on November 2022. The total Aluminium that have collected preliminarily is 1300 MT. This will facilitate the Sri Lankan economy also by mitigating the burden against the Dollar requirement to import the Aluminum.

10.2. Seethawaka Mini Hydro Power Project

Seethawaka Mini Hydro Power Projects

Number of Hydro Plants	2	
Plant Capacity	14 (2 x 7)	MW
Design Flow	47	m^3/s
Annual Energy	40	GWh
Turbine Type	Kaplan (Double Regulated)	
Plant Factor	32.9 %	

RELEVANT APPROVALS NEEDED FOR SEETHAWAKA

A. Compulsory Approvals (Environment)

1. Central Environment Authority
2. Irrigation Department
3. Department of Agriculture
4. Department of Forest
5. Department of Wildlife
6. Agrarian Department
7. Archeology Department
8. Natural Resources Management Centre
9. National Building Research Organization
10. Geological Mines Bureau
11. Local Government Authority
12. Divisional Secretariat Office

B. Other Compulsory Approvals

1. Energy Permit (From SEA)
2. Generation License (From PUCSL)
3. SPPA (From CEB)
4. Land Acquisition (From Ministry of Plantation Industries)

- Number 2 to 7 already done

- Minister of Power Hon. Dullas Alahapperuma approved to proceed with SLE proposal in Oct 2020 Provisional Approvals (PA) granted by SEA in Feb 2022.

  1. PA 239500 - Dikkella Mini Hydro
  2. PA 239490 - Algoda Mini Hydro

- Pre-feasibility study, Financial Analysis and Feasibility study of the Seethawaka Mini Hydro Power Project is completed.
- The scope meeting was held on 26th January 2023 at Dehiowita DS office by CEA.

10.3. Project of Issuing Certificates for the safety of Elevators and Escalators