

Customer Service
Beyond Excellence



CEYLON ELECTRICITY BOARD
ANNUAL REPORT 2014



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OUR VISION

Enrich Life through Power

To develop and maintain an efficient, coordinated and economical system of electricity supply to the whole of Sri Lanka, while adhering to our core values:

OUR MISSION

OUR CORE VALUES

- Quality
- Service to the nation
- Efficiency and effectiveness
- Commitment
- Safety
- Professionalism
- Sustainability

OUR ENVIRONMENTAL POLICY



Free Flow of Energy

CEB will manage all its business activities in a manner, which cares for the natural and manmade environment and contribute to sustainable development. By means of openness in dealing with environmental issues, we intend to create confidence in our activities on the part of the public, customers, authorities, employees, and owners. We will actively pursue a policy of incorporating and integrating environmental considerations into our activities.



HIGHLIGHTS OF THE YEAR

The Phase II of the 3x300 MW Puttalam Coal Power Project was commissioned. The two 300 MW steam turbine-generator units (Unit Nos 2 and 3) coming under this phase of the Project were declared open by H.E the President of Sri Lanka on September 16, 2014. Each of these units is expected to generate 1800 million units of electricity annually. By the end of the year, the power plant was producing over 18 million units of electricity per day amounting to around 50% of the daily energy consumption of the country.



The construction of the grid substations at Dummalasooriya, Badulla, Maho, Naula, Pallekele, Polonnaruwa, Vavunativu and their associated transmission lines were completed and energized .

The augmentation of the existing grid substations at Habarana, Puttalam, Panadura and Matara was completed.

The rehabilitation of the New Laxapana and Wimalasurendra Power Stations were completed and the rehabilitation of the New Laxapana Tunnel was in progress at the end of the year. This rehabilitation work included the refurbishment and modernization of the generators, turbines, controls and auxiliaries of the 2 x50 MW plants and 2 x 25 MW plants of the New Laxapana Power Station and the Wimalasurendra Power Station respectively at a total cost of Rs. 6,660.0 million. At the New Laxapana Power Station, the capacity of each unit was increased by 8 MW with runners of a new design which had reduced penstock friction. The total capacity of the two units was increased by 16 MW.

The New Laxapana Power Tunnel was dewatered to enable the inspection and fixing of its water leak. A concrete lining was introduced between the rock trap and the steel lining, and grouting, shot creating and rock bolting were carried out at a total cost of Rs. 170 million.



Reduction of Electricity Tariff

A substantial tariff reduction was granted to all categories of consumers during the year by taking off the fuel adjustment charge introduced in the year 2012.

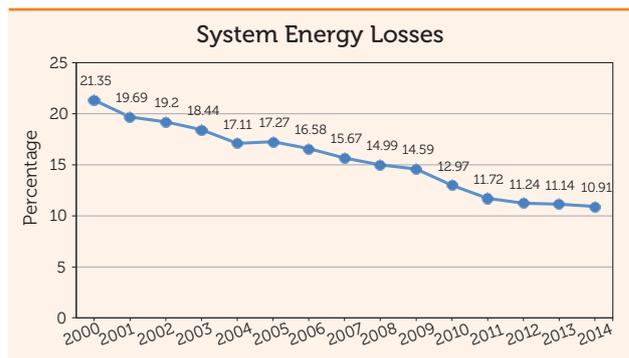
Domestic consumers received this relief with effect from September 16, 2014 whereas all other consumers in the non domestic categories including those coming under the categories industrial, hotel, general purpose and government (such as schools, hospitals etc.) received this relief with effect from November 15, 2014 .

Electrification of Households

By the end of the year, 98.4% of the households in the country had been provided with electricity. The average per capita electricity consumption which was at 519 units (kWh/person) at the beginning of the year had reached 535 units by the end of the year recording an increase of 16 units.

System Energy Losses

The system energy losses which have been gradually decreasing since 2000 stood at 10.9% by the end of the year.



HIGHLIGHTS OF THE YEAR Contd...

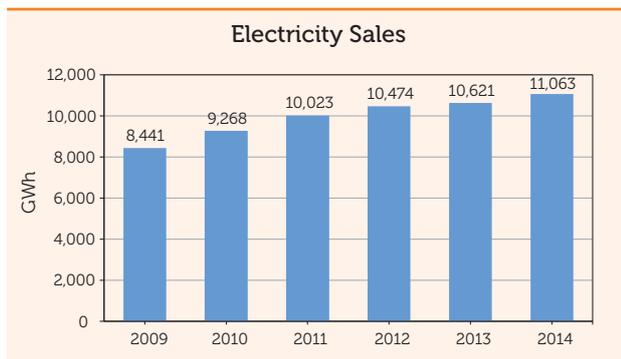
Consumer Growth

The total number of consumers stood at 5,417,532 by the end of the year indicating an annual growth rate of 4.0%. The number of consumers coming under different types of categories is given below:

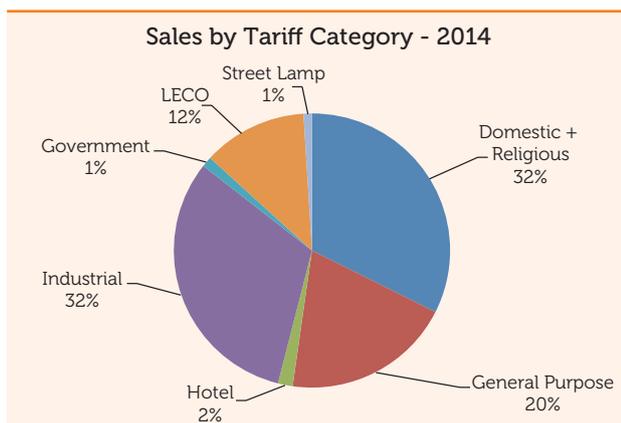
Category	Number of Customers as at 31/12/2013	Number of Customers as at 31/12/2014
Domestic	4,589,929	4,768,229
Religious	31,627	33,175
General Purpose	535,267	559,401
Industrial	53,162	54,577
Hotel	465	462
Government	309	1,686
Total	5,210,759	5,417,530

The number of new electricity connections provided during the year was 206,771 indicating in an average addition of 17,231 new customers per month.

Electricity Sales



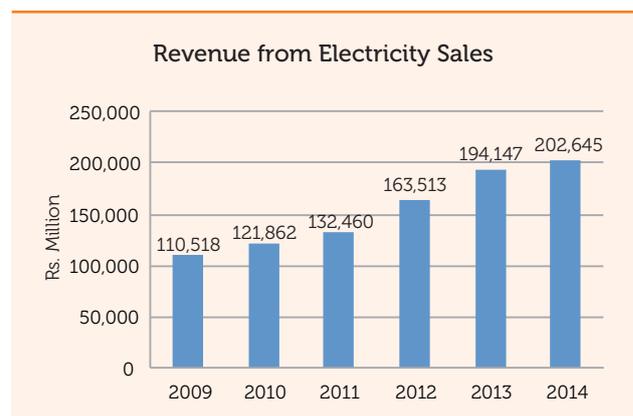
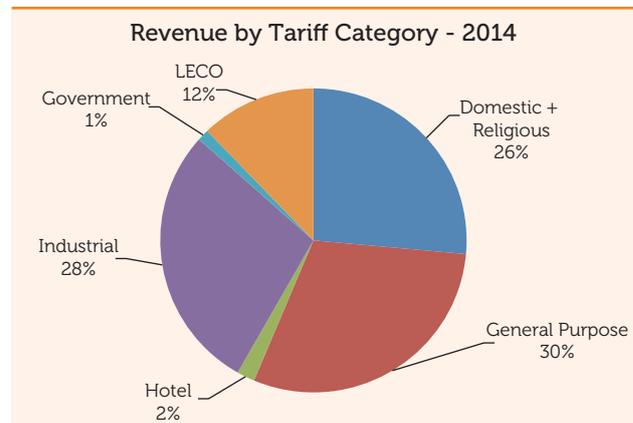
The total electricity sales during the year increased from 10,621 GWh in the preceding year to 11,063 GWh resulting in a rate of increase of 4.2%. The average daily consumption of electricity in the year was 30.3 GWh as against 29.1 GWh in the previous year.



The highest energy consumption was by the consumers in the category 'Domestic and Religious Purpose' accounting for about 32.4% of the total consumption. This was followed by the industrial sector which accounted for 31.6% of the total consumption. The electricity consumption by consumers in the general purpose category was however only 19.8% of the total consumption indicating an annual growth of 6.6%.

Revenue

The total annual revenue from electricity sales which stood at Rs. 194,147 million in the preceding year increased to Rs. 202,645 million during the year 2014 recording a growth of 4%.



The highest revenue was derived from the general purpose customers followed by industrial purpose customers. The contribution to the total revenue from the customers coming under the category 'Domestic Sector with Religious Purpose' was 26.4%.

Total Energy Storage

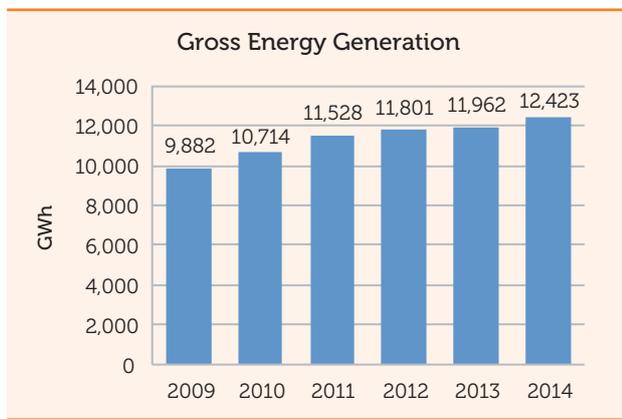
At the beginning of the year, the total hydro storage stood at 659.0 GWh and this was 52.4% of the total storage as compared to 84.3% in the preceding year. The inflow during the first few months was



HIGHLIGHTS OF THE YEAR Contd...

lower compared to that in the year 2013. This resulted in a depletion of hydro storage which came down to 287.9 GWh by April 21, 2014. Unlike in the preceding year, the south-west monsoon was not adequate and the storage was only 696.9 GWh on August 23, 2014. However with the onset of the north-east monsoon, the inflow to the hydro reservoirs increased during the last quarter of the year. The recorded maximum storage was 1190.3 GWh (94.58% of total storage.) by December 27, 2014 and the year-end storage was 1180.5 GWh.

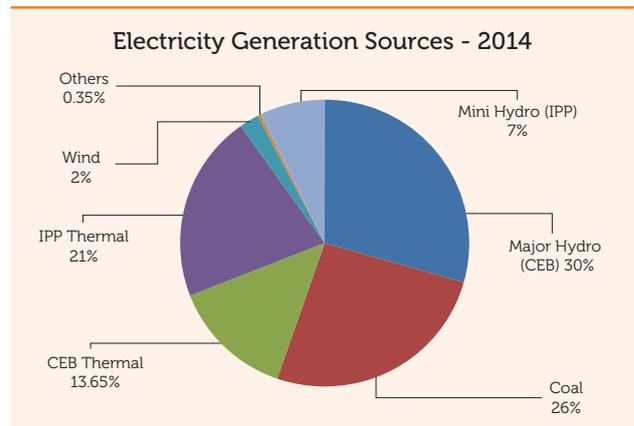
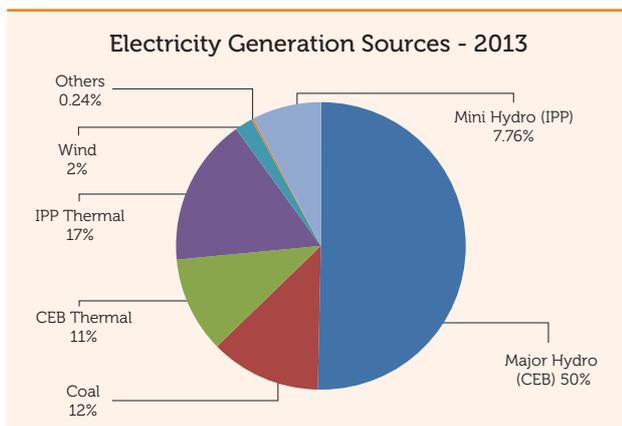
Gross Energy Generation



By the end of the year, the total electricity generation had increased by 4%, i.e. from 11,962 GWh in 2013 to 12,423 GWh in 2014.

Electricity Generation Sources

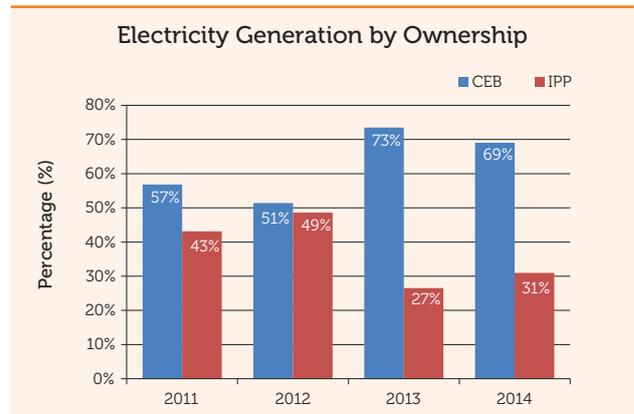
Due to low water levels of the reservoirs during the year, the hydro power plants including mini hydro plants could contribute only 37% to the total power generation in the year. This was a decrease of 21% from what they contributed in the year 2013.



The thermal power stations contributed 61% to the total generated power in 2014 as against 40% in the preceding year.

Electricity Generation by Ownership

It is noted that the Independent Power Producers (Mini hydro, wind, other NCRE and Thermal) has generated electricity 31% of the annual total generation in the year 2014 as against 27% in the preceding year.



Maximum Demand

The Maximum Demand reached 2151.7 MW in the year 2014 which was a 12.5 MW or a 0.60% decrease from 2164.2 MW in the year 2013.

CORPORATE INFORMATION

Legal Form

The Ceylon Electricity Board (CEB) is a body corporate established in Sri Lanka by the Act of Parliament No. 17 of 1969 amended by Act Nos. 31 of 1969, 29 of 1979, 32 of 1988 and 20 of 2009.

Members of the Board

Chairman

Mr. W. B. Ganegala

Vice Chairman

Mr. T. M. Herath (up to March 19, 2014)
 Prof. K. K. C. K. Perera (from March 20, 2014)

Member / Working Director

Mr. K.I.D. P. Kularatne

Member representing the General Treasury

Ms. M.T.I. V. Amarasekera

Members

Mr. R. A. A. K. Ranawaka
 Mr. S. Wirithamulla
 Mr. W. D. Jayasinghe (up to June 22, 2014)
 Mr. T.D.S.P. Perera (from July 2, 2014)

Secretary to the Board

Ms. Mihiri Senaratne (up to February 12, 2014)
 Ms. D. Kumbalathara (from March 4, 2014)

General Manager

Mr. W.J.L.S. Fernando

Auditors

The Auditor General
 Auditor General's Department
 No 306/72, Polduwa Road
 Battaramulla.

Bankers

Peoples Bank
 No. 75, Sir Chittampalam A Gardiner Mawatha
 Colombo 2

Head Office

No. 50, Sir Chittampalam A Gardiner Mawatha, Colombo 2
 Telephone (011) 232 4471 (8 lines)
 Fax (011) 244 9572
 web site: www.ceb.lk



CORPORATE INFORMATION Contd...

Corporate Management

Additional General Manager (Generation)

Mr. M.C. Wickramasekara

Additional General Manager (Transmission)

Mrs. Y.M. Samarasinghe (up to December 19, 2014)

Mr. G.S.P. Mendis (from December 20, 2014)

Additional General Manager (Distribution Division 1)

Mr. U.K.W. Silva (up to December 19, 2014)

Mrs. Y.M. Samarasinghe (from December 20, 2014)

Additional General Manager (Distribution Division 2)

Mr. J.A.S. Perera (up to April 2, 2014)

Mr. W.R.A. Perera (from April 3, 2014 up to May 12, 2014)

Mr. D.C.J. Saram (from June 13, 2014)

Additional General Manager (Distribution Division 3)

Mrs. B.P.N. Mendis

Additional General Manager (Distribution Division 4)

Mr. M.G. Tillekaratne

Additional General Manager (Asset Management)

Mr. J.S. Vithanage (up to February 1, 2014)

Mr. P.S. Ranasinghe (from February 3, 2014 up to July 8, 2014)

Mr. C.P.W. Akarawita (from July 9, 2014)

Additional General Manager (Corporate Strategy)

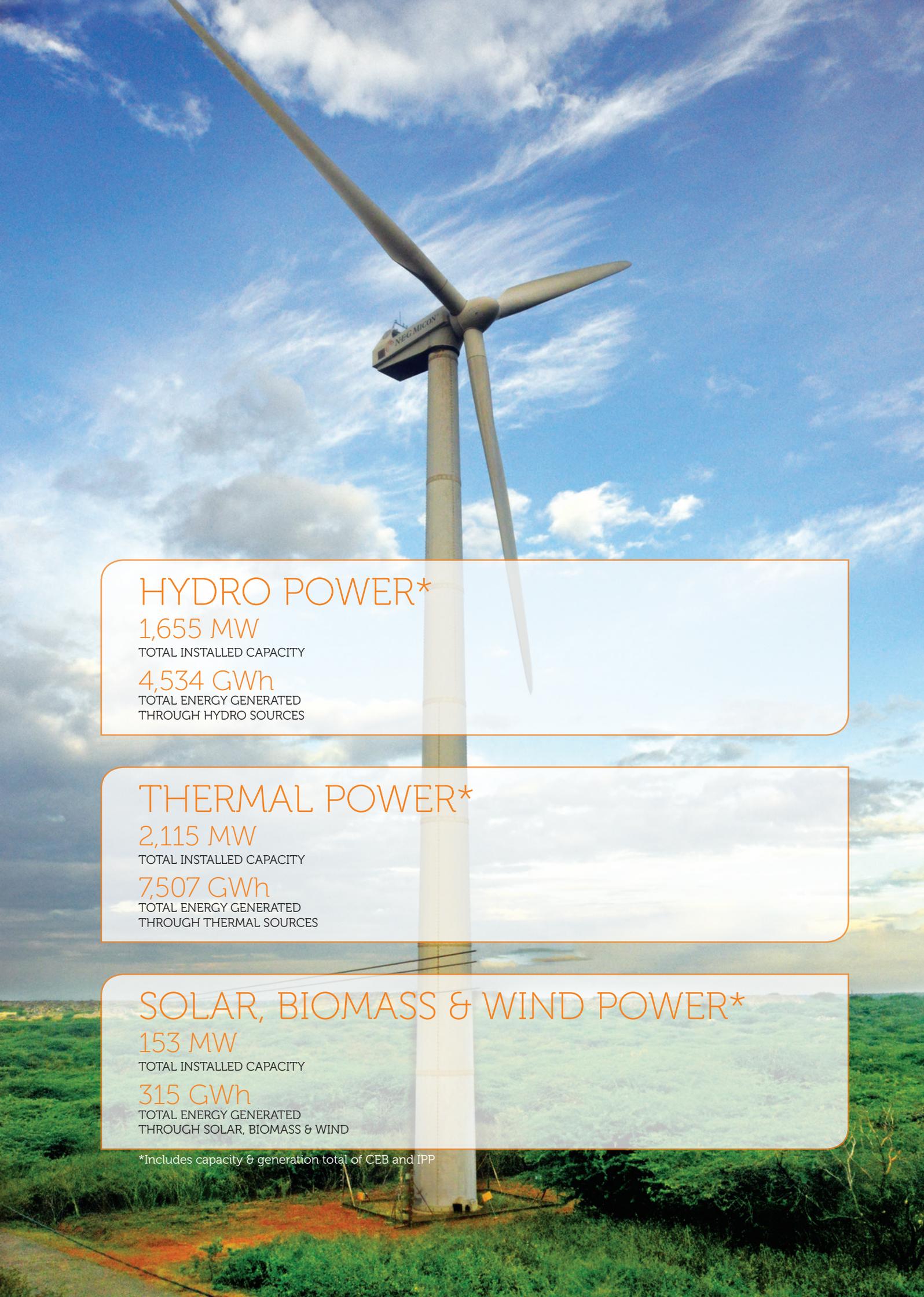
Mr. D.K.B.S. Tilakasena

Additional General Manager (Projects)

Mr. L.A.S. Fernando

Finance Manager

Mr. T.K. Liyanage (Acting up to June 9, 2014 and made permanent with effect from June 10, 2014)



HYDRO POWER*

1,655 MW

TOTAL INSTALLED CAPACITY

4,534 GWh

TOTAL ENERGY GENERATED
THROUGH HYDRO SOURCES

THERMAL POWER*

2,115 MW

TOTAL INSTALLED CAPACITY

7,507 GWh

TOTAL ENERGY GENERATED
THROUGH THERMAL SOURCES

SOLAR, BIOMASS & WIND POWER*

153 MW

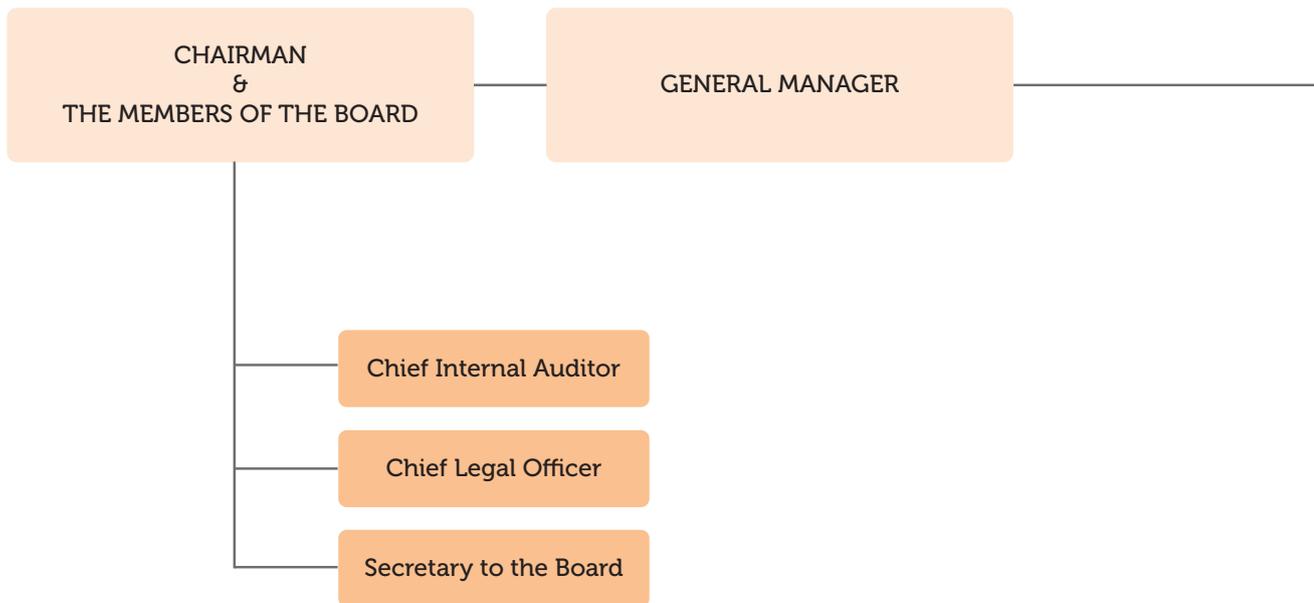
TOTAL INSTALLED CAPACITY

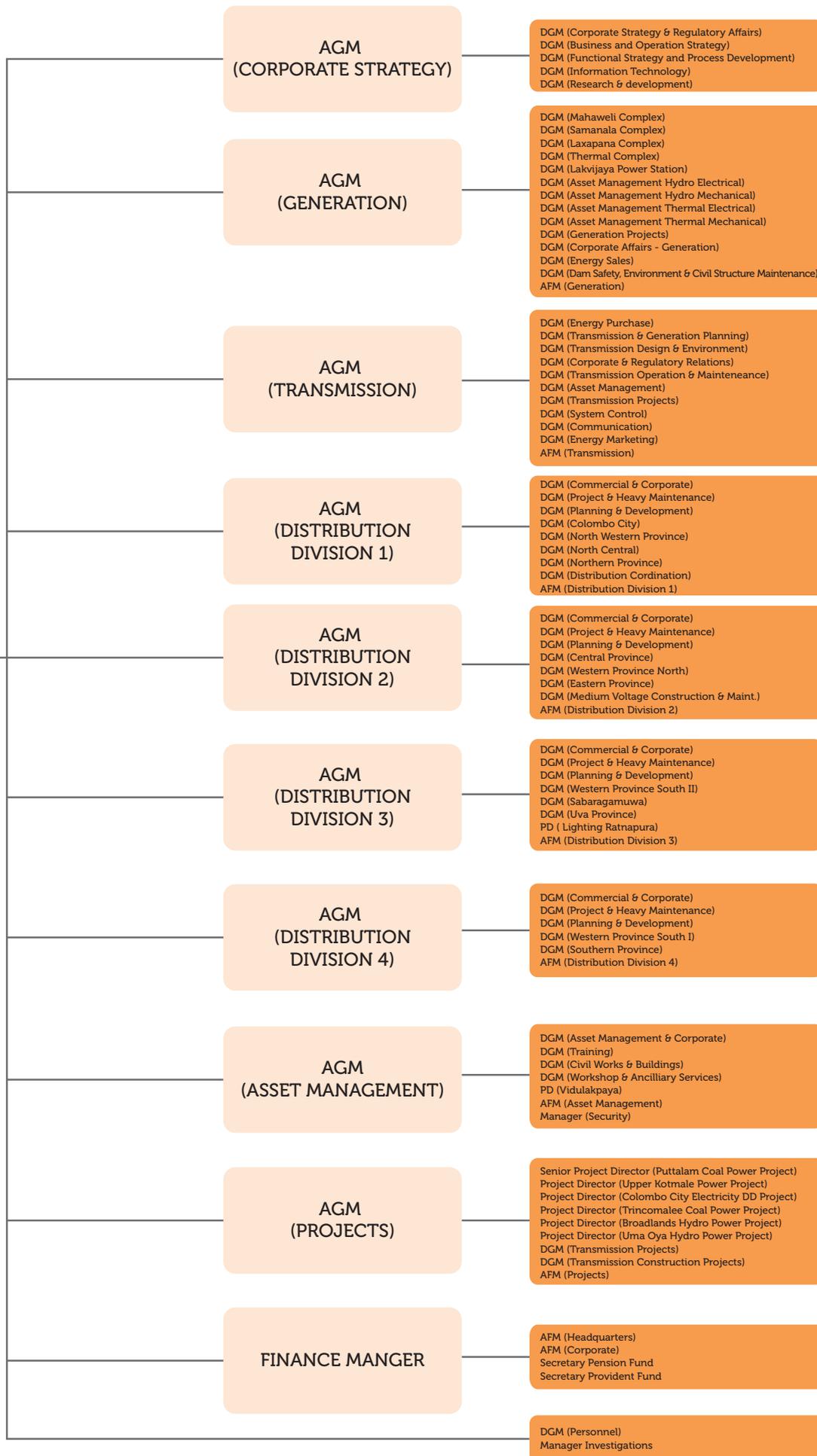
315 GWh

TOTAL ENERGY GENERATED
THROUGH SOLAR, BIOMASS & WIND

*Includes capacity & generation total of CEB and IPP

ORGANIZATION CHART 2014







MANAGEMENT
REVIEWS

CHAIRMAN'S REVIEW



It gives me pleasure to recollect and review the annual performance of the Ceylon Electricity Board for the second consecutive year 2014, an year of multiple successes. Continuation of implementing the policy framework enumerated in the "Mahinda Chinthana – Vision for the future" where making the theme for the electricity sector i.e. "Electricity for Everybody Everyday" a reality during this year with the able guidance of the Hon. Pavithra Vanniarachchi the Minister of Power & Energy.

The CEB being one of the largest public sector commercial enterprises in its volume of work, its income, its turnover and its responsibility towards the nation has increased the level of electrification of the country up to 98.4% which is the highest among other countries in the South Asian region. This was possible due to the coordinated efforts of the employees of the CEB at all levels. Total number of consumers has increased up to 5,417,530 by provision of 206,771 new service connections during the year. Contribution from around 16,000 permanent employees and about 5,000 Man Power Service providers towards achieving these goals during the year was praiseworthy. In the generation section, commissioning of unit II and III of stage 2 of Lakvijaya Power Plant – Puttalam (Norochole)

by adding another 600 MW to the system witnessed a great achievement by the CEB. In the Transmission section, construction a of 67 Km long Transmission line from Puttalam to Anuradhapura which had been delayed for more than 1 ½ years due to protests and objections by various parties was completed within a limited period of time with the timely assistance of the Sri Lanka Navy and others involved in the project. This was a challenging task for the CEB during the year.

Another courageous decision taken by the Board was that when a few foreign companies were reluctant to undertake the overhaul repair of the underground power plant at Kukule Ganga, the task was entrusted to our own CEB Engineers and they were able to attend to the repair and re-commission the plant to its maximum capacity saving more than 100 million Rupees to the CEB. In addition Inspection of the tunnel and fixing the water leak along with the repair of new Laxapana Power Tunnel was also a challenging and notable task undertaken by CEB Engineers during the year 2014.

CEB continued to play a vital role in contributing to the National Economic Development by further improving its customer care by facilitating its customer clientele with

CHAIRMAN'S REVIEW Contd...

novel and innovative services relating to supply of power.

The consumer tariff revision made on 01 May 2013 did not affect the 2,799,098 number of low income families in total who consume less than 60kWh per month and however the CEB has managed to shoulder the burden of 16,431million Rupees as subsidy to these needy domestic consumers. In addition as a further relief to the consumers, the Government introduced another historic price reduction of 25% of the total monthly bill on 2014.09.16 on the occasion of commissioning of LVPP stage II by both HE the Presidents of Sri Lanka and the Republic of China. This reduction of Tariff was offered to all domestic consumers totaling about 4,768,229 including high end users, further retaining the subsidy of 24,751 million Rupees on consumers using less than 90 kWh units per month. Thus CEB has been continuing to make every effort in order to provide electricity to all at a relatively affordable price throughout the year.

With regard to the Trade Union issues I am happy to mention that the Board has managed to solve almost all burning issues by negotiation with all active Trade unions after several months of hard work. Entering into a Collective Agreement with trade unions for the first time especially with regard to salaries and annual bonus was a unique achievement. The General Treasury had been urging the management of the CEB for several years to try and introduce the collective agreement concept in the CEB, but no fruitful efforts had been taken. However the Board started negotiations in late 2013 with all the stakeholders and succeeded at the end of 2014 after much effort which was a great achievement for both the management and the employees as well. The agreement so entered into will be effective for the years 2015, 2016 and 2017 which will need a review at the end of 2017. A salary anomaly caused in April 2012 to all non- executive grade employees, amounting to 15,000 in total was also solved after a series of negotiations with relevant Trade Unions for more than

a year. All trade union leaders deserve credit for being flexible and co-operative with us in resolving these issues.

With a view to improve the quality of service in the areas of Human Resource Management, several steps were taken. A Training course on Disciplinary Procedure for all Trade Union leaders was commended by them as it was so relevant and subject oriented for them. Brain storming sessions were conducted for all executives and middle level staff officers including Electrical Superintendents on Positive Thinking which was applauded by the participants and was very effective in improving customer care aspect of the CEB.

Partnerships entered into with the Peoples Bank, Dialog Axiata and Mobitel offered further facilities to CEB consumers while increasing the productivity of revenue collection On Line Real Time (OLRT) payment updates of the electricity payments with the assistance of the Peoples Bank was a strategic customer focused move. This has resulted in the settlement of electricity bills by the customers without visiting the payment centers. Furthermore, appointment of more than 10,000 Dialog and Mobitel collecting agents throughout the country was another successful step towards the efficient collection of electricity bills on time. These customer care moves were further complemented with the customer convenience with satisfaction due to flexibility in the payments mode and convenient logistic facilities made available to them.

In conclusion, I am happy to mention here that all these achievements were possible due to the dedicated services extended by the Members of the Board and all the Employees of the CEB led by the General Manager. I thank them all and wish them well.



W.B. Ganegala

Chairman



GENERAL MANAGER'S REVIEW



In my capacity as the General Manager and the Chief Executive Officer of the Ceylon Electricity Board (CEB) it is a pleasure for me to review the progress made by the CEB during the year 2014.

The year was significant to the CEB as it saw several key changes taking place in its operational, technical and financial functions.

Having passed many milestones in the previous year which resulted in bringing enhanced financial gains to the CEB and made it to excel in its technical performance, the CEB during the year focused on improving its relations with its valued customers on whom it depended for its revenue. The CEB was to go on a journey during the year commencing from its position as a traditional monopolistic utility to reach a position where it could call itself a truly customer friendly utility. The year saw the CEB taking several revolutionary steps in this regard with the objective of providing a better and enhanced service to all its customers.

At the beginning of the year itself, the CEB set up a goal for itself to become the most customer friendly utility in Sri Lanka. The year was declared as the "Year of Customer Service Excellence" and the collective decision was to achieve during the year a set of 25 pre-identified deliverables all aimed at enhancing the customer friendly environment at the CEB. The initiatives identified and spearheaded by the Corporate Strategy Division, included the introduction of many IT and mobile based solutions to help those consumers who were quite busy and also quite IT savvy.

Information technology was introduced to day to day work. The operations of the distribution sector in several provinces were streamlined with an in house breakdown management system which could handle data and information transfer efficiently to respond to complaints and attend to breakdowns in an organized and effective manner.

GENERAL MANAGER'S REVIEW Contd...

The CEB sought the assistance of Mr Dhammika Kalapuge, a renowned corporate trainer, to help it to transform the mindsets and attitudes of its key staff towards change. This was our first move in preparing the staff to face the shift in our strategies. A series of sessions on customer service excellence were conducted by Mr. Kalapuge to a cross section of CEB staff. By the end of the year, over 15 one day sessions for different classes of staff including the top management, a selected number of consumer interface staff, and leaders of all CEB trade unions had been completed. The move was an outstanding success with very positive feedback received from all quarters. I personally received quite a few telephone calls from contented customers who appeared to have taken up by surprise at the manner the CEB staff was to treat them when they attended to their needs. One such message I received on my phone was " I am living at Hampdon Lane ...I had to visit your office at ... As a person who has had experience in serving the Government for more than 40 years, the friendly manner in which your officers welcomed and treated me was indeed quite a surprise to me. They have finally understood that they are there to serve us, their customers, and I was delighted with the service I received from them...". Yet there were also not so complementary remarks, an indication that there is still room for us to improve ourselves. However by and large we can be satisfied that we have achieved our target at least to a certain extent during the year.

Steered by the Government's policy to provide electricity to all, the CEB during the year vigorously continued with its efforts to reduce its losses and reach out to all its prospective customers and by the end of the year it succeeded in achieving a 98.4% electrification level. The CEB throughout the year made electricity available to its customers for all 24 hours of the day except for unavoidable short term breakdowns, an achievement that the CEB could truly be proud of and an achievement which no other utility of a developing country in the region could claim.

The major technical achievement of the year was the completion and the commissioning of the Phase II of the 3x300 MW Lakvijaya Coal Power Project at Puttalam. The two 300MW steam turbine-generator units (Unit Nos. 2&3) of this power plant, were declared open jointly by Their Excellencies the President of Sri Lanka and the President of Peoples' Republic of China, on September 16, 2014. These two generating units together contributed 600 MW to the total generating capacity of the CEB. The percentage contribution of coal power generation thus increased in our generation mix and brought significant cost savings to the CEB by minimizing the cost of expensive oil required to run thermal power plants. Each 300 MW generator

was expected to generate 1800 million units annually. By the end of the year this particular coal power plant was producing over 18 million units per day amounting to 50% of the daily energy consumption of the country.

By the end of the year, the Lakvijaya Coal Power Plant was contributing 26% to the total generation with hydro power plants contributing 30% and the oil based thermal power plants contributing 35%. The deficit of 10% was met by Non-Conventional Renewable Energy sources. The average cost savings brought about by coal power generation exceeded Rs. 20/kWh thereby significantly reducing the direct generation cost. However cost of sales increased by 27% as the financial benefits reaped from coal generation was overridden by the increase in the oil based thermal generation required to meet the shortfall of hydro generation. In 2014, cost of sales was recorded at Rs. 210,850 million whereas in 2013 it was only Rs. 165, 508 million mainly due to the very high, in fact the highest so far recorded, hydro generation in 2013.

During the year, the total length of the low voltage lines was increased by 5972 km. A total of 1401 new distribution substations were added to the system. The number of consumers increased to 206,771. The total route length of 132 kV overhead transmission lines by the end of the year stood at 2,206 km. It was an increase of 321 km from its corresponding figure in the previous year and it helped to improve the transmission system and bring about a reduction in the transmission and distribution losses. The grid substations at Dummalasooriya, Badulla, Maho, Naula, Pallekele, Polonnaruwa, Vavunativu and their associated transmission lines were energized during the year after the completion of their construction work. With the addition of these new grid substations to the system, the total number of grid substations in the country increased to 67. The existing grid substations at Habarana, Puttalam, Panadura and Matara were also augmented during the year.

The rehabilitation of the Unit 1 of the New Laxapana Power Station (2 x 50 MW) that was ongoing at the beginning of the year 2014 was completed during the year. During the period January – August 2014 the rehabilitation of the Unit 2 of the Power Station was also commenced and completed. This made the total capacity of the rehabilitated New Laxapana Power Station to increase by 16 MW with the capacity of each unit increased by 8 MW through the use of runners made to a new design and the reduction in the penstock friction losses. Dewatering of the New Laxapana Power Tunnel was also done during the year 2014 to pave way for the inspection and fixing of a water leak. The remedial work included the introduction



GENERAL MANAGER'S REVIEW Contd...

of a concrete lining between the rock trap and the steel lining, grouting, shot creating and rock bolting. The work carried out at a total cost of Rs. 170 million was to avoid an imminent disaster.

The Wimalasurendra Power Station (2 x 25 MW) also underwent rehabilitation during the year. The rehabilitation of the two power stations, viz., Wimalasurendra and New Laxapana and their associated generators, turbines, controls and auxiliaries together cost the CEB Rs. 6660.0 million.

A tariff revision for domestic consumers was implemented with effect from September 16, 2014 to coincide with the commissioning of the coal power plant. The tariff of all other categories including those relating to industrial, hotel, general purpose and state sector consumers (such as schools, hospitals etc.) was also revised with effect from November 15, 2014. These two tariff revisions together substantially benefitted all categories of consumers although they made the average revenue per kWh earned by CEB during the last quarter of the year to fall from Rs. 19.00 to Rs. 15.60. The average annual selling price per unit was Rs. 18.50/kWh for the year.

During the first half of the year, there was insufficient rainfall in the catchment areas and the hydro generation was therefore low. This adversely affected the financial performance of the CEB. However during the latter part of the year, the weather conditions improved and with this the financial position also improved. The net loss by the end of the year was Rs. 14,605 million as against the re-stated net profit of Rs. 20,900 million recorded by the end of the previous year, which can be considered as a substantial down turn in the financial performance. The average cost of generation per kWh increased to Rs. 14.81 in 2014 as against Rs. 11.38 in the previous year. This was a result of the 39% decrease in hydro generation during 2014 compared to that in 2013 which made the CEB to rely on thermal power sources to maintain a continuous power supply island wide resulting in a 37% increase in the direct generation cost.

The electrification level of the country had exceeded 98% by the end of the year, and sales had increased to 11,063 GWh showing a growth rate of 4% as against the corresponding figure of 10,621GWh in the previous year. The monthly revenue during the year was in the order of Rs. 15,000 million due to the revised tariff structure making CEB the public enterprise that had the highest annual turnover in the country. The collection in 2014 was 104% of the sales value recording an annual collection of Rs. 213 billion.

The Government in presenting its budget for the year 2014 proposed to convert all outstanding treasury loans of CEB as at December 31, 2013 into government equity as a means of providing financial relief to the CEB. Subsequent to the adoption of this budget, the Treasury granted its approval for the CEB to convert a sum of Rs. 161,707 million into equity which was shown under long term interest bearing loans & borrowings in the Balance Sheet of 2013. The borrowing cost amounting to Rs. 32,333 million computed as per the Sri Lanka Accounting Standard 23 (LKAS 23) was reversed from the books of accounts in accordance with this decision of the Treasury.

Even though it made a loss in the year 2014, the CEB managed to maintain at a satisfactory level during the year the amounts it owed to its major creditors. At the beginning of the year, the CEB owed Rs. 6,358 million to CPC and during the year payments totaling to Rs. 54,170 million were made to CPC reducing the unsettled amount as at the end of the year to Rs. 2,221 million. At the beginning of the year the payments due to Independent Power Producers (IPP) stood at Rs. 17,592 million and these were brought down to Rs. 13,919 million by the end of the year with a total settlement of Rs.86,580 million. The bank overdraft was only Rs. 320 million by the end of year under review when the approved over draft limit was Rs. 800 million.

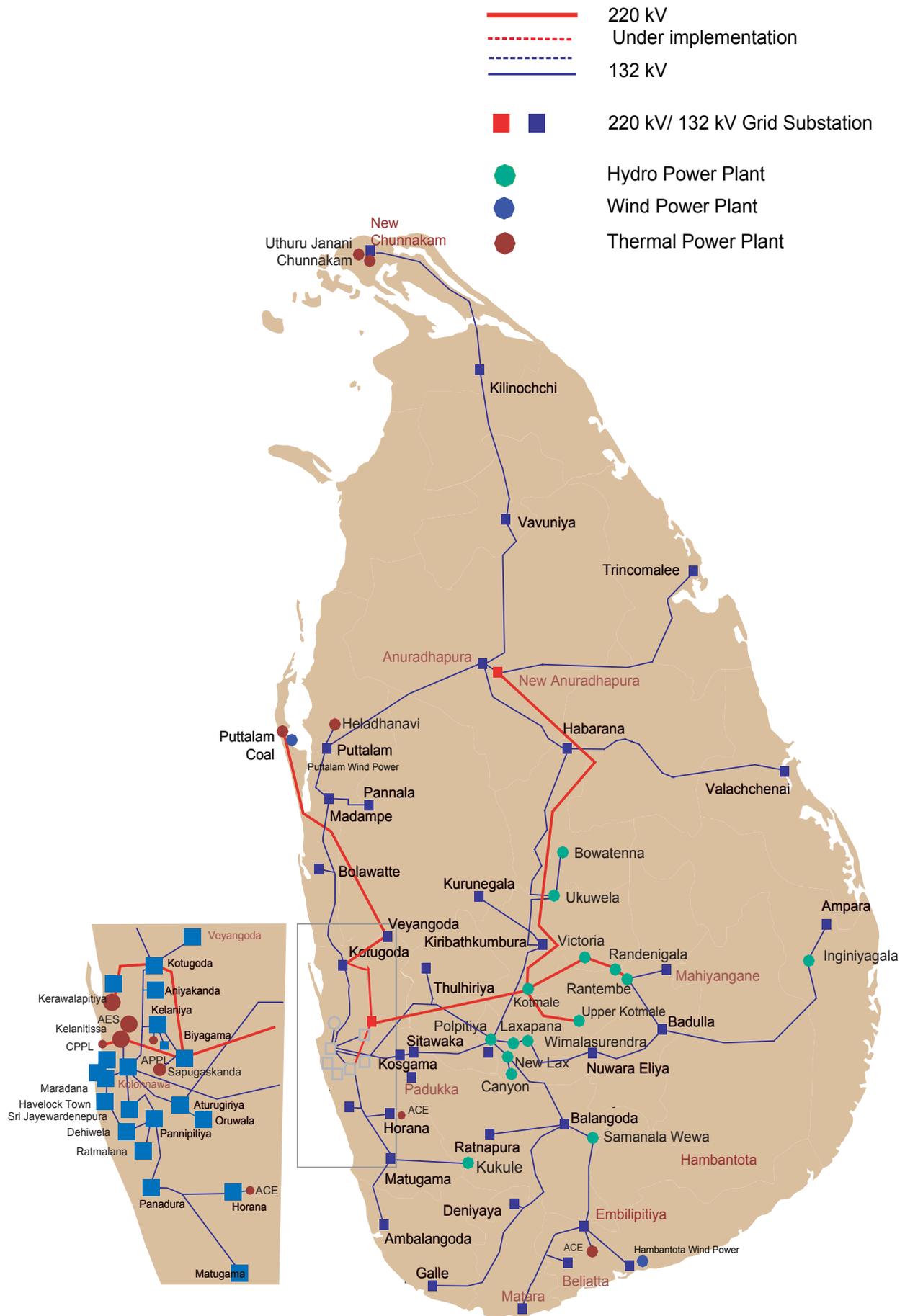
According to the balance sheet, the total fixed assets of the CEB including the work in progress stood at Rs. 686,471 million by the end of the year. This amounted to 89% of the total assets of the CEB. A considerable amount of annual depreciation totaling to Rs. 21,361 million was included in the accounting loss of Rs. 14,605 million reported in the financial statements of the year 2014.

This commendable technical and financial performance of the CEB during the year under review achieved amidst several constraints would not have been possible if not for the commitment and dedication shown by my predecessors, Additional General Managers, the Finance Manager and all other employees of the CEB in their own individual capacities. I pay my tribute to all of them.



W J L S Fernando
General Manager

CEB TRANSMISSION NETWORK





OPERATIONAL REVIEW



GENERATION DIVISION

GENERATION DIVISION

The Generation Division is responsible for the operation and maintenance of thermal, hydro and wind power plants of the CEB. Its assets in the year 2014 consisted of 17 large hydro power plants with a total installed capacity of 1,382.1 MW, 6 large oil-fired thermal power plants with a total installed capacity of 544MW, one coal-fired power plant with an installed capacity of 900 MW and one 3 MW wind power plant. There were also a few power plants in isolated networks in the Jaffna peninsula and its surrounding islands and together with these, the total installed capacity of the CEB-owned power plants stood at 2,829.1 MW by the end of the year.

The Division was managed by an Additional General Manager to whom reported thirteen Deputy General Managers each of whom was responsible for a distinct function. It had nine branches and five generation complexes coming under its purview, viz: Mahaweli, Laxapana, Thermal, Samanala and coal. Their performance during the year under review was as follows:

Generation Projects Branch

The Generation Projects Branch was responsible for the planning and the implementation of plant rehabilitation projects coming under the purview of the Generation Division and handled all foreign purchases of goods and services required by the Generation Division.



New runner of New Laxapana Power Station

Rehabilitation of the New Laxapana and Wimalasurendra Power Stations.

Under this Project, 2 x 50 MW New Laxapana and 2 x 25 MW Wimalasurendra Power Stations were

refurbished and modernized. The generators, turbines, controls and auxiliaries of the stations were replaced and refurbished at a cost of Rs. 6660.0 million.

The rehabilitation of the Unit 2 Machine at the New Laxapana Power Station (last of the four machines rehabilitated under this Project) was carried out from January to August 2014 and by the end of the year the machine was operating within its defects liability period. The defects liability period of the Unit 1 Machine of the Power Station ended in January 2014. Under the Project, the capacity of the rehabilitated New Laxapana Power Station was increased by 16 MW. The capacity of each of its two units was increased by 8 MW by having runners with a new design and which had reduced the penstock friction. The test on turbine efficiency proved that the guaranteed weighted average efficiency of 89.753% had been achieved at a maximum net head of 536.1 m.

During the year 2014, 317 orders worth Rs. 3,042 million were placed with overseas manufacturers for parts and services required for the maintenance of the power plants.

Dam Safety, Environment and Civil Structures Maintenance Branch

The Dam Safety, Environment and Civil Structures Maintenance Branch (DS, E & CSM) of the Division undertook during the year the maintenance and continuous monitoring of dams, reservoirs, power station tunnels and other related structures connected with the generation of electricity. The Branch also constructed housing and infrastructure facilities for the employees of Lakvijaya Power Station Phase II.

During the year, the Branch completed the following major construction and maintenance work at a cost exceeding Rs. 500 million.

- Construction of four pre-fabricated dormitories for the Lakvijaya Power Station at a total cost Rs. 212 million.
- Award of the contract for the construction of two conventional dormitories at a cost of Rs. 228 million in April, 2014.

GENERATION DIVISION Contd...

- Dewatering of the New Laxapana Power Tunnel to enable the inspection and fixing of a water leak. The remedial work which was carried out at a cost of Rs. 170 million included the lining of the tunnel between rock trap and the steel lining with concrete, grouting, shot creating and rock bolting.
- Upgrading of the dams at Laxapana, Canyon and Norton Power Stations at a total cost of Rs. 50 million by installing monitoring instruments, rehabilitating outlet structures and providing a data transmission system.

Energy Sales Branch

With the introduction of a regulatory frame work for the electricity industry in Sri Lanka, the Energy Sales Branch of the Generation Division was entrusted with activities related to regulatory matters as per the conditions set out in the generation license issued to the CEB. This included the preparation of capacity and energy prices for each of the power plants of the CEB annually and the issuance of transaction notes to the transmission licensee of the CEB for the electricity transferred to it monthly.

The capacity and energy charges applicable for the year were computed based on the budget provided for the CEB power plants and these were duly submitted to the transmission licensee to be forwarded to the Public Utility Commission of Sri Lanka (PUCSL). The computed energy and capacity charges applicable for the year 2015 were also submitted to the transmission licensee based on the forecasted budget for the year 2015.

Energy data collection for the three tariff periods was commenced during the year and a data base was established.

Corporate Affairs Branch

The Corporate Affairs Branch of the Generation Division was responsible for the human resources management and development of the Division and also for the planning of its staff categories. The total staff strength of the Generation Division stood at 2405 by the end of the year. In addition to managing staff, the branch conducted continuous professional development programmes and workshops during

the year to enhance the knowledge, skills and attitudes of the employees towards increasing their productivity. During the year, the Branch arranged job specific training to 1263 employees of the Division.

Thermal/Hydro Asset Management Branches

These Branches carried out the monitoring of the condition of the generating plants and equipment using advanced condition monitoring techniques towards preventing unexpected service failures and catastrophes.

Some of the tasks undertaken by these Branches during the year included their involvement in the Canyon major overhaul, the retrofitting of protection systems of Unit 1 of the Kotmale Power Station and the two units of the Randenigala Power Station. The design of the Unit that replaced the Samanalawewa Control System was also one of the most important tasks undertaken during this period.

Laxapana Complex

Two of the bays of the fourteen bay flash boards of the Casetlereagh Dam were modified to have a height of 28 inches to control flash floods expected during the repair of the needle valve.

Stage I: The total running hours of the three units was 24,681 hours with a forced outage of 46 hours. The amount of additional energy generated during the year was 14.84 GWh and this resulted from the capacity improvement made to the plant after it was rehabilitated during the preceding year. There was a possibility of getting at least 18 GWh per year for peaking from Stage 1 of the upgraded Old Laxapana Power Station.

The replacement of the main transformers, capacitor voltage transformers and the penstock guard valves were completed during the year. The painting of the inner surface of both penstocks was also completed during this time.

Stage II: The total running hours of the two units was 14,479.10 hours with a forced outage of 109.41 hours. The two generator transformer banks of Units 4 and 5 were replaced with a new single 3 x 11 MVA transformer bank.



GENERATION DIVISION Contd...

Performance of the Laxapana Complex during the year

Power Station	Installed capacity, MW	Energy generated, GWh	Availability factor, %	Plant factor, %	Fault factor, %
Old Laxapana Stage I	28.8	168.155	98.82	67.35	0.19
Old Laxapana Stage II	25	124.154	93.82	56.69	0.75
New Laxapana	116	304.073	45.67	30.13	0.68
Wimalasurendra	50	114.893	92.42	26.23	0.25
Samanala (Polpitiya)	75	332.491	95.18	50.61	1.27
Canyon	60	101.248	87.17	19.26	0.09
Total	354.8	1,145.01	85.51	41.71	0.54

The additional power generated after the capacity improvement of the 2x58 MW (from 2x 50 MW) units was 19 GWh during the year. There was a possibility of getting at least 50 GWh per year for peaking from the upgraded New Laxapana Power Station.

The total generation during the year was low because of the tunnel outage and the rehabilitation of Unit 2. The total generation of New Laxapana was 304.073 GWh in the year 2014. The total running hours of the two units was 8,000.86 hours with a forced outage of 54.93 hours.

The main transformers of Unit 1 were replaced and the painting of the inner and outer surfaces of both penstocks was completed during the year. The replacement of auxiliary transformers was also completed.

The inspection and repairing of the New Laxapana Tunnel was completed on June 30, 2014. There was a water leakage of 1,000 m³/h between the surge shaft and the penstock guard valves. There was at least 9 GWh energy lost per year due to this leakage and there was a possibility of a catastrophic disaster if the tunnel was not repaired. The leakage area was continuously monitored after the repair and no evidence of a tunnel leakage could be found indicating that the repair was successful.

The total running hours of the Samanala Power Station was 13,649.52 hours with a forced outage of 175.25 hours. The 12.5 kV generator circuit breaker of Unit 1 of the Samanala Power Station was replaced with a new breaker.

The total running hours of the Wimalasurendra power station was 6,616.78 hours with a forced outage of 16.77 hours.

The total running hours of the Canyon Power Station was 5,636.9 hours with a forced outage of 5.26 hours. A major overhaul of the Unit 1 of the Power Station and the replacement of HV current transformers were completed during the year.



New Laxapana Power station Tunnel repair in progress



New Laxapana Power Station Tunnel after repair

Mahaweli Complex

The de-silting work carried out at the Polgolla intake of the Ukuwela Power Station done as a remedy to avoid the blocking of the intake screen was completed in October 2014. The Polgolla intake of the Ukuwela Power Station had to be shut down several times

GENERATION DIVISION Contd...

The performance of the power stations of the Mahaweli Complex during the year

Power Station	Installed capacity, MW	Energy generated, GWh	Availability factor, %	Plant factor, %	Fault factor, %
Victoria	210	548.371	92.34	29.81	3.79
Kothmale	201	384.450	90.92	21.83	1.40
Upper Kothmale	150	362.834	99.77	27.61	0.00
Randenigala	122	250.241	93.06	23.42	1.59
Rantabe	49	127.848	98.12	29.78	2.42
Ukuwela	40	136.803	90.52	39.04	8.17
Bowatenna	40	63.289	90.43	18.06	2.11
Nillambe	3	6.299	98.48	21.66	3.01
Total	815	1,880.135	94.13	26.32	3.05

due to the blockage of the intake screen resulting in a considerable head loss and thereby adversely affecting the operation of the Power Station.



Desilting of the tunnel intake area & Ruwan Oya at Polgolla Division – Kandy

The 5 guide vane seals of the Unit 1 of the Victoria Power Station were completed during the year.

Samanala Complex

The following are some of the major activities that took place during the year at the Samanala Complex.

Kukuleganga Power Station

The year 2014 was one of the best years for the Kukule Ganga Power Station in terms of its energy generation. The total amount of electricity generated by the end of year stood at 341.6 GWh which was its third highest annual generation since its commissioning in 2003. One of the key factors that contributed to this success was the availability of the Unit 2 Generator which was severely damaged on June 8, 2013. Because of the sound decisions taken by the management and the dedication of the staff, the Unit 2 Generator which was declared as beyond repairs by the OEM and reputed generator manufacturers was brought back to operation after a painstaking temporary repair. The machine was commissioned after this temporary repair on September 28, 2013 and was expected to run until the commencement of the permanent repair. The quality of the temporary repair was so good that the machine ran throughout the year at an availability factor of 87% without any major trouble. One of the

The performance of the Samanala Complex during the year

Power Station	Installed capacity, MW	Energy generated, GWh	Availability factor, %	Plant factor, %	Fault factor, %
Samanalawewa	120	258.50	88.09	24.59	5.02
Kukule Ganga	75	341.60	90.39	51.75	1.09
Udawalawa	6	8.17	40.57	21.25	49.95
Inginiyagala	11.3	14.48	90.04	14.69	30
Hambanthota Wind	3	2.13	47.06	8.09	49.82
Total	215.3	624.88	71.23	24.074	27.2

GENERATION DIVISION Contd...

other highlights of this temporary repair was the fact that it saved as much as 124 GWh. The cost of this energy saved was Rs. 2480 million at a rate of Rs. 20 per unit.

Samanalawewa Power Station

The replacement of the 132 kV bus coupler circuit breaker (W10) and generator circuit breakers (M10 & M20) with new units was successfully completed while attending to the annual maintenance of Units 1 & 2 clearing brake track bolt failures and bottom guide bearing failures.

Kapugala and Pambahinna Circuit Bungalows were renovated and equipped with better facilities.



132 kV Breaker Installation (M20) at Samanalawewa Power Station



Unit 2 Generator bottom bearing assembly repair at Samanalawewa Power Station

Udawalawe Power Station

The repair of the runner blade seal was carried out during September 2014.

Wind Power Station

The replacement of the gearbox of Turbine No.02 assisted by Vestas Engineers from India was completed during March 2014.

Inginiyagala Power station

The feasibility study for the rehabilitation of the Inginiyagla Power Station and intake structure was carried out by a team from the Czech Republic. Tunnel dewatering was carried out in August 2014 to enable the team to inspect the current status of the tunnel.

Thermal Complex

The Thermal Complex comprised of the Sapugaskanda A and B Power Plants that had diesel engine driven generating sets, Kelanitissa Combined Cycle Power Plant, Kelanitissa Simple Cycle Gas Turbines (Fiat GT and Frame V GTT) and Uthuru Janani Power Plant that had diesel engine driven generating sets. The total installed capacity of the complex in 2014 was 544 MW. The energy generated by it in 2014 was 1692.75 GWh (i.e. 13.66% of the total energy generation).

The power plants at Sapugaskanda provided the base load throughout the year, since the generating costs of these power plants which used heavy fuel with a 3500 Sec viscosity were considerably lower than those of other thermal power plants of the Complex.

The performance of the power stations of the Thermal Complex in the year

Power Station	Installed Capacity, MW	Energy Generated, GWh	Availability Factor, %	Plant Factor, %
Sapugaskanda - A	80	204.70	51.90	33.80
Sapugaskanda - B	80	400.24	79.30	62.20
Kelanitissa CCPP – GT	110	531.78	90.83	57.82
Kelanitissa CCPP – ST	55	218.38	69.22	41.55
Kelanitissa Fiat GT	115	208.25	85.28	24.91
Kelanitissa Frame V GTT	80	33.63	74.12	6.60
UthuruJanani	24	95.77	72.05	45.99
Total	544	1692.75	74.7	39.0

GENERATION DIVISION Contd...

The 165 MW Combined Cycle Power Plant at Kelanitissa premises was operated either on base load or on intermediate load depending on the requirements. This plant used diesel and the chemical Naphtha. The overall cost of generation of the Combined Cycle Power Plant was substantially lower than that of gas turbines operating on simple cycle mode.

The 115 MW Fiat Gas Turbine and the GE Frame V small gas turbines of 20 MW each at the Kelanitissa premises were operated during dry periods and during emergencies to meet system requirements. The operating costs of these plants were comparatively high. These gas turbines used diesel. GE Frame V small gas turbines were also operated on synchronous condenser mode to improve the voltage of the system.

All major overhauls / inspections of Sapugaskanda, Kelanitissa and Uthuru Janani Power Stations were completed on schedule during the year.

Lakvijaya Coal Fired Power Station, Puttalam



Lakvijaya Coal Fired Power Station Puttalam

The year 2014 marked a milestone for the Lakvijaya Power Station since the handing over its first unit

of 300 MW to CEB in July 2011. Both Units 2 and 3 under Phase II commenced generation during the year and were declared open officially on September 16, 2014.

This Power Plant transmitted 3,524.95 GWh to the power system during the year 2014 accounting for about 28% of the total system demand forecasted for 2014 and 51.7% of the expected total thermal energy. The coal consumption of the Plant during this period was 1,363,586 tons. Furthermore, the plant availability factor was 68.19 %. The cost of coal consumed during the year was Rs. 18,786 million.

The performance of the Lakvijaya Power Station during the year 2014 was as follows:

		Unit 1	Unit 2*	Unit 3**
Gross Energy	GWh	1,661.13	1,347.44	516.38
Net Energy Sent Out	GWh	1,508.2	1,224.9	469.1
Coal Consumption	MT	676,024	498,674	188,888
Fuel Cost (Coal)	Rs. Million	9,359	6,850	2,578
Average demand	MW	233	266	244
Availability Factor	%	81.4	70.8	52.3

* - Unit 2 was taken over for commercial operation on May 4, 2014

** - Unit 3 was taken over for commercial operation on October 14, 2014

In 2015 all 3 units were expected to provide more than 55% of the National Energy

Cost of Generation

Technology	Fuel Cost Rs. Million	Spares & Other Maintenance Material Cost Rs. Million	Other Operation & Maintenance Cost Rs. Million	Total Generation Cost Rs. Million	Units GWh	Average Cost of Generation Per Unit Rs/KWh
Thermal -Oil	46,128	1,048	6,169	53,345	1,745	30.56
Hydro	-	470	7,057	7,527	3,652	2.06
Thermal -Coal	17,485	240	4,885	22,611	3,108	7.28
Total	63,613	1,758	18,110	83,481	8,505	9.82

Note : Coal cost and generated units exclude cost of coal and units generated during the testing period of Units 2 & 3 of the Coal Power Station.





OPERATIONAL REVIEW



TRANSMISSION DIVISION

TRANSMISSION DIVISION

The Transmission Division planned, developed, operated and maintained all transmission assets of the CEB during the year while providing relevant services to the other divisions of the CEB.

This Division provided reliable and good quality electricity in bulk through effective and efficient planning, development and operation of the transmission network. It maintained a productive partnership with its employees who were both skilled and motivated. The Division used appropriate technology for the socio-economic development of Sri Lanka during the year while meeting acceptable environmental standards and earning a satisfactory rate of return.

The operational objectives of the Division were to:

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

Transmission and Generation Planning Branch

The main objective of this Branch was to study and plan the transmission and generation systems of the CEB which had a mix of both hydro and thermal systems and an adequate number of Non Conventional Renewable Energy Plants.

Generation Planning

- The Long Term Generation Expansion Plan 2013-2032 was published in April 2014 after receiving the approval of the PUCSL. According to this plan approximately 6,025 MW of electricity was expected to be added to the system within the next 20 years, out of which 4,700 MW was to come from coal fired thermal power plants.
- With the assistance of the Japan International Cooperation Agency (JICA), a feasibility study on

the 'Development Planning on Optimal Power Generation for Peak Power Demand' was carried out and the final study report was expected by February 2015.

- With the technical assistance provided by the ADB, the Renewable Energy Master Plan and the Wind Development Master Plan for Mannar were prepared. Action was also taken to conduct a feasibility study for the development of a 100 MW wind park in Mannar.
- With the technical cooperation provided by the International Atomic Energy Agency (IAEA), under its Project named 'Supporting Energy Planning and Pre-Feasibility Study for Nuclear Power and Human Resources Development', a two week training programme was conducted with the participation of foreign experts.
- The Generation Planning Section participated in the programmes organized by the Sri Lanka Sustainable Energy Authority and the Ministry of Environment towards obtaining the Climate Finance for the future renewable projects of the CEB.

Generation Development Studies

- The site selection studies for the development of coal fired thermal power plants were carried out with the grant assistance provided by the New Energy and Industrial Technology Development Organization (NEDO) of Japan. Three potential sites were identified and Sampur was selected from among them to carry out the feasibility study.
- The feasibility study for the 1200 MW Sampur Coal Power Project commenced with the assistance provided by NEDO, Japan. The proposal was to construct an advanced subcritical coal power plant that had a higher efficiency.
- The feasibility study together with the initial environmental examination for the proposed 20 MW Seethawaka Ganga Hydro Power Plant was initiated.
- The mitigation and adaptation measures against the impacts of climate change on the power sector were studied along with the Climate

TRANSMISSION DIVISION Contd...

Change Secretariat operating under the Ministry of Environment.

Transmission Planning

The Long Term Transmission Development Plan 2013-2022 has identified fifty-two transmission development projects for the period from 2014 to 2022. The funds for most of the projects of high priority were arranged with lending agencies such as Japan International Cooperation Agency (JICA), Asian Development Bank (ADB) and Agence Francaise De Developement (AFD).

- Funds were provided by the 45th Yen Loan Package of JICA for the National Transmission and Distribution Project, which included the construction of the Kirindiwela 220/132/33 kV Grid Substation, construction of Veyangoda-Thulhiriya 132 kV Transmission Line, construction of Battaramulla grid substation, reconstruction of Kolonnawa-Pannipitiya-Ratmalana, Polpitiya-New Habarana 132 kV Transmission Lines and the construction of Kotmale-New Polpitiya 220 kV Transmission Line.
- The ADB allocated funds from its Green Power Development and Energy Efficiency Improvement Investment Program Tranche 1 for the augmentation of the existing Grid Substations at Anuradapura, Katunayake and Kerawalapitiya, and the construction of new grid substations at Kappalthurai, Kesbewa and Kalutara.
- Agence Francaise De Developement of France pledged their commitment for financing the construction of four grid substations at Maliboda, Wewalwatta, Nawalapitiya and Ragala.
- Discussions with JICA commenced on the financing of the construction of the 400 kV Sampur - Habarana Transmission Line which was to first operate at 220 kV and the Sampur-Kappalthurai 220 kV Transmission Line under its 46th Yen loan package.
- The feasibility report of the transmission projects related to the construction of the Mannar-Nadukuda, Samanalaweve – Embilipitiya 132 kV Transmission Lines, installation of 100 MVAR SVC at the Pannipitiya grid substation, augmentation of Biyagama, Kotugoda, Dehiwala and Kolonnawa

grid substations and the construction of Kalawana 132 kV/ 33 kV grid substation were completed and all these projects were to be implemented with financial assistance provided by the ADB, under its Green Power Development and Energy Efficiency Improvement Investment Program - Tranche 2.

Feasibility and Pre-feasibility Studies

• Moragolla Hydro Power Project

The detailed engineering design study of the Moragolla Hydro Power Project, conducted by Nippon Koei Consultants of Japan and funded by the ADB was completed in January 2014.

• Energy Diversification Enhancement Project Phase IIA - Feasibility Study for introducing Liquefied Natural Gas (LNG) to Sri Lanka

Oriental Consultants of Japan completed in June 2014, the feasibility study for introducing liquefied natural gas to Sri Lanka. This study was funded by the Japan International Cooperation Agency.

• Wind Power Project

The wind power potential in Mannar was identified as 375 MW by the ADB assisted Renewable Energy Master Plan Study. The compilation of the feasibility report together with the Environmental Impact Assessment for the development of 375 MW from wind power was underway. The development of the CEB's first 100 MW Wind Park was in progress and it was planned to get financial assistance for the Project from foreign funding agencies.

Transmission Design

Activities undertaken during the year were as follows:

- Preparation of tender documents for the implementation of Greater Colombo Transmission and Distribution Loss Reduction Project, Nation Transmission Distribution Network Development and Efficiency Improvement Project (NTDND&EIP), Green Power Development and Energy Efficiency Improvement Investment Programme (GPDEEIP), Tranche 1, Transmission



TRANSMISSION DIVISION Contd...

Development Project financed by Agency Française De Development (AFD), Clean Energy and Access Improvement Project (CEAIP), Part 2, Additional Scope, Kilinochchi Vavunia Grid Augmentation Project, Kelaniya Grid Augmentation Project and the Valchchena Kiribathkumbura Grid Augmentation Project.

- Scrutinizing of Design Reviews included those related to the Clean Energy and Access Improvement Project (CEAIP), Part 2- Transmission System Strengthening Transmission Line Project (TSSTLP), New Galle Power Transmission Development Project (NGPTDP), Transmission System Strengthening Grid Substation Project (TSSGSP), Transmission System Strengthening Transmission Line Project (TSSTLP), Clean Energy and Network Efficiency Improvement Project (CENEIP), Package 1,2 and 3, North Eastern Power Transmission Development Project (NEPTDP), Biyagama and Rantembe Transformer Installations etc.

In addition to the above mentioned activities, the Transmission Design Unit during the year was involved in the preparation of technical specifications for the proposed 400 kV transmission line which was to be introduced for the first time by CEB and the preparation of a pollution map based on the tests carried out in various parts of the country. The pollution map was to be helpful for the preparation of specifications for future transmission projects.

Protection Development Unit

The main task of the Protection Development Unit was to develop a coordinated and reliable protection system for the entire power network of the CEB.

This Unit also carried out failure analysis of total or partial failures in the transmission network, and implemented remedial or preventive measures to improve system reliability.

During the year there were no total blackouts caused by power failures. Two major partial failures occurred on March 7, 2014 and March 22, 2014 in addition to a few minor partial failures. These failures were analyzed and remedial measures were proposed. An improvement in the system performance was observed after the introduction of remedial and preventive measures.

Another function of the Protection Development Unit was to assist and provide consultation for transmission expansion and rehabilitation projects. This work included the identification of the protection scope of new and rehabilitation projects, preparation of technical specifications, calculation of protection settings and checking and approving of protection schemes/settings given by contractors. In addition to these, the Branch had also to take part in the commissioning of protection schemes in transmission and generation projects before their user acceptance. Such services were provided during the year for the North East Power Transmission and Development Project, Transmission System Strengthening & Grid Substation Project, Norochcholai - Phase II and III, New Galle Power Transmission Development Project, Green Power Development & Energy Efficiency Improvement Project and the Greater Colombo Transmission & Distribution Loss Reduction Project.

The Protection Development Unit also managed the rehabilitation of the 220 kV protection system of the power network.

Environment Unit

The Environment Unit was the focal point for most of the environmental activities undertaken by the CEB. The main responsibilities of the Environment Unit included the environmental approval process for the development projects undertaken by the CEB, preparation of environmental safeguard documents in accordance with the National Environmental Act and the guidelines of the funding agencies (if applicable), obtaining the relevant environmental approvals, and conducting environmental awareness programmes for the CEB and its stakeholders.

A brief overview of the EIA/IEE processes carried out by the Environment Unit during the year is given below:

- Environmental approvals were obtained for the proposed 220 kV Transmission Line Project (Anuradhapura to Mannar via Vavuniya (130 km)), proposed 220 kV Transmission Line Project (Thulhiriya to Kegalle (21.5 km)), proposed 400 kV/220 kV Transmission Line Project (Veyangoda to Padukka via Kirindiwela (42 km)) and for the proposed 132 kV Transmission Line Project (Thulhiriya to Veyangoda (27.2 km))

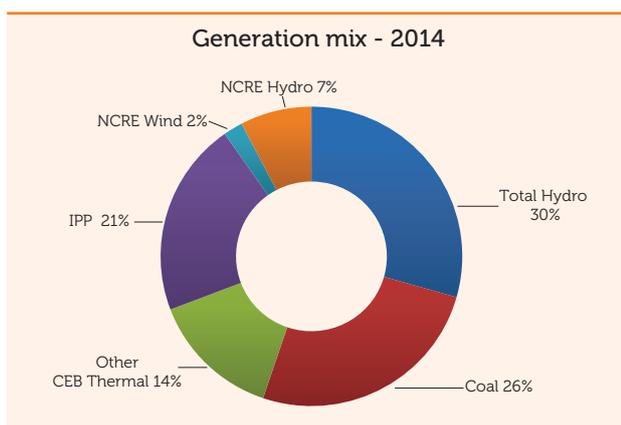
TRANSMISSION DIVISION Contd...

- The final drafts of the IEE reports prepared under NEA for the proposed 220 kV Transmission Line Project (Polpitiya to Pannipitiya (75km)), proposed 132 kV Transmission Line Project (Polpitiya to New Habarana (150km)) and for the proposed 220 kV Transmission Line Project (Polpitiya to Kothmale (22.3km)) were prepared and submitted to the Central Environmental Authority (CEA) for approval.
- The detailed design work of the Transmission Development Project financed by the Agency Francaise De Development (AFD), was carried out by the Unit together with the Project Management Unit.

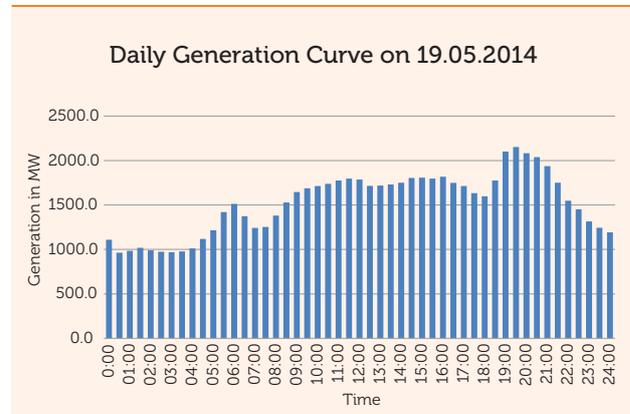
System Control Branch

The year 2014 commenced with a total hydro storage of 659.0 GWh, which was only 52.4% of the total storage as against 84.3% in 2013. The inflow during the first few months was low compared to that of the preceding year. This resulted in the depletion of the hydro storage to 287.9 GWh by April 21, 2014. The south-west monsoon was not continuous as it was during the preceding year and the storage was only 696.9 GWh on August 23, 2014. With the onset of the north-east monsoon, the inflows to the hydro reservoirs increased during the last quarter of the year. The recorded maximum storage was 1190.3 GWh (94.58% of the total storage.) on December 26, 2014. The year-end storage was 1180.5 GWh.

The total energy generated for the year was 12,423 GWh, an increase of 4% from its corresponding value in 2013.



In the year 2014, the recorded maximum peak demand was 2151.7 MW on 19th may 2014.



System Control Centre Modernization Project

A new National System Control Centre (NSCC) was to be established under this Project at Sri Jayawardanepura Kotte based on a feasibility study done in 2006 and reviewed in 2010.

The Optical Fiber Ground Wire (OPGW) was already in place after replacing the existing earth wire on identified 132 V and 220 kV lines of approximate length 1000 km. The contract for the setting up of the voice/data communication system was awarded in 2013. The design and manufacture of the equipment were completed during the year and most of the equipment had been delivered by the end of the year. A contract was awarded for the establishment of the NSCC by providing the necessary software and hardware systems. The total cost of the Project was approximately US\$ 25 million and it was funded by the Clean Energy and Access Improvement Project of ADB.

Asset Management Branch

The Asset Management Branch of the Transmission Division was responsible for achieving the maximum commercial benefit of plants and equipment in the transmission network. Its main functions included the setting up of maintenance policies and procedures, monitoring of plant performance and maintenance planning to ensure operational effectiveness and maximizing the economic life of assets. Planning for replacement of assets at the end of their useful lives was another important asset management function carried out by the Branch.



TRANSMISSION DIVISION Contd...



The High Voltage Transmission Network comprised of 2206 km of 132 kV overhead lines, 50 km of 132 kV underground cables, 601 km of 220 kV overhead transmission lines and 2 km of 220 kV underground cables. In addition, 66 grid substations were in operation at the end of 2014.

Transmission Operation & Maintenance Branch

The main objective of the Operation & Maintenance Branch of the Transmission Division is to operate grid substations and maintain line and grid substation equipment in an efficient, reliable and effective manner.

Transmission Operation & Maintenance Branch – Colombo Region

The major works carried out during the year are as follows:

- Testing & commissioning of two new transformers at the Sri Jayawardenapura grid station
- Installation of two new 132 kV circuit breakers at the Ratmalana grid station and one 132 kV circuit breaker at the Pannipitiya grid station

Transmission Operation & Maintenance – Galle Region

The major works carried out during the year are as follows:

- Supporting the installation and commissioning of the new 31.5 MVA transformer that replaced the 16 MVA transformer and completion of a parallel control system at the Hambantota grid station
- Implementation of the remote operation facilities of the Matugama SAS and the Beliatta grid station from the Ambalangoda Grid Substation and the Matara Grid Substation respectively

Transmission Operation & Maintenance – Anuradhapura Region

The major works carried out during the year are as follows:

- Installation of new 33 kV SF6 circuit breakers for the feeders No. 2 and 3 at the Old Anuradhapura Grid Substation.
- Installation of new capacitors for the capacitor bank No. 1 at the Puttalam grid station

Transmission Operation & Maintenance – Kandy Region

The major works carried out during the year are as follows:

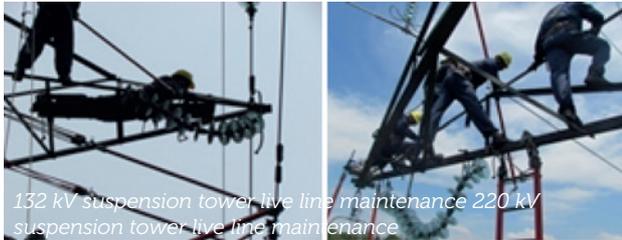
- Successful implementation of the remote operation of Naula and Pallekele Grid Substations from the Kiribathkumbura Grid Substation and the Vavunative Grid Substation from the Ampara Grid Substation.
- Successful planning and carrying out of the circuit breaker travel and timing test in the Kandy and Anuradhapura regions.
- Repairing hot spots at substations identified from thermal images. e.g hot spot at the 33 kV bushing of the Ampara 31.5 MVA Transformer 01 and Thulhiriya 132 kV Line 02 down dropper.
- Taking readings of moisture content in oil (MIO) of all the transformers.

Hot Line Maintenance Unit

The Hot Line Maintenance Unit of the Transmission Operation and Maintenance Branch undertook all breakdown rectification and live line maintenance work of the 132 kV and 220 kV transmission lines. The CEB transmission network consisted of 2206 km

TRANSMISSION DIVISION Contd...

of 132 kV transmission lines and 601 km of 220 kV transmission lines. During the year the Transmission Hot Line Maintenance Unit completed the inspection of 3087 transmission line towers out of a total of 4772.



Protection and Centralized Services Unit

This Unit during the year undertook the routine maintenance of protection relays, replacement of older electromechanical relays with new relays, fault recording, provision of self-diagnosis and communication facilities, testing of current transformers during breakdowns and their replacements, project work related to augmentation of older substations, Tan Delta tests, winding resistance tests, dissolved gas analysis tests, testing and maintenance of tap changers, fault diagnosis of transformers and testing of equipment specially transformers for detailed fault analysis when they fail due to operation of protection relays .

The following are the major work undertaken during the year:

- Replacement of distance relays in
 - Embilipitiya - Samanalawewa Transmission Line at the Embilipitiya end
 - Samanalawewa - Balangoda transmission line at the Samanalawewa end
 - Pannipitiya - Ratmalana transmission line at the Pannipitiya end
 - Rantembe - Badulla transmission line at the Rantembe end
 - Bowathenna - Ukuwela transmission line at the Bowathenna end
- Replacement of transformer differential relays in the Sapugaskanda Transformer Bays 2 and 3
- Installation of new load shedding relays at the Ratmalana, Madampe and Biyagama Grid Substations.
- Application of new load shedding schemes.
- Commissioning of the protection scheme of the new transformer 1 in Sri Jayawardenapura Grid Substation
- Commissioning of the protection scheme of the new transformer at the Hambanthota Grid.
- Transformer testing in New Chilaw RSS, Deniyaya, Thulhiriya and Hambanthota Grid Substations and at the Sri Jayawardenapura Grid Substation
- Commissioning and testing of the single pole auto reclosing of the Norochcholai New Chilaw Line Bays 1 and 2

Energy Purchase Branch

The Energy Purchase Branch was responsible for the purchase of electricity from Private Power Producers to meet the system demand at optimum cost.

There were seven independent Private Power Producers with a total capacity of 771 MW supplying thermal power to the CEB during the year and 167 Non-Conventional Renewable Energy Projects with a total capacity of 442 MW.

The Non-Conventional Renewable Energy Plants of capacity less than 10 MW were paid as per the two tariff categories given below:

- Cost Based Technology specific Three Tier Tariff
- Avoided Cost Based Tariff

Mini Hydro Power Development

During the year, twelve mini hydro power projects of a total capacity of 23 MW were connected to the Grid raising the total number of mini hydro plants to 142 having a total capacity of 293 MW. The total generation during the year was 890 GWh. CEB has signed 76 Standardized Power Purchase Agreements (SPPA) for an aggregate capacity of 154 MW.



TRANSMISSION DIVISION Contd...

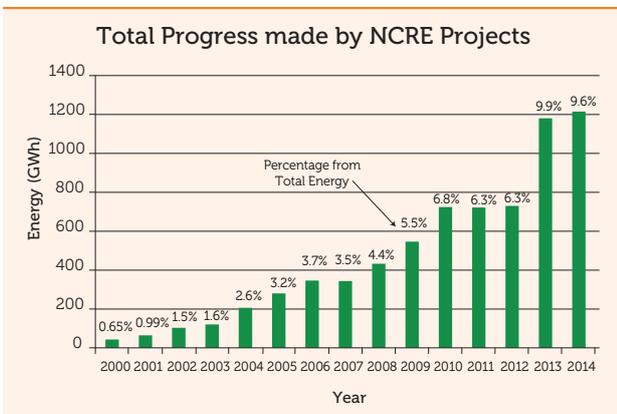
Biomass Power Development

Biomass Power Plants came under three main categories i.e. Dendro, Municipal Waste and Agricultural & Industrial Waste. One Agricultural & Industrial Waste Power Plant and one Dendro Power Plant of a total capacity of 7 MW were connected to the Grid during the year. Their total generation was 20 GWh. By the end of the year, CEB had signed 14 Standardized Power Purchase Agreements (SPPA) for an aggregate capacity of 70 MW.



Wind Power Development

During the year, three wind power plants of a total capacity of 30 MW were connected to the Grid. By the end of the year, 14 wind power plants were connected to the Grid with an aggregate capacity of 114 MW. 5 Standardized Power Purchase Agreements were signed for another 02 plants of a total capacity of 11MW. The construction of these wind plants were in progress at the end of the year.



Energy Marketing Branch

During the year, the Energy Marketing Branch was mainly involved in activities related to the

measurement and accounting of electricity transactions between the transmission and distribution licensees. On behalf of the transmission licensee, it worked closely during the year with the Public Utilities Commission of Sri Lanka (PUCSL) on tariff preparation.

With the introduction of the approved Tariff Methodology (new Bulk Supply Tariff by the PUCSL in the year 2011), the Energy Marketing Branch was entrusted with the preparation of separate Bulk Supply Transaction Accounts for the four distribution licensees of the CEB and LECO. In order to record the energy transactions, energy meters of class 0.2 accuracy were procured and installed on the boundaries of the transmission licensee and the distribution licensees. They were programmed according to the requirements and based on the energy meter readings, Bulk Supply Transaction Notes were prepared and sent to each distribution licensee monthly.

Communication Branch

The Communications Branch had to provide voice and data communication facilities within the CEB for the Generation, Transmission and Distribution Divisions and to other ancillary units. It was also responsible for providing Supervisory Control & Data Acquisition (SCADA) facilities to the System Control Center.

The Unit was responsible for the voice and data communications network over power lines, PLC network, optical fiber network including its end equipment, PLC and PLTS telephone systems, telephone exchanges and the auxiliary systems at the power stations and grid substations throughout the country.

Communication Services Unit

The Unit attended to the following work during the year:

- Upgrading of the mimic display at the System Control Center by installing several new RTU modules.
- Replacement of the SCADA server computers at the System Control Center.
- Upgrading of the existing RTU 560 at 7 of the stations to accommodate the controlling facility



TRANSMISSION DIVISION Contd...

- of the System Control Center Modernization Project.
- Installation of a new RTU at Randenigala and Rantambe Power Stations to accommodate the data acquisition and controlling facility of the new System Control Center.
- Attending to the preliminary studies and site surveys of the System Control Center Modernization Project.

Communication Systems Unit

The Unit attended to the following work during the year:

- Design, fabrication and installation of a backup frequency counter at the System Control Center
- Provision of operational voice communication facilities to Uthuru Janani Power Station
- Installation and commissioning of the SOPHO PABX at the power stations at Samanalawewa , Laxapana , Bowatenna and at the grid substations at Habarana and Pannipitiya
- Provision of LAN facilities via Fiber Optic Multiplexers for the remote operation of Pallekele and Vavunativ Grid Substations
- Provision of data channels for expanding the MITFIN network to Kotmale, Rantambe, Laxapana, Samanalawewa and Ukuwela Power Stations through fiber optic multiplexers.

Digital Bearer Section

The Section attended to the following work during the year:

- Carrying out of field tests in the Eastern Province to provide a new UHF network and identification of suitable sites for the new stations.
- Work on the installation of a VHF repeater and a microwave terminal station to improve the communication facilities in the North Western province and to extend the VHF coverage to Chilaw and Puttalam . The design, fabrication and installation of the equipment cabin was handled by the Communication Branch.
- Improvement of the VHF coverage by the Namunukula repeater by replacing the existing antennas with high gain antennas.
- Installation of surge protective devices at several sites to ensure an uninterrupted power supply.

- Carrying out of a site survey and field tests to identify a suitable location for the installation of a new low band repeater at Monaragala to improve coverage within the area.

Corporate & Regulatory Relations Branch

The Corporate and Regulatory Relations Branch had during the year the responsibility of ensuring the proper functioning of the Transmission Division through optimum use of human resources available in the Division. The preparation of the annual personnel plan and the Corporate Plan for the Transmission Division was handled by the Corporate & Regulatory Relations Branch.

The Branch also dealt with the performance appraisal and promotion, training and development of skills of both the executive and non-executive employees. It also arranged and /or conducted with assistance received from the Training Branch, local and foreign training programmes to enhance the career development of these employees.

Human Resources

The Transmission Division had 142 executives and 971 non-executives totalling to a staff strength of 1113. During the year, 48 personnel were recruited and assigned to the division, 19 personnel retired from the Division and 125 personnel were either promoted to higher grades or placed on their respective higher salary scales to be in conformity with the recruitment and promotion procedure of the CEB.

Depending on the skills development requirements, the relevant staff was trained both locally and abroad. The overseas training programmes covered the subjects of planning, design, communications, automation of substations and operation and maintenance of substations, and transmission lines.

Knowledge transfer sessions were arranged every month during which the staff who attended overseas training programmes /workshops had to share their experience with others.

The Division had a vibrant welfare society with official patronage. During the year, it provided various services such as loans, long service awards to its members while promoting cordial personal relationships among the staff.





OPERATIONAL
REVIEW



DISTRIBUTION DIVISIONS

DISTRIBUTION DIVISIONS

The CEB during the year was responsible for over 88% of the electricity distribution in the country with the rest taken care of by Lanka Electricity Company Ltd. (LECO), a subsidiary of the CEB.

The distribution system of the CEB came under four divisions. The main objective of forming the four divisions was to achieve benchmark competition that can improve the efficiency and the quality of supply to the customers.

The distribution network consisted of 33 kV and 11 kV medium voltage (MV) lines and 400 V low voltage (LV) lines taking power from the 132 kV and 220 kV transmission systems through grid substations (GSS).

Each division was headed by an Additional General Manager who reported directly to the General Manager. The provinces that come under each division are as given below:

Division 1 (DD1) : Colombo City, North Western Province, North Central Province and Northern Province.

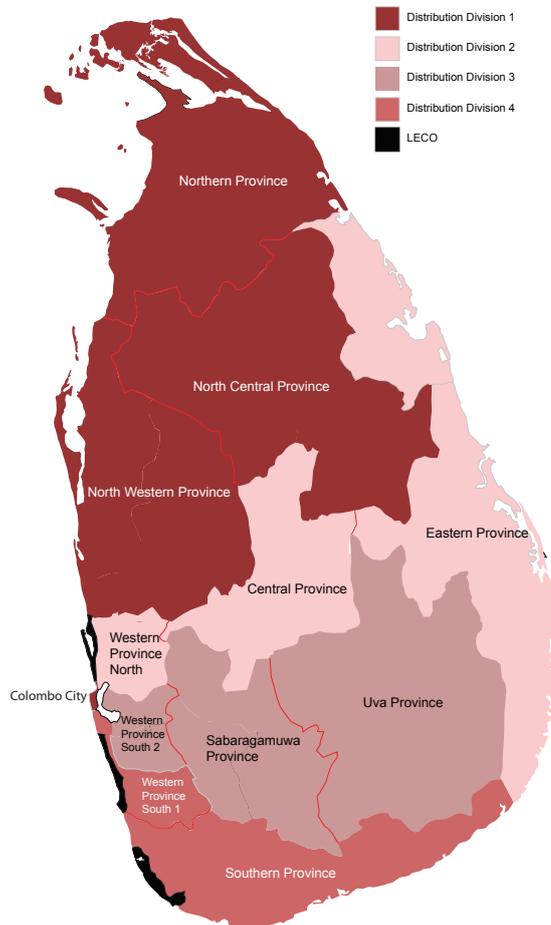
Division 2 (DD2) : Western Province North, Central Province and Eastern Province

Division 3 (DD3) : Western Province South II, Uva and Sabaragamuwa Provinces

Division 4 (DD4) : Western Province South I and Southern Province

Key Objectives of the Division

1. Provision of a reliable electricity supply to the consumers within the Division at statutory levels
2. Sale of electricity and achieving planned revenue to meet the expenditure.
3. Provision of electricity to all.
4. Provision of all services related to electricity supply for the maximum satisfaction of the stakeholders.
5. Ensuring the development of the electricity distribution system to achieve the required level of distribution network reliability to be on par with international standards while minimizing system losses.



Distribution Divisions

DISTRIBUTION DIVISIONS Contd...

Highlights of the Year

Description	Unit	DD1	DD2	DD3	DD4	Total
Units purchased	GWh	3,315.62	3,751.83	1,960.33	1,593.00	10,621.00
Units sold	GWh	3,047.17	3,377.40	1,810.22	1,458.00	9,693.00
Revenue from sales	MLKR	63,371.82	58,232.07	31,791.00	26,350.00	179,745.00
Average Selling Price	LKR	20.79	17.24	17.39	18.07	18.54
Distribution Loss	%	8.1	10.0*	7.7	8.5	8.7
Receivable Position	Months	0.95	0.95	0.90	0.79	0.90
Bulk Consumers	No.	3,540	2,828	1,654	1,388	9,417
Retail Consumers	No.	1,500,913	1,870,001	1,104,507	932,692	5,408,113
New Connections	No.	72,429	64,866	43,313	26,183	206,791

* Due to non-availability of Boundary Meters of some feeders.

Operational Structure

The distribution divisions were divided into several branches in accordance with their functions, i.e. Projects & Heavy Maintenance, Planning & Development, and Commercial and Corporate Branches. In addition to this each division was divided into provinces and each branch and a province was headed by a Deputy General Manager. A province was sub-divided into several areas, which were managed by Area Electrical Engineers. An area was further sub divided into several

Consumer Service Centres each headed by an Electrical Superintendent.

Revenue Collection Centres

The CEB, banks and other agents indicated below operated Collection Centers during the year :

Online Real Time Payment Counters: CEB Counters, People's Bank Branches, Cargills Food City outlets , eZ-Cash (Dialog), M-Cash (Mobitel)

Offline: Post Offices and 23 Agents

Distribution Infrastructure

Description	Unit	DD1	DD2	DD3	DD4	Total
33kV Distribution Lines	km	9,320	7,472	7,948	4,488	29,228
11kV Distribution Lines	km	770	398	40	296	1,504
11kV Underground Cables	km	630	120	5	22	777
33/11kV Primary Substations	No.	37	42	11	33	123
LV Distribution Lines	km	35,200	34,808	28,190	24,325	122,524
LV Underground Cables	km	580	66	6	3	655
LV Distribution Substations	No.	8,600	7,364	5,215	4,406	25,585

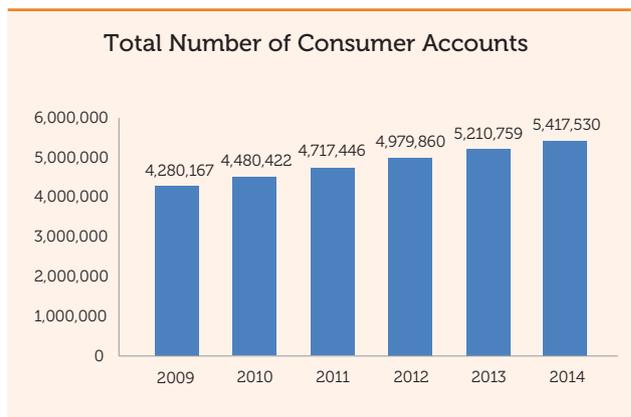
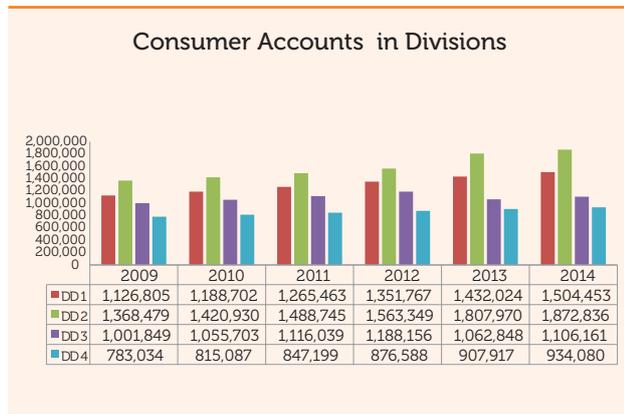
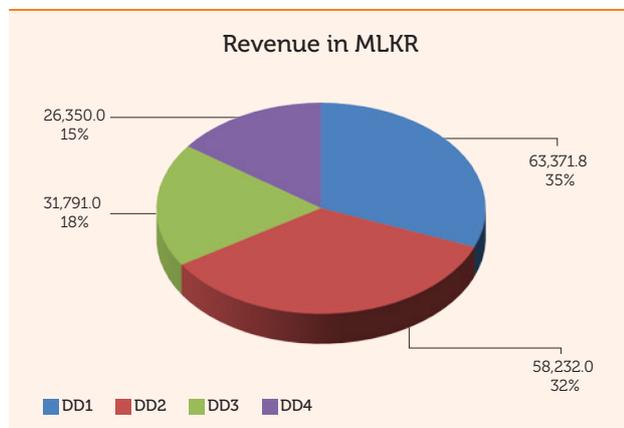
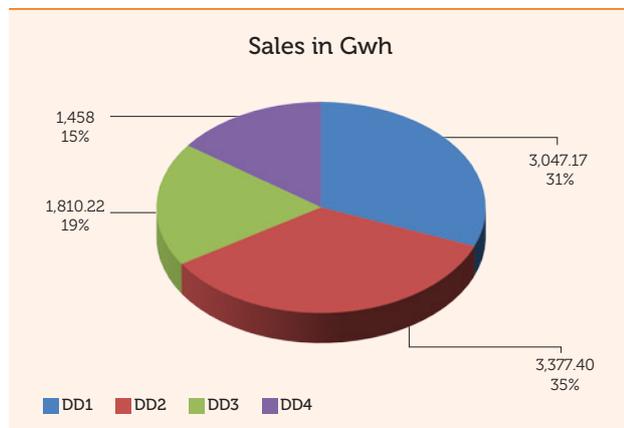
Outreach of Distribution Divisions

Description	DD1	DD2	DD3	DD4
No. of Areas	17	22	13	10
No. of Consumer Service Centers	58	77	42	37
No. of Collection Centers (POS)	12	16	8	10
No. of Control Centers	4	3	2	2



DISTRIBUTION DIVISIONS Contd...

Operational Data of Distribution Divisions



Electrification Levels as at the end of the year

Division	Province	Electrification level (%)	
		2013	2014
DD1	Northern	82.0	92.0
	North Western	95.0	97.0
	North Central	93.0	95.5
	Colombo City	100.0	100.0
DD2	Western North	100.0	100.0
	Central	94.0	99.0
	Eastern	84.0	88.6
DD3	Western South II	99.0	99.2
	Uva	89.0	94.0
	Sabaragamuwa	94.3	99.4
DD4	Western South I	99.6	99.6
	Southern	99.5	99.5

Rural Electrification

Rural Electrification Projects were introduced mainly to achieve 100% electrification and they were funded by the Government of Sri Lanka (GOSL) and by the CEB.

Number of Accounts by Tariff Category

Tariff Category	DD1	DD2	DD3	DD4	Total
Domestic	1,291,818	1,652,778	986,835	836,803	4,768,234
Religious	11,202	11,359	5,915	4,699	33,175
Industrial	26,595	14,016	7,977	5,989	54,577
Hotel	123	181	51	107	462
Government	119	110	51	1,406	1,686
General Purpose	174,596	194,392	105,332	85,076	559,396
Total	1,504,453	1,872,836	1,106,161	934,080	5,417,530



DISTRIBUTION DIVISIONS Contd...

Construction Job Performance						
Division	Province	HV (km)	LV (km)	Distribution Substation	LV line conversion (km)	Cost (MLKR)
DD1	Northern	944	3640	452		2627
	North Western	256	1157	243	96	2840
	North Central	64	542	84	35	1252
	Colombo City	14	23	38	2	6000
DD2	Western North	14	71	59	203	158
	Central	28	45	9	35	188
	Eastern	106	669	127	36	1,663
DD3	Western South II	12	35	10	8	195
	Uva	190	1017	99	41	1889
	Sabaragamuwa	138	846	108	189	1770
DD4	Western South I	13	63	56	7	311
	Southern	28	59	71	208	397

Rural Electrification Job Performance					
Division	Province	Schemes		Extensions	
		No of jobs completed	Cost in MLKR	No of jobs completed	Cost in MLKR
DD1	Northern	452	4,520	452	678
	North Western	142	1,581	1,260	640
	North Central	57	463	1,069	647
	Colombo City	Achieved 100% Electrification			
DD2	Western North	-	-	304	86.074
	Central	132	853.88	2,146	1,067
	Eastern	43	727.19	369	535.529
DD3	Western South II	2	10.29	61	36.15
	Uva	91	1,123.10	484	651.10
	Sabaragamuwa	43	482.22	1,221	527.07
DD4	Western South I	-	-	181	646.6
	Southern	1	6.2	265	56.72

Embedded Generators in the Distribution Divisions

By the end of the year, around 450 MW had been commissioned as embedded generators in the distribution divisions including small mini hydro plants, wind plants, bio-mass plants and Dendro plants.

Distribution Division 1

Area of Operations

The Distribution Division 1 consisted of four administrative branches namely North Western, North Central and Northern Provinces & Colombo City Branches which were further divided into 17 areas.

The Northern Province was divided into three areas viz., Jaffna, Kilinochchi and Vavuniya. North Central Province was also divided into three areas, i.e. Anuradapura, Kekirawa and Minneriya while the North Western Province was divided into seven areas as Chilaw, Kurunegala, Kuliyaipitiya, Wariyapola, Wennappuwa, Puttlam and Narammala. Colombo city was divided into Colombo North, Colombo South, Colombo West and Colombo East.

Key Events

Enhanced Services provided to Customers

- Call Centers

Call Centers were opened in the North Western Province, North Central Province and in the Northern Province to provide a better service to the customers.



North western Province



Northern Province

- E-City

All customer interfaces were modified to serve the customers with modern facilities. Two 'E-city' centers were established in the Anuradhapura & Minneriya Areas to provide an improved service to the customers.

- Door Step Service

A mobile service system was launched in Padaviya and Colombo to provide a hazard free service to the customers.

Achievements during the year

Area Electrical Engineer's office in Narammala obtained ISO 9001 : 2008 Quality Management System Certificate in May 2014 following the initiative made by the North Western Province in 2012.



Nochchiyagama Team

The Consumer Service Centre at Pothuhera in Kurunegala and the Consumer Service Center at Maho in Chilaw area won second places in the Service Sector- Small Scale in the 2012/2014 Award Competition held by the National Productivity Secretariat. Consumer Service Centre at Nochchiyagama in Anuradhapura won a special award for productivity at the competition held for National Productivity Awards 2012/2013.

Distribution Division 2

Area of Operations

The area of operations of the Distribution Division 2 were the Western Province North, Central Province and the Eastern Province covering the administrative provinces of the Central and Eastern Provinces and parts of the Western and Sabaragamuwa Provinces.

The Eastern Province was subdivided into four areas viz., Ampara, Batticaloa, Trincomalee and Kalmunai. The twelve areas Kegalle, Mawanella, Kandy City, Peradeniya, Kundasale, Katugastota, Galagedara, Matale, Dambulla, Nuwaraeliya, Ginigathena and Nawalapitiya came under the purview of the Central Province. The Western Province North was subdivided into six areas viz., Gampaha, Kelaniya, Negombo, Ja-ela, Divulapitiya and Veyangoda.

There were 22 Area offices and 76 Consumer Service Centres under the Distribution Division 2 to facilitate ease of operations and services.

CEB Headquarters Call Centre

All administrative and functional activities of the Head Office Call Center (1987) were handled by the Commercial & Corporate Branch of the DD02. The Call Center was upgraded with state of the art communication infrastructure and a Private Automatic Branch Exchange (PABX) with an Interactive Voice Response System that would meet the expectations of the customers was installed during the year. This would interconnect all provincial call centers.

Energy Management Activities

Awareness Programmes and Energy Audits

Consumer awareness programmes and walkthrough energy audits were carried out in the premises of bulk supply consumers.



Awareness Programmes on Energy Conservation

An energy conservation awareness programmes were conducted in the schools and universities in the Eastern Province.



Key Events

Provision of Efficient Service Connections

During the year, mobile services were conducted to provide one day service connections and to attend to consumer complaints at remote areas in the Eastern Province.

A one day electricity supply connection service commenced in the Divulapitiya area during the year.

Renovation of the Norton Bridge Consumer Service Centre of Ginigathena Area

Norton Bridge Consumer Service Centre which was about 40 years old and renovated by the CEB staff themselves without the help of outside contractors was opened in 2014.

E-City

2E-Cities were established in Kegalle and Veyangoda areas during the year.

New POS Counters

New POS Counters at Gampaha and Negombo Area Offices were also opened in 2014.

Distribution Division 3

Area of Operations

The Distribution Division 3 (DD3) was the distribution licensee covering the Sabaragamuwa Province, Uva Province and a part of the Western Province called Western Province South II.

The Western Province South II was subdivided into five areas viz., Bandaragama, Homagama, Sri Jayawardenapura, Avissawella and Horana. Sabaragamuwa Province was subdivided into five areas viz., Ratnapura, Kahawatte, Ruwanwella, Eheliyagoda and Embilipitiya and covered the entire Ratnapura District and a part of the Kegalle District. Uva Province comprised of Badulla, Diyatalawa, Monaragala and covered Badulla and Monaragala administrative districts.

Accordingly, there were thirteen (13) area offices and 42 consumer service centres coming under the purview of the Division to facilitate ease of operations and deliver an efficient and effective service to consumers.

There were also three separate branches to carry out the supporting services required to maintain the operations of the Division, viz., Projects & Heavy Maintenance Branch, Planning & Development Branch and Commercial & Corporate Branch.

Lighting Ratnapura Distribution Development Project (LRDD)

This Project was commenced in the year 2008 towards achieving 100% electrification of the Ratnapura District. The Project was managed by a Project Director and its scope was as given below.

1. Construction of 71 km of 33 kV express lines and 3 switching gantries
2. Construction of 1000 km of MV lines, 2100 km of LT lines and 550 Nos. of distribution substations

Distribution Loss Reduction

The distribution losses in DD3 which were at 9.8% in the year 2013 came down to 8.4% by the end of the year 2014. This reduction of distribution level losses was due to vigorous monitoring and implementation of distribution loss reduction programmes during the past several years.

The Energy Management Unit monitored during the year the bulk supply substations and carried out rehabilitation activities to reduce losses. The Energy Management Unit of the Western Province South II investigated thefts and illicit tapping. Meter testing was done frequently to identify defective meters and thefts.

A substation maintenance programme with on the job training for field employees was organized by a team of engineers appointed by the DGM (WPS II) to reduce distribution losses, to improve network infrastructure and to develop technical skills among field employees. This programme which was initiated in a few areas initially spread out rapidly with a target of reaching 180 substations by the end of the year 2015.



Type of Fund	No. of Jobs	Work Content			Cost in Rs. Million
		HV (km)	LV (km)	S/S	
LRDD	14	-	5.5	-	5.1
IRAN (Material Only)	1414	55.9	321.2	29	584.7
Total	428	55.9	326.7	29	589.8

Distribution Division 4

Area of Operations

The Distribution Division 4 covered a part of the Western Province (Western Province South I), the entire Southern Province and a few parts of the Sabaragamuwa and Uva Provinces. Western Province South I was subdivided in to 3 areas viz., Ratmalana, Kalutara and Dehiwala. Southern Province covered the areas of Ambalangoda, Galle, Hambantota, Matara, Tangalle, Weligama and Baddegama. The distribution network of Division 4 extended from Dehiwala to Kataragama.

Electricity Distribution Development Project Dehiwala - Mt.Lavinia

A proposal was submitted during the year to the Japan International Cooperation Agency (JICA) to obtain necessary funds to carry out the above mentioned project, the details of which are given below:

- Contact mission was carried out during the month of April
- Fact funding mission was carried out during the month of August
- Supplemented survey was carried out during the months of September and October
- Appraisal mission was carried out during the month November

Energy Management Activities

- The programming of maximum demand reset date of all bulk supply meters in the Southern Province from 20th of each month to the 1st of the following month at the request of several bulk supply consumers was carried out by the Energy Management Unit of the Southern Province under the guidance and direction of AGM (DD4) and DGM (SP).
- An awareness programme was conducted for the bulk consumers in the Galle Area on the efficient use of energy and energy auditing
- An awareness programme was conducted on bulk supply meter installation for the staff and workers in the Hambantota Area

Key Events

- Introduction of a SMS programme to send red notices and reminders to customers on payments due from them.
- Establishment of a door step service in the Ratmalana area to enable consumers to obtain new service connections without physically visiting the Area Office .
- Mapping of transformer locations and medium voltage lines in the Dehiwala and Ratmalana areas by using low cost mobile phone based software 'Google Earth'.
- Establishment of two E-City centers in Tangalle and Ambalangoda areas to provide a special service to the customers of the two areas.
- Upgrading of the Baddegama Sub Consumer Service Center to the level of a Consumer Service Center to improve the services provided to the customers in the Baddegama area.
- Introduction of a Breakdown Monitoring and Management System at the Southern Province Call Center and increasing the efficiency of the breakdown service by providing hand held communication devices to the field staff.
- Implementation of the On Line Real Time (OLRT) Electricity Bill payment system with assistance from the People's Bank to expedite the cash flow to the Board and decrease interest charges due for bank overdrafts taken while minimizing the risk of frauds.
- Introduction of the PIV online system in all Consumer Service Centres in the Western Province South I and Southern Province.
- Introduction of a system for facilitating online Transfer Vouchers to decrease the balance of Internal Transit Account.
- Coordination of DDLO fuses with the Auto Reclosers in the lines for satisfactory operation during line faults and preparation of standard procedures to select and replace DDLO fuses in the MV network in the Matara and Weligama areas.



Distribution Division 4 Contd...



E-City Opening at Ambalangoda

Awareness Programmes on Energy Conservation

Since Energy Conservation Awareness Programmes for schools were beneficial for both consumers and CEB. The Energy Management Unit of the Distribution Division 4 organized awareness programmes in schools selected by the area offices in the Western Province South II. These awareness programmes conducted among children, the future leaders of the country, appeared to be highly effective.



Energy auditing and power quality analyzing were initiated during the year to monitor the quality of the supply that was distributed and to assist bulk supply consumers to use electricity efficiently and effectively while solving issues related to the supply of electricity.



ABBREVIATIONS

1.	AGM	–	Additional General Manager
2.	DGM	–	Deputy General Manager
3.	CE	–	Chief Engineer
4.	DD1	–	Distribution Division 1
5.	DD2	–	Distribution Division 2
6.	DD3	–	Distribution Division 3
7.	DD4	–	Distribution Division 4
8.	MV	–	Medium Voltage
9.	LV	–	Low Voltage
10.	GSS	–	Grid Substation
11.	MLKR	–	Million Sri Lankan Rupees
12.	CSC	–	Consumer Service Center
13.	RE	–	Rural Electrification
14.	PSS	–	Primary Substations
15.	LSE	–	Lighting Sri Lanka East
16.	UU	–	UvaUdanaya
17.	ADB	–	Asian Development Bank
18.	NN	–	Negenahira Nawodaya
19.	BSF	–	Board Special fund
20.	SC	–	Single Circuit
21.	DC	–	Double Circuit
22.	WPN	–	Western Province North
23.	CP	–	Central Province
24.	EP	–	Eastern Province
25.	POS	–	Point of Sales
26.	CT	–	Current Transformer
27.	PT	–	Potential Transformer
28.	DCB	–	Decentralized Budget
29.	PCB	–	Provincial Council Budget



OPERATIONAL REVIEW



PROJECTS DIVISION

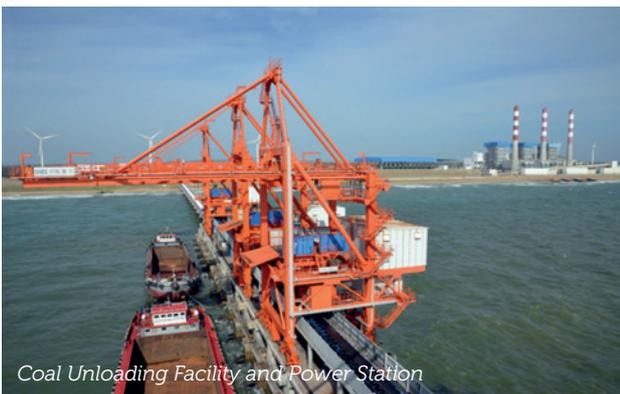
PROJECTS DIVISION

The year 2014 was a successful and an eventful year for the Projects Division during which the Puttalam Coal Power Project Stage II and the grid substations at Dummalasooriya, Badulla, Maho, Naula, Pallekele, Polonnaruwa, Vavunativu and associated transmission lines were commissioned. The details of these projects are given below:

2x300MW Puttalam Coal Power Project - Phase II

The construction of the Phase II of the 2x300 MW Puttalam Coal Power Project commenced in May 2010. The Project was funded by a loan of US\$ 891 million provided by the EXIM Bank of China. The construction work of the Project was undertaken by the China Machinery Engineering Corporation (CMEC) on EPC basis.

The scope of the Project included the installation of two 300 MW steam turbine-generator units (Unit Nos. 2 & 3), expansions to 220 kV gas insulated switchgear at Norochcholai, construction of a 220/132 kV, 2x240 MVA grid substation at Dummalasooriya and the construction of a 105 km long 220 kV double circuit transmission line between Norochcholai and Anuradhapura.



Coal Unloading Facility and Power Station

The commissioning works of Unit No 2 was completed in May 2014 and that of Unit No. 3 was completed in October 2014. Each Unit was expected to generate 1800 million units annually. By the end of the year the Puttalam Coal Power Plant was producing over 18 million units per day catering to 50% of the daily energy consumption of the country. The Unit Nos. 2 & 3 were declared open by the His Excellency the President on September 16, 2014.

The construction of the Dummalasooriya substation was completed and energized in March 2014. Part of the energy generated under Phase II of the Project was planned to be transmitted to Anuradhapura through a 220 kV double circuit transmission line, enabling the electrification of north central and Northern provinces as well as increasing the overall reliability of the entire system. This line was completed on November 21, 2014 with assistance provided by the Transmission Projects Branch.

Upper Kotmale Hydro Power Project

The Upper Kotmale Hydro Power Project is a run-of-river type power project with an installed capacity of 150 MW and an annual generation of 409 GWh. The Japan International Corporation Agency (JICA) provided financial assistance to the Project through a loan facility amounting to Yen 37,817 million. The 150 MW underground power plant of the Project was successfully commissioned in 2012. Due to social and political reasons, some of the resettlement work of the Project had to be rescheduled. Under Lot 1 Phase II, 78 houses, 03 apartments and 24 shops & garages, a rest house, 03 Hindu kovils and school buildings were constructed. The flood forecasting and warning system and the remaining work were completed under Lot 4 of the contract. The resettlement of the families affected by the Project was almost completed by the end of the year.

500 MW Trincomalee Coal Power Project

The Ceylon Electricity Board and the National Thermal Power Corporation Ltd. of India incorporated a Joint Venture Company, named as Trincomalee Power Company Limited (TPCL) to construct and operate a 500 MW Coal Power Plant in Trincomalee on a Build, Own and Operate (BOO) basis. The joint venture company, TPCL, and the CEB/GOSL/LCC have entered into all of the main agreements related to the Project. The NTPC has been identified as the engineer for the Project. This Power Station constructed at a cost of approximately US\$ 500 million is located in Sampoor. The Environmental Impact Assessment of the Project was submitted to the Central Environmental Authority (CEA) and further studies had to be carried out as per the instructions received from the CEA. During the year the basic design criteria of the power plant were reviewed.

PROJECTS DIVISION Contd...

This Project included the development of the transmission line from the Power Station at Sampoor to Veyangoda and the coal unloading jetty. The 220/400 kV transmission system from Kappalthurai -Sampoor - Habarana - Veyangoda was developed with the assistance of JICA. The Terminal Services Agreement between Lanka Coal Company and Sri Lanka Gateway Industries (Pvt) Ltd. was signed in September 2013 for building and operating the coal unloading jetty.

Broadlands Hydro Power Project

The Broadlands Hydro Power Project is a run-of-river type power plant constructed on the Kelani River, with the objective of harnessing the hydro potential downstream of the existing Polpitiya Power Station. The Project with an installed capacity of 35 MW is expected to generate 126 GWh of electrical energy annually. The main work sites of the Project are located near the town Kithulgala. Its main components are the main dam, diversion dam, headrace tunnel, diversion tunnel, surface power station, switch yard and the transmission line.

The contractor for the Project implementation on a design and build basis is China National Electric Equipment Corporation (CNEEC). The total project cost is USD 82 million. The main component of the funding is provided by the Industrial & Commercial Bank of China (ICBC) and the balance by the Hatton National Bank of Sri Lanka. The financial agreements with both banks were signed in 2013. The preliminary construction work of the Project has commenced and the Project is planned to be completed in four years.



Construction of Main Diversion Tunnel

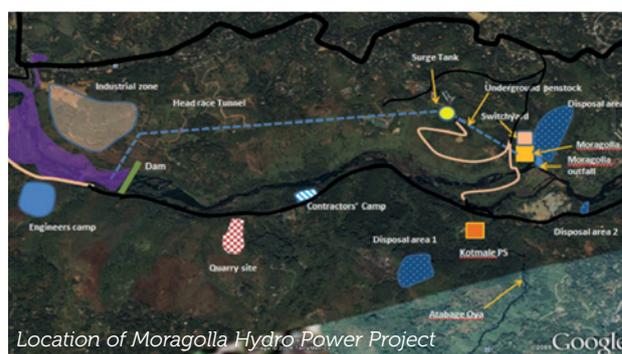
The environmental clearance for the Project has already been received. The Project has obtained Clean Development Mechanism (CDM) registration. The construction of the main and the diversion tunnels was in progress by the end of the year.

Uma Oya Hydro Power Project

The Uma Oya Multipurpose Development Project is being implemented by the Ministry of Irrigation & Water Resources Management in coordination with the Ministry of Power and Energy. It is a water transfer, hydro power generation and irrigation project located in the south-eastern part of the central highlands. The main part of the scheme is situated in the south-western part of the Badulla district in the Uva province.

The Project will transfer annually in the long term an average water quantity of 145 MCM for irrigation purposes and will generate 120 MW with an annual production of 290 GWh. The Power Plant will connect to the national grid through the Badulla Grid Substation. During the year the tailrace tunnel was completed. The work on power and link tunnels was in progress by the end of the year. Orders were placed for the procurement of generator and turbine equipment.

Moragolla Hydro Power Project



The Moragolla Hydro Power Plant is located on the upper reaches of the Mahaweli River. The intake dam is located approximately 3 km downstream from the confluence of the Mahaweli river with the Kotmale Oya. The proposed Hydro Power Plant is a run-of-river plant with a installed capacity of 30 MW and is capable of generating 103 GWh of energy annually. The intake dam will be 37 m in height and 236 m long at the crest with large spillway gates capable

PROJECTS DIVISION Contd...

of discharging 6,700 m³/s. The power tunnel is 3 km long with a diameter of 4.7 m.

The detailed engineering design and the preparation of the bidding documents have been completed. By the end of the year, the procurement of consulting services for project management and supervisory support for the construction work was in progress for which the RFP document had already been issued to the shortlisted consultancy firms.

Transmission Development Projects

The Project Management Units coming under the purview of the Transmission Projects Branch were very active during the year carrying out the work assigned to them successfully.

Special Assignment

During the year, it became necessary to expedite the construction of the Norochcholai - Anuradhapura 220 kV Transmission Line. Therefore the Project Managers of the Transmission Projects Branch and their project staff were called upon to undertake in addition to their normal duties a special assignment of constructing 13 tower foundations for the Norochcholai - Anuradhapura 220 kV Transmission Line. This work which commenced in late July 2014 was successfully completed by early September 2014.

A brief description of each project undertaken during the year is given below:

Augmentation of Grid Substations for absorption of Renewable Energy Project

This Project was formulated to enhance the capacities of eight grid substations and for the construction of a new 132/33 kV grid substation to absorb the power generated through renewable energy sources. The Project was partly funded by the ADB and the GOSL. Its scope included the augmentation of the Badulla, Balangoda, Nuwaraeliya, Seethawaka, Ukuwela and Rathnapura Grid Substations, Wimalasurendra and Rantambe Power Stations and the construction of a grid substation at Mahiyanganaya and its associated 21km transmission line. The work at the Badulla Grid Substation was completed during the year

with all the other work having been completed in the previous year.



Badulla Grid Substation

Transmission System Strengthening Transmission Lines Project

The ADB has provided US\$ 20.4 million for this Project under its Loan No. 2518-SRI/2519-SRI (SF) – Clean Energy and Access Improvement Project – Part 2. The original scope of work of the Project comprised of the construction of 94 km of 132 kV transmission lines and this work was completed by the end of 2013. Utilizing the savings of the above loan, a contract was awarded for an enhanced scope which included the second circuit stringing of the 42 km Puttalam - Maho 132 kV Transmission Line. This work was in progress by the end of 2014 and was expected to be completed by the end of 2015.

Transmission System Strengthening Grid Substations Project



Pallekele Grid Sub Station

This Project worth US\$ 34 million is funded by the ADB under its Loan No. 2518-SRI – Clean Energy and Access Improvement Project. The augmentation

PROJECTS DIVISION Contd...

of the existing Kurunegala Grid Substation was in progress and was expected to be completed by May 2015. The augmentation of the existing grid substations at Habarana, Puttalam, Panadura & Matara and the construction of the new grid substations at Maho, Naula and Pallekele were completed during the year. The augmentation of the Horana and Veyangods grid substations was in progress and was expected to be completed by end of 2015.

Transmission System Strengthening Eastern Province Project

The ADB financed USD 18.2 million for this Project under their Loan 2519- SRI (SF) Clean Energy and Access Improvement Project. The original scope of the Project comprised of the construction of Habarana - Valachchenai 100 km 132 kV Transmission Line and the augmentation of the Valachchenai and Ampara Grid Substations which were completed in 2013. Utilizing the savings of the above loan, a contract was awarded in July 2014, for an enhanced scope, comprising further augmentation of the Valachchenai Grid Substation and the work was expected to be completed in 2015.

North East Power Transmission Development Project



Transmission Line - Mahiyangana to Vavunativu (via Ampara)

The Asian Development Bank provided US\$ 55.2 million to this Project under its Loan No. 2733 to improve the electricity supply in the eastern and north central provinces. The scope of the Project includes the construction of three new grid substations at Polonnaruwa, Monaragala and Vavunativu, and the augmentation of the existing Ampara Grid Substation, construction of 132 kV transmission lines from Mahiyangana to Vavunativu (via Ampara)

and Medagama to Monaragala and stringing of the second circuit of Kotmale - New Anuradhapura 220 kV line. All work other than that relating to the Monaragala Grid Substation was completed during the year. Utilizing the savings of the above loan, a contract was awarded for an enhanced scope comprising the augmentation of the Polonnaruwa and Monaragala Grid Substations to be completed in 2015.



Vavunativu Grid Substation

New Galle Power Transmission Development Project

The ADB provided US\$ 21.6 million for the construction of the New Galle Substation and the Ambalangoda - Gale 132 kV Transmission Line. This work was in progress and was expected to be completed in 2015.

Kelaniya Vavuniya Augmentation Project

The ADB has provided unutilized funds from loans already pledged under Clean Energy & Access Improvement Project for the augmentation of the Kelaniya Grid Substation. The procurement process for this work was completed during the year and the contract was signed in September 2014. The work is expected to be completed in 2016.

The Japan International Cooperation Agency (JICA) has provided funds remaining from the allocation provided to the Vavuniya Kilinochchi Transmission Project for the augmentation of Kilinochchi Grid Substation and for the purchase of essential spare parts for the Vavuniya Grid Substation. The procurement process for this work was in progress during the year and the work was expected to be completed in 2016.

PROJECTS DIVISION Contd...

Clean Energy & Network Efficiency Improvement Project Package 1 - Mannar Transmission Infrastructure Project

The scope of the Project consisted of the construction of the 132/33 kV Mannar Grid Substation and connecting same to the national grid by constructing Mannar-Vavuniya-New Anuradhapura 220 kV constructed 132kV operated 70km + 55km Transmission Lines. The 220 kV transmission line would enable the development of the full potential of the wind power in the Mannar area. All procurement activities were expected to be completed by early 2017.

Clean Energy & Network Efficiency Improvement Project Package 2 - 132 kV Transmission Infrastructure Project

The scope of the Project included the construction of a 132/33 kV grid substation at Kegalle and connecting same through a 22 km 132 kV transmission line. It would also include the construction of Polpitiya-New Polpitiya, Athurugiriy-Padukka 132 kV Transmission Lines, re-construction of Athurugiriya to Kolonnawa - 15 km Transmission Lines and the installation of capacitor banks of 160 MVAR at 7 of the existing grid substations. All procurement activities were expected to be completed by early 2017.

Clean Energy & Network Efficiency Improvement Project Package 3 - 220kV Infrastructure Project

The scope of this Project included the construction of 220/132/33 kV grid substations at Polpitiya and Padukka and the construction of the Polpitiya-New Polpitiya-Padukka-Pannipitiya 220 kV 70 km

Transmission Lines. This new transmission system would enable the smooth transfer of power between the western load centres and the Laxapana Complex. Procurement activities were in the final stage of completion and were expected to be completed in early 2017.

Funding from the ADB had been secured for all three packages of the Project.

Greater Colombo Transmission & Distribution and Loss Reduction Project

This Project was planned to strengthen the transmission and distribution network in the Greater Colombo area to improve its reliability, reduce system losses and cater to the growing electricity demand made by the mega development activities taking place in the Colombo City. The scope of the Project included the construction of four 220 kV and 132 kV grid substations, augmentation of five grid substations, laying of 37.7 km of underground transmission cables and 97 km of underground distribution cables and installation of 88 Nos. of 11 kV distribution panels. The Japan International Corporation Agency provided financial assistance to the Project through a loan of Yen 15.9 billion. The construction work was planned to commence by end of 2015 and was expected to be completed in 2017. Pre-qualification of the bidders were completed during the year. The Project Management Unit of the CEB along with the consultants prepared the basic designs for all the installations including the cable routes and obtained the approvals for the land allocations. Bidding documents for the construction work have already been prepared for international competitive bidding.

OPERATIONAL REVIEW



ASSET MANAGEMENT DIVISION

ASSET MANAGEMENT DIVISION

Asset management is a part of transformation of infrastructure development. The Division played during the year a vital role in ensuring the economic growth, social advancement and environmental development of the CEB.

Assets Management division consists of the following branches/Units.

- Assets Management and Corporate
- Training Branch
- Project Management Unit (Vidulakpaya)
- Workshop and Ancillary Services Branch
- Civil works and Buildings Branch
- Security

Assets Management and Corporate Branch

The Assets Management and Corporate Branch handled during the year all functions related to the assets management within the Board. The core activity of the Branch was the management of the land, and buildings of the CEB and generating an additional income for the CEB by utilizing its available resources and assets for purposes other than its core statutory activities without adversely affecting them.

Main functions of the Asset Management Unit

1. Preparation of the Asset Register of land and buildings and updating same annually.
2. Updating of the values of the land and buildings
3. Obtaining ownership documents for land acquired, vested and outright purchased
4. Identification and preparation of survey plans for the land used by the CEB, which had no title deeds or survey plans.
5. Re-demarcation of boundaries of the CEB owned land where there were disputes on boundaries resulting from encroachments.
6. Development and maintenance of the Master Plan data base of the assets of CEB (land and buildings).
7. Development & maintenance of the vehicle database

8. Leasing of hydro reservoirs for tourism and recreational activities such as for the operation of float planes and boat services.
9. Providing technical support for tenders and evaluations i. e Dayata Kirula
10. Leasing of newly identified space within the premises and boundary walls for advertising.
11. Macro development of buildings for future extensions and modifications.
12. Coordination of the work related to the disposal of unserviceable transformers.
13. Providing information regarding co-financing of the disposal of PCB contaminated equipment.

Main functions of the Corporate Unit

1. Corporate functions of the Asset Management Division, viz., Performance Appraisals, Promotions, Transfers, Training Needs and Disciplinary matters of the employees of Asset Management Division.
2. Succession planning of the Asset Management Division and submission of quarterly progress reports on employees of the Asset Management Division to Deputy General Manager (Personnel).
3. Preparation of Corporate Plans, Action Plans, Annual Reports ,Annual Budget preparation and submission of monthly progress reports to the Additional General Manager of the Asset Management Division

Training Branch

Over the years, the Training Branch took steps to build up a competent work force through appropriate education, training, skills development and experience to effectively carry out the work of a modern integrated industry .

CEB Training Centre - Piliyandala

Performance

The details of the training provided for engineers, accountants, middle level technical service officers,

ASSET MANAGEMENT DIVISION Contd...

clerical & allied service employees and field service employees during the year are given below :

S/N.	Programme	No. of Programmes	Participants
01.	Workshops, Seminars & Training for Engineers	13	557
02.	Training for Accountants	01	73
03.	Training for MLTS Officers	08	338
04.	Training for Clerical & Allied Services & Security Service staff	29	1041
05.	Training for Field Service Employees	60	1618
06.	Training for the employees of outside organizations	07	77
07.	Systems Training Programme	03	175

Local Training provided for CEB Employees at External Institutes

A total of 144 employees including engineers, accountants, MLTS, clerical and allied services staff and the field service staff were given the opportunity to undergo training related to their duties through training programmes conducted by external Training Institutes.

In-plant Training

Institutes	Discipline	No. of Students
Undergraduates	Electrical	291
	Mechanical	14
	Chemical	7
	Civil	1
Diploma Students	Electrical	127
	Electronic	4
	Mechanical	10
	Chemical	1
Students from Technical Colleges	Technical	88
	Non Technical	29

The details of the In-plant Training provided to undergraduates, diploma Students and technical and non technical students of Technical Colleges are given above:

Apprenticeship (NVQ 4) Training Programme

The Ministry of Power & Energy, Ministry of Youth Affairs & Skills Development and Ceylon Electricity Board entered in to a Memorandum of Understanding (MOU) to recruit skilled employees. Accordingly, the CEB had an obligation to arrange a three year training to apprentice electricians, conduct continuous assessment of their training and to pay each of them an allowance during their training. The Department of Technical Education and Training sent details of 431 of their students who had successfully completed the special one year Electrician Course.

Occupational Health and Safety Unit

During the year the following programmes and workshops were conducted by this Unit for the employees of the Distribution and Generation Divisions.

	Programme	No. of Programmes	Participants
01.	Workshop on First Aid	32	925
02.	Workshop on Fire Safety (01 Day)	08	292
03.	Programme on Occupational Health & Safety for Engineers (05 Days)	02	63
04.	Programme on Occupational Health & Safety for MLTS officers (06 Days)	01	45
05.	Workshop on Safety (mobile) 01 Day	43	2436
06.	Occupational Health & Safety for Drivers (03 Days)	01	52

Examinations Unit

The Examination Unit during the year organized and conducted 21 competitive examinations for recruitments, 09 qualifying examination for promotions, 05 efficiency bar examinations for clerical and allied services and 07 in house examinations for



ASSET MANAGEMENT DIVISION Contd...

MLTS supervisory grades with the assistance of the Examinations Department, SLIDA, IPM etc., ensuring confidentiality and quality at optimal cost.

Training Centre - Castlereagh

This Training Centre was the first such centre to be established to provide training to unskilled field service employees of the Generation Division, induction training to trainee Junior Technical Mates (N6) and Junior Technical Mates (N5) and also modular training programmes to field service employees. The details of training programmes conducted during the year are given below:

	Programme	No. of Participants
01.	Induction Training	211
02.	Training to fulfil promotional requirements of Junior Technical Mates(N5)	47
03.	Training to fulfil promotional requirement of Technical Mates	41
04.	Modular Training	389

External Training Unit

During the year, the External Training Unit provided facilities to employees of different categories to travel overseas on various assignments as indicated below:

Programme	No. of Participants
Pre-shipment inspection of goods to be procured	205
Scholarships, Training & Study Tours	201
Workshops, Seminars, Conferences & Meetings	127
Sports Activities	26

Speech Craft Programme

With the approval of the General Manager, the Training Branch arranged a series of Speech Craft Programmes for the executive staff to develop their communication and leadership skills. These programmes conducted by experienced Toastmasters in Sri Lanka were each of 10 days duration and were conducted one day a week.

Environmental Development

As a part of solid waste management, a Green Gas Bio-Gas Unit with a 5000 litre capacity was installed at the Training Centre and this functioned without any interruption during the year. It used cooked food and raw organic vegetable / fruit waste from the canteen. The bio-gas generated was used for cooking at the canteen. The output of the Unit was used as manure for the vegetable cultivation at the premises.

Vidulakpaya Project Unit

The Project Management Unit was established to liaise the work connected with the construction of the proposed Head Office Building (Vidulakpaya) at Narahenpita in a land owned by CEB. This eleven storied building had a total floor area of 27,800 sqm and was estimated to cost Rs. 2.6 billion. The Project is funded by the CEB.

Progress made by the end of the year

1. Construction of 400 Nos of piles in May 2014 which along with the site were to be handed over to the CEB by the Consultants.
2. Termination of the consultancy services agreement on July 17, 2014 consequent to a decision taken by the Board of Directors

Workshop and Ancillary Services Branch

The Workshop and Ancillary Services Branch had 04 operational units providing various types of services.

Power Plant Unit

Performance during the year

Job Category	No. of Jobs	Amount / Rs.Million
Annual Maintenance	159	101.54
Repair / Rehabilitation	72	24.23
Generator hiring		
• CEB	54	37.12
• Private and Govt parties	347	100.80
Generator Installation	05	19.50
Other Jobs	119	5.20

ASSET MANAGEMENT DIVISION Contd...

Air Conditioning & Refrigeration Unit

The Air conditioning and Refrigeration (AC & R) Unit provided during the year the following services to state sector including hospitals and offices of the VIPs and CEB located island wide.

1. Supply and installation of new air conditioning and refrigeration plants in accordance with the requirements of the relevant customers
2. Maintenance and repair of and improvements to the existing air conditioning and refrigeration plants
3. Consultancy

Work carried out by the by Air Conditioning & Refrigeration Unit

	Job Category	Numbers of Jobs			
		Government Jobs done by CEB	CEB Jobs done by CEB	Government Jobs done by Contractors	CEB Jobs done by Contractors
1	Annual Maintenance	51	93	3	66
2	New Installations	-	-	2	37
3	Repair	11	15	-	-
	Total	62	108	5	103

Lifts Unit

Working Facilities

The office at Kolonnawa accommodated the Fort depot, one electronic workshop, and one electrical workshop while the hospital depot operated from the premises of the National Hospital.

Works cared out during the year are given below.

1. Service & Maintenance Works

Out of the total number of elevators, 86 were maintained by private contractors/local agents under the supervision of the CEB and the remaining 52 were maintained by the CEB itself. One bed lift at the General Hospital-Matara and

one service lift at the Sapugaskanda Diesel Power Plant were rehabilitated/repared and taken over for maintenance by the CEB during the year. The maintenance of two of the seven stops service lifts at the LakVijaya Coal Power Plant -Puttalam and three of the passenger and service hydraulic lifts at the BMICH were also taken over by the Branch during the year.

2. Major Maintenance/ Repair work during the year

Repairs to the traction motor at the Prime minister's Office and the traction unit and the controller at the General Hospital, Matara were carried out during the year. The worn out wire ropes of two bed lifts at the Eye Hospital in Colombo were replaced with new ones and two decayed landing doors at the Teaching Hospital in Jaffna were replaced and replacement of ropes and repairs to the traction sheave of the No 01 Boiler lift- LakVijaya Coal Power Plant Puttalam(LVCP) were in progress during the year.

3. Rehabilitation and Modernisation work

The controller and hoist way wiring of the old bed lift at the De Soysa Maternity Hospital in Colombo was completely rehabilitated during the year to provide a safe and trouble free operation. The rehabilitation and modernization of one of the OTIS bed lifts of the General Hospital in Karapitiya by installing a microprocessor controller to enhance its operation and to reduce frequent breakdowns was being carried out at the end of the year. The rehabilitation of the TITAN brand cargo lift at the Government Press was awarded to the CEB as the other two lifts that were refurbished by the Branch using modern components was operating satisfactorily.

4. New Installations

New installations were carried out at the government hospitals and at the DGM Central Province Office in Kandy.



ASSET MANAGEMENT DIVISION Contd...

5. Consultancy Services

Consultancy services were provided to the Ministry of Defence, Ministry of Public Administration and Home Affairs and to the CEB area offices.



Participants for 08 day CPD course at IESL



Training of ATI students

Central Workshops & Garage Unit

Work undertaken during the year is as follows:

1. Running repairs and engine overhaul repairs of all types of motor vehicles, hydraulic system repairs of cranes and the testing of vehicles for their fuel consumption
2. Servicing of motor vehicles in the Colombo City and Sri-Jayawardenapura
3. Attending in collaboration with the respective agents to repairs of vehicles that had met with accidents
4. Overall tinkering, painting and rehabilitation of vehicles
5. Fabrication of D brackets, Aluminium T Clamps, special machinery like drum jacks, steel structures etc.
6. Rewinding of electrical motors and attending to electrical maintenance work at the electrical installations

Civil Works and Building Branch

The Civil Works and Building Branch attended to construction and renovation work throughout the island. The activities it undertook during the year are as follows:

1. Design and construction of the three storied Eastern Provincial Office and seven Quarters at Trincomalee
2. Supplying and fixing furniture at the Eastern Provincial Office
3. Design and construction of the five storied Northern Provincial Office in Jaffna
4. Extension of the four storied building of the Central Provincial Office in Kandy
5. Construction of a four storied building for the Chief Electrical Engineer's Office in Gampaha
6. Construction of Consumer Service Centres at Delgoda, Wattala and Vayangoda (Stage 1) and renovation of the Consumer Service Centre at Divulapitiya
7. Refurbishment of the Colombo City Stores Building at Kolonnawa
8. Renovation of four floors of the Western Province North Office at Kiribathgoda
9. Construction of two toilet blocks at the Castlereagh Training Centre
10. Renovation of the lunch room and the repair of eave roof at the Communication Control Center at KPS.
11. Improvement and renovation work at Accountant's office at Kolonnawa and the Protection Development Branch at Kent Road.
13. Invitation of Tenders carried out for the conversion of the Engineer's Quarters at Batticaloa to a circuit bungalow, the renovation of the pond at the Training Centre at Piliyandala,

ASSET MANAGEMENT DIVISION Contd...

the renovation of the Provincial Accountant's Office at Kiribathgoda, the repair of rainwater system at the Communication Control Centre in KPS etc.

Security Section

The Security Section was responsible for the security of lives and property at all vulnerable locations and premises of the CEB including power stations, reservoirs, grid substations, stores, cash counters and the head office and the premises of the Ministry of Power and Energy.

Security Units were deployed to provide security to the main divisions, viz., Generation, Transmission,

Distribution, Asset Management and Projects Divisions. A total of 98 sub-security units were functioning during the year under the main units. The private security services deployed island-wide at some of the premises of the Board were also supervised and monitored by this Section.

Training programmes, workshops and seminars were conducted during the year for the security personnel to enhance and upgrade their knowledge and skills towards improving their efficiency, discipline, motivation and productivity.



OPERATIONAL REVIEW



CORPORATE STRATEGY DIVISION

CORPORATE STRATEGY DIVISION

Corporate Strategy and Regulatory Affairs Branch

The Corporate Strategy and Regulatory Affairs (CS&RA) Branch during the year co-ordinated with the respective divisions and the Public Utility Commission of Sri Lanka (PUCSL), matters arising from and related to the generation, transmission and distribution licenses issued to the Ceylon Electricity Board. This Branch was responsible for coordinating the Corporate Strategy formulation of the Board in addition to handling regulatory affairs.

With the approval of the PUCSL, the electricity tariffs for the domestic consumers were revised with effect from September 16, 2014 and the electricity tariffs for non-domestic consumers were revised with effect from November 15, 2014 in accordance with the 2015 budget proposals of the government. In addition, a new tariff for the industrial electricity consumers was introduced with effect from November 15, 2014.

The bi-annual bulk supply tariff filings and submissions of the proposed allowed charges for 2015 were done as a requirement specified under the tariff methodology.

The Branch worked very closely with the PUCSL during the year to finalize the Supply Services Codes of the CEB's Distribution Licensees and conducted two awareness programmes for all Area Engineers, Commercial Engineers and the Deputy General Managers in the provinces.

A discussion forum was introduced by the Branch to prepare comments on the draft document on 'Statements of Rights and Obligations of Electricity Consumers' prepared by the PUCSL and based on the responses received, constructive comments were submitted.

The Multi-Year Tariff filing process for the second term (2016-2020) was initiated by conducting an educational session with the help of consultants to the tariff committee members and two meetings were conducted thereafter. The preparation of tariff filing was in progress during the year.

In respect of corporate strategy, the Branch completed the preparation of the following corporate documents:

- Action Plan 2015 based on the approved Corporate Plan 2014 - 2018
- Annual Report – 2013
- Statistical Digest – 2013
- Sales and Generation Data Book – 2013
- Performance 2014 and Programmes for 2015

Business and Operational Strategy Branch

The main function of the Business and Operational Strategy (B&OS) Branch during the year was to facilitate the improvement and monitoring of the organizational performance of the CEB. Another function of the Branch was to improve the corporate image and culture of the CEB and the standardization of the functions of the various branches in the other Division of CEB.

Since adopting the Strategy Management Tool, Balanced Score Card (BSC), at the corporate level, the functions of the Office of Strategy Management (OSM) has been handled by the B&OS Branch. BSC reports were submitted quarterly to the Corporate Management Team (CMT). In addition, based on the Key Performance Indicator(KPI) scores, B&OS Branch analysed and brought issues of importance to the attention of CMT at the operation review meetings. One such major issue was the safety of employees, which according to the BSC results had to be improved. This was brought to the attention of the CMT and action was taken to introduce several important and vital measures to improve the safety aspects of the organization. As a result of this the 'Occupational Health and Safety Branch' was established during the year.

The requirement to improve the customer focused corporate culture at the CEB was identified and a strategy was formulated to transform the CEB to be the most customer friendly utility in 'Sri Lanka. The CEB named the year as the 'Year of Customer Service Excellence'. Two task forces were formed, namely the IT Task Force and the Distribution Task Force. They worked with different branches on different strategies to provide more services to the customers. Most of the employees were trained by a professional trainer to make a paradigm shift through changing their attitudes to work and to make them innovative in doing business.

CORPORATE STRATEGY DIVISION Contd...

The inter-school quiz competition was conducted in collaboration with the Sri Lanka Broadcasting Corporation in ten districts in Sinhala and in nine districts in Tamil. The aim of the quiz programme was to provide an opportunity to school children to get more knowledge on CEB, the electricity and energy sectors in the country and on safety aspects of electricity in their day to day lives. This programme was broadcast on the City FM and Thendral channels every weekend.

Additionally, this Branch was empowered to act as a facilitator and coordinator to ascertain and recommend solutions to various issues after discussion and in consultation with subject experts.

Publicity Unit

This Unit coordinated during the year the media releases to the electronic and print media and the live radio/television programmes of the CEB. The Unit also published the official newspaper 'LANVEEMA' bimonthly, which helped employees to display their literary skills. The Unit also handled the publishing of the Board Bulletin and other internal publications, and organized media programmes in connection with the special ceremonies of CEB. During the year, the following activities were carried out by the unit:

- Publishing of various advertisements, paper supplements and press releases in the national newspapers
- Organizing of press conferences and media programmes
- Organizing of exhibitions at national level
- Coordination of special ceremonies
- Organizing of the 'DeyataKirula' exhibition

Functional Strategy and Process Development Branch

The setting up of the Functional Strategy and Process Development (FS&PD) Branch was approved along with the establishment of the Corporate Strategy Division in the latter part of 2010. In 2012, the approval of the Board was granted for the organization structure of the FS & PD Branch, and this Branch officially commenced its functions in late 2012.

The main objective of the FS & PD Branch was to engage in the development of functional strategies, policy and process development activities. Moreover, this Branch was also responsible to ensure that all systems and procedures were documented and incorporated in the relevant operating and functional manuals.

Accordingly, FS&PD Branch initiated the following activities after August 2012:

- Collection of Functional and Operational Manuals to study and revise/ upgrade them for future use.
- Preparation of the first draft of the revised Operating Manual for Area Electrical Engineers through a committee appointed in 2013.
- Reviewing of the draft of the Operating Manual for Provincial DGMs prepared by a committee comprising of ex - senior officials appointed in 2014.
- Collection of circulars and digitizing them to be made available on the Web Searchable Circulars Database in the CEB intranet using the Circular Management System (CMS), which was fully implemented in 2013 with circulars published through the system.
- Initiation of the study of the CEB structure in 2013. The structure of the Distribution Divisions was first studied and several proposals were forwarded to the management. By the end of the year, the structure of both the Transmission Division and the Generation Division were being reviewed.
- Reviewing of Personnel Manuals, viz., Leave Manual, Disciplinary Manual, Transfer Policy manual.
- Development of Job Descriptions (JD) for a part of posts of Corporate Strategy Division and Deputy General Manager (Province).

Research and Development Branch

The Research and Development Branch comprising of three major units, i.e Demand Side Management Unit, Research and Development Unit and Regional Centre for Lighting was set up in January 2013.



CORPORATE STRATEGY DIVISION Contd...

Demand Side Management Unit

The load profile of the electricity system in the country indicated a high evening peak and recently several steps were initiated to mitigate it, including the introduction of a new tariff structure. However the annual load factor, which showed the ratio between the peak demand and the average demand, continued to show clearly an increasing trend. Therefore, studying of the system load profile and identifying new options to flatten the system load curve became timely requirements. The Demand side Management (DSM) Unit was established to address these issues.

DSM Unit carried out following activities during the year:

- Conducting of a study on the energy demand of all bulk consumers to identify major contributors to the night peak.
- Holding of a strategic discussion forum on street lighting in order to implement a pilot project on an energy efficient street lighting system.
- Conducting of a series of load studies at selected poultry farms to formulate a methodology to determine their tariff category and presenting the results to the Distribution Co-ordination Committee (DCC).
- Initiation of a smart building pilot project using ADB funds for head offices of the Bank of Ceylon and Lady Ridgeway Hospital.
- Initiation of detailed energy audits and energy efficiency programmes for the Matale General Hospital, and Head Office of the SLBC.
- Conducting of a seminar on energy efficiency for CEB employees in the North Western Province.
- Conducting a seminar on energy efficiency in power station environment for the operation and maintenance engineers of the Norochcholai Power Station.

Research and Development (R&D) Unit

With a view to promoting research and development activities, the R&D Unit coordinates research in several fields. The marine environmental pollution was identified as existing in the coastal distribution areas. A team of researchers were involved in

developing a pollution map for a selected coastal area so that it could be made use of as a planning criterion in selecting suitable insulators.

The effects of lightning on the electricity distribution network was also identified as a subject to be researched to ascertain the required remedies to ensure a quality supply and protect valuable assets from lightning. Wind power was fed to the national grid recently and the power quality studies related to wind power connected grid substations were also initiated by a group of researchers with the support of the R&D Unit.

The condition of major assets of the Generation and Transmission Divisions had to be monitored to ensure their proper operation. A group of researchers from the Generation Division was involved in developing mechanisms and methods to monitor the condition of these assets. Under the guidance of the R&D Unit research on the themes 'Study on protection in MV and LV distribution systems' and 'Study on Implementing a Fully Fledged SCADA System for Distribution Network' was undertaken by several groups of researchers.

Regional Centre for Lighting (RCL)

The RCL was established in 2009 with a grant from the U.S. Agency for International Development (USAID) with the primary objective of lighting South Asia cleanly and efficiently. Until the end of 2012, the management of RCL was handled by the Sri Lanka Sustainable Energy Authority (SLSEA). Its management was transferred to the CEB on January 1, 2013 and it is now operating under the Research and Development Branch.

Objectives of the RCL are to:

- Increase the awareness and affordability of energy efficient, reliable and clean lighting technologies and their applications to reduce electricity demand by lighting.
- Catalyze the regional manufacturing of energy efficient lighting products to improve the economy of the region and to make lighting affordable to many under privileged citizens.
- Train and educate the workforce in the region to create sustainable lighting in South Asia

CORPORATE STRATEGY DIVISION Contd...

Training and Education

The RCL conducted two training programmes during the year.



In April, a two-day training programme on outdoor lighting was conducted with around thirty participants from the industry attending it. Street lighting, outdoor lighting design and light quality were the subjects that were dealt with.

In July, the RCL conducted another two day training programme for the industry on LED lighting technology. Different aspects of LED lighting were discussed and participants had hands on experience on LED assembling and testing. There were thirty participants from the industry and certificates were awarded to the participants at the end of the programme.

Research & Demonstration

During the year, the RCL engaged in research related to lighting and demonstrated the latest in the field of lighting. The impact of power quality on CFLs was researched during the year.

Product Testing

RCL has a fully equipped photometry laboratory. Two of the main items of equipment that the RCL has are two integrating spheres with diameters 1m and 2m and a goniometer. The latter is the first ever goniometer brought to Sri Lanka and is capable of capturing intensity distribution of luminaires. A larger integrating sphere will enable the measurement of the photometric parameters of lengthy linear light sources as well.

RCL performed during the year the testing of photometric and electrical parameters of conventional lighting products and solid state lighting (SSL) products. At present, minimum performance criteria has been enforced by the Sri Lanka Standards Institution on all CFL products that are imported. All CFLs have to meet the requirements of SLS 1231 and SLS 1225. During the year, the RCL carried out the testing of imported CFL samples to verify their compliance with the above mentioned SLS standards. The RCL also conducted testing of LED products as per the standard LM 79 and was in the process of obtaining the accreditation of the Sri Lanka Accreditation Board (SLAB) for product testing as per IEC 17025.



State of the art Lighting Products and Technologies

During the year, RCL carried out state of the art designs for lighting of both interiors and exteriors of offices, garment factories, industrial facilities, parking lots, roadways, building facades etc. It also carried out several street light designs and a lighting design for a roundabout in Colombo which had water jets and which required under water lighting. The roundabout was still under construction at the end of the year.

The RCL was in a position to provide consultancy on lighting designs and energy efficient lighting in retrofitting and to local lighting vendors to improve their product quality.

CORPORATE STRATEGY DIVISION Contd...

Information Technology Branch

The Information Technology Branch was involved in developing information systems, managing information system operations and providing electronic data processing and network services to various divisions of the CEB. During the year, the Division provided IT solutions for billing, accounting, cash collection, material management, human resource management, outage management, e-mail services and maintained the website of the CEB. When in the year 2013 it was decided to introduce "Customer Service Excellence" which was a new drive focusing on the customer and aimed at converting the CEB to be the most customer friendly utility in Sri Lanka, the Information Technology Branch had to play a vital role.

During the year, the focus was on the applications of leave and appraisal modules in human resource management applications, online updating of payments, introduction of master invoices, and expansion of the financial applications in the provinces, digital record management systems, and legal cases management system. The Branch also provided training to in house staff during the year.

The electronic data processing and network services provided by the Branch were mainly focused on

infrastructure development to support exchange of information. Server, email and web applications, maintenance of dedicated links, data storage were the routine tasks carried out by the Branch during the year. The Branch could also establish a disaster recovery site in addition to the main data centre. Fiber cables were used for local area networks as a measure against lightning. A Storage Area Network was introduced to ensure data security. The security of data centres at the head office and provincial offices was also strengthened.

A door step service was introduced through information system operations to provide the issuing of service connection estimates and collection of payments related to service connections without the customer having to visit the CEB office. This made it possible to provide a service connection within a day. A drive-through payment counter was introduced at the office in Ratmalana. The payments made there were credited to the customer account on the same day. This facility initially limited to Western Province South - I would be extended to other divisions as well. The Branch also attended to operational problems and staff training during the year.

The image shows a utility worker silhouetted against a bright orange and yellow sunset sky. The worker is positioned on a wooden power line tower, surrounded by a complex network of power lines and insulators. The sun is low on the horizon, creating a strong lens flare effect. The overall scene is a dramatic, high-contrast silhouette of industrial labor.

OPERATIONAL REVIEW

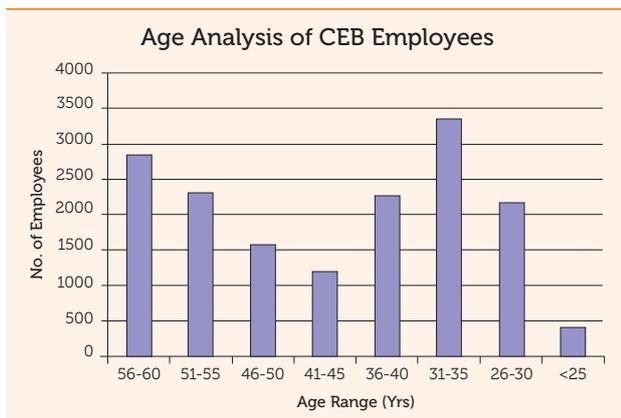
- Personnel Branch
- Legal Section
- Special Investigation Section
- Internal Audit Branch

PERSONNEL BRANCH

The CEB during the year under review continued to provide a conducive working environment to all its employees and encouraged them to be autonomous, creative and responsible in the work they did. The branch is proud of the achievements of its employees who had limited resources at their disposal and who had to work under many constraints. The following functions continued to be carried out by the Branch with other functions related to Human Resources (HR) carried out by the HR Units of the respective divisions.

- Recruitment of employees to the permanent cadre
- Formulation of HR policies.
- HR administration of all employees of the branches coming under the purview of the Chairman and the General Manager.
- Promotions of employees in cadres which are subject to restrictions and disciplinary matters of employees

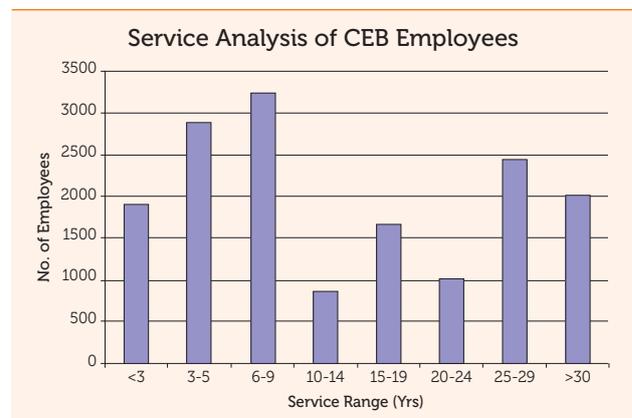
The total number of employees as at the end of 2014 was 16,123 of which 710 were recruited during the year, while 913 left employment due to retirement, resignation, etc. Consumer to employee ratio which was 319 by the end of the previous year increased to 336 by the end of year 2014.



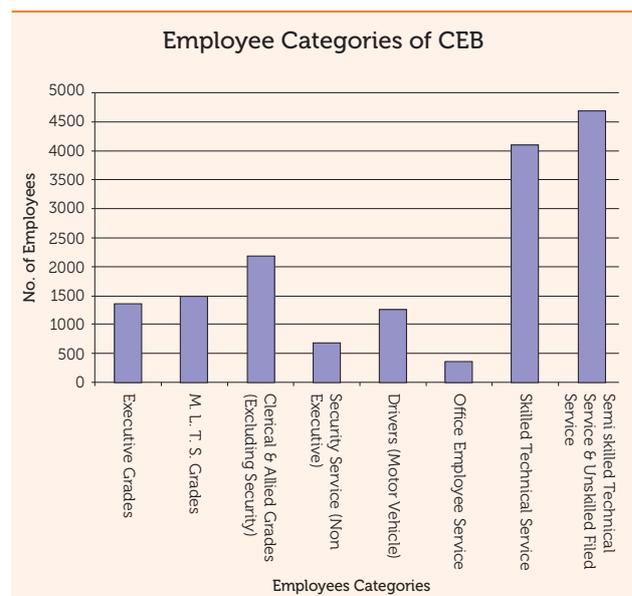
The age analysis showed that about 2841 employees would retire from service during the next 5 years. Of them 17.6% are above 55 years of age and 14.3% in the

range of 51-55 years of age. This indicates that the CEB is an aging organization and that it would need a carefully drawn career succession plan to meet the anticipated shortage of skilled and professional human resources in the coming years.

The service analysis graph given below shows that there was a fair number of well experienced staff in the CEB with many years of service experience to their credit. About 34% employees had more than 20 years of experience.



About 8.4% of employees were in the executive grades while 54.4% of the employees were in the skilled and semi skilled categories.



PERSONNEL BRANCH Contd...

Appointments

The following key appointments were made during the year:

Mr. P.S. Ranasinghe was appointed as the AGM (Asset Management) with effect from February 2, 2014 replacing Mr. J.S. Vithanage who retired from service.

Mr. W.R.A. Perera was appointed as the AGM (Distribution Division 02) with effect from April 3, 2014 replacing Mr. J.A.S. Perera who retired from service.

Mr. D.C.J. Seram was appointed as the AGM (Distribution Division 02) with effect from June 13, 2014 replacing Mr. W.R.A. Perera who retired from service.

Mr. C.P.W. Akarawita was appointed as the AGM (Asset Management) with effect from September 07, 2014 replacing Mr. P.S. Ranasinghe who retired from service.

Mr. G.S.P. Mendis was appointed as the AGM (Transmission) with effect from December 20, 2014 when Mr. U.K.W. Silva, AGM (Distribution Division 01) retired and Mrs. Y.M. Samarasinghe, AGM (Transmission) was transferred to the Distribution Division 01 as the AGM (Distribution Division 01)

Mr. T.K. Liyanage, AFM (Corporate) was appointed as the Finance Manager with effect from June 10, 2014.

HR Policies

The formulation of new policies and revision of existing policies were continuously administered through the HR Policy Committee consisting of all Deputy General Managers in charge of HR administration.

In order to create an environment which motivated employees towards achieving goals of the Board, the CEB implemented during the year several schemes for the benefit of its employees. These included the payment of bonus, payment of an incentive against the un-availed sick/vacation leave and the payment of various special monetary advances.

Payment of Bonus

The bonus for the year 2014 was paid to the employees on the same basis as it was paid in the preceding years. The total expenditure for the payment was Rs. 690 million.

Incentive Payment for Un availed Sick/ Vacation Leave

A incentive payment scheme for the un availed sick/ vacation leave has been in force since 1984 with a view to reducing absenteeism and increasing productivity. This scheme was in force in the year 2014 as well. The total expenditure for the payment was Rs. 554 million.

Payment of Special Advances for the Sinhala/Hindu New Year

A special advance and a salary advance were made available to employees for the Sinhala/Hindu New Year celebrations in April 2014.

Payment of Special Advances for the Ramazan Festival

A special advance and salary advance were made available to Muslim employees in the year 2014 too.

Welfare Unit

The Welfare Unit was established for looking after the welfare of the employees.

A network of circuit bungalows was maintained by the CEB, at important locations such as Hatton and Bandarawela in upcountry and in religious/ archaeological cities such as Anuradhapura, Minneriya, Kandy, Kataragama and Jaffna. This facility was one of the major benefits available to employees which they could make use of when on holiday. Continuous improvements were being made to the facilities provided at these bungalows with a view to providing the best service to the occupants.

The CEB encouraged its employees to take part in sports and recreation activities, by making an annual contribution towards the activities of its Sports & Recreation Club.

A sports meet with the involvement of all permanent employees was held on October 17, 2014 successfully. Most of the tournaments were conducted at the regional centres. Football, volleyball, elle and table tennis tournaments were held in Jaffna, Anuradhapura, Buttala, and Kandy respectively. The final track and field event was held at the Sugathadasa stadium in Colombo. It was heartening to note that



PERSONNEL BRANCH Contd...

the football event in Jaffna was a thrilling encounter to all participants and the people in Jaffna. A picture of the tournament is shown below.



As a means of encouraging the religious activities of its employees, the CEB annually makes contributions for Vesak, Poson & Christmas festivals that are organized by the employees through various societies such as the CEB Buddhist Society and the Christian Association. The Board also organizes annually activities at Dalada Maligawa, Kandy in the month of August; Saman Devalaya, Maussakele in the month of December; Mihintale in the month of June and Kataragama Kirivehera in the month of August.

The Welfare Unit organized the Wimalasurendra day on September 17, 2014 as part of the activities organized to commemorate the 140th birth anniversary of Mr. D.J.Wimalasurendra and ceremonies were also held to commemorate the CEB day on November 1, 2014.

The Board as a service to its employees provided funds to maintain Montessori schools at all the power stations coming under the Generation Division which were all located at remote locations .

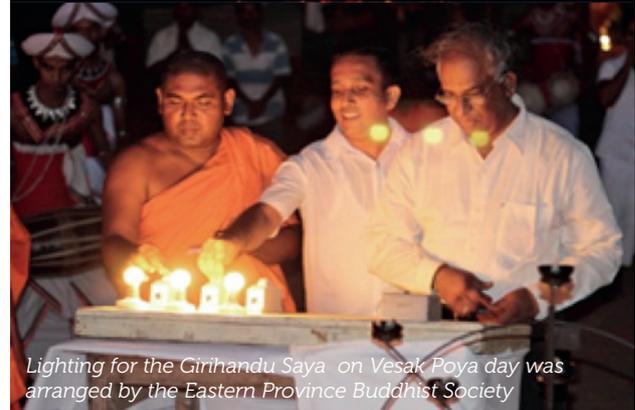
Corporate Social Responsibility (CSR) Activities

Towards creating a better working environment that will promote team work as well as develop the talents of employees, several events such as Sport meets, Kala Ulela etc., were organized during the year for the benefit of the employees. Several social work activities such as blood donation campaigns,

religious and cultural activities etc were undertaken during the year.



Blood Donation Campaigns



Lighting for the Girihandu Saya on Vesak Poya day was arranged by the Eastern Province Buddhist Society

All legal work and litigation matters of the CEB were handled by the Legal Section during the year. It was headed by a Chief Legal Officer who was assisted by

LEGAL SECTION

five Legal Officers and other staff. The section mainly handled litigation work arising from court cases filed by the CEB as well as those filed against it by others.

The first category covered the following:

- Recovery of arrears resulting from disconnections/ revision of electricity bills associated with meter defects/tampering etc.
- Issues arising out of breach of agreements/ contracts.
- Recovery of damages caused to CEB properties/ vehicles.
- Recovery of possession of CEB quarters/land matters.

The second category covered the following:

- Actions instituted against disconnections and revision of bills
- Injunctions/stay orders issued against drawing of electricity lines over third party properties/ claiming damages caused to the said properties, land, trees/vegetation etc.
- Tender/contract matters against breach/violation of procedures and claiming of damages
- Fundamental rights applications, Labour Tribunal/ Industrial Court/Labour Department matters relevant to termination of employment, employer vs employee issues etc.

The Section was also required to peruse all agreements/contracts that CEB entered into with outside parties including all financial, commercial, and power purchase agreements to ensure their legality.

- Notaries work
- Lease agreements
- Deeds of Transfer in instances when CEB purchased properties from outside parties.
- Legal Opinion - Providing legal opinions in respect of all matters relevant to the CEB.
- Arbitrations- Disputes between the CEB and outside parties that were referred to Arbitration in terms of Arbitration Act No. 11 of 1995. Five arbitration related matters were attended to by the Legal Section in the year 2014.
- Land Matters - Asset Management Branch was

advised/assisted to regularize the properties of CEB in various ways.

SPECIAL INVESTIGATION BRANCH

The Special Investigation Branch headed by the Manager Investigations was established in 1995 to expedite the investigations on the illegal tapping of electricity and meter tampering. Eighteen flying squads were deployed in the provinces to carry out investigations related to this work.

The progress made by the Branch during the year is as stated below :

Type	No of Cases	Court Fine (Rs Million)	CEB Loss (Rs Million)	Total
Meter Tampering	2077	14.72	177.76	192.48
Illicit tapping	1122	6.98	13.31	20.29
Total	3199	21.70	191.07	212.77

In addition to the above mentioned activities, several investigations were conducted into the irregularities, referred through various sources to the Branch and disciplinary action was taken against the employees who were found guilty.

INTERNAL AUDIT BRANCH

Performance

The Internal Audit Branch was supervised by the Chief Internal Auditor who directly reported to the Chairman. Internal audits were aimed at assisting the CEB and the management in the discharge of their corporate governance responsibilities as well as in improving and promoting effective and efficient business and operational processes within the CEB.

The Internal Audit Branch verified the compliance of the internal control systems on an ongoing basis with the policies and procedures already in place and their effectiveness using samples and rotational procedures and in respect of any non compliance, highlighted relevant findings that were found to be significant. There were twenty five executives, twenty non-executive staff members and nine other supportive staff members attached to the Branch.



Audits were carried out on all units and branches, the frequency of which depended on the level of the risks assessed and on the availability of staff. During the year 2014, following audit tasks were accomplished by the Branch:

Routine Audits	21
Revenue Audits	11
Systems Audits	32
Special Investigations	29
Total	93

Audit Committee

Composition

The Audit Committee comprised of four independent Directors from the Board who had a sound knowledge and extensive experience in financial and audit related subjects. The following were the Directors who served in the committee during the year 2014:

Mr. W.D. Jayasinghe- Chairman
 Mr. S. Wirithamulla
 Mr. R.A A.K. Ranawaka
 Ms. M.T.I.V. Amarasekera

The Head of the Internal Audit Branch was the convener of the committee.

The committee formally met nine times during the year

2014. The General Manager who was also the Chief Executive Officer of the Board, Finance Manager and a representative from the Auditor General's Department attended the meetings on invitation.

Role

The Audit Committee reviewed and discussed the reports submitted by the internal audits and external audits carried out on operational and financial reviews. The Audit Committee with their extensive experience and expertise reviewed these reports and recommended additional controls and risk mitigation strategies that could be implemented as and where necessary to strengthen the existing internal control systems, thus minimizing the possibility of occurrence and impact of fraud and errors, and operational and financial risks that the Board would have to face in future. The committee also reviewed the internal audit functions with particular emphasis placed on the planning, scope, and the quality of the audits.

During the year, the Audit Committee reviewed the Internal Audit reports and the Auditor General's reports and provided guidance and directions to smoothen the internal control systems and procedures of the CEB.



FINANCIAL INFORMATION



FINANCE DIVISION

FINANCE DIVISION

The Finance Division played a significant role in the CEB's overall operational work during the year and was responsible for the effective and efficient management of financial operations.

In order to enable the effective management of finances, the Division was required to carry out proper financial planning and budgetary control, close monitoring and supervision of financial operations and attend to negotiations with financial institutions.

In the year 2014, the activities of the Finance Division were streamlined and several measures were adopted to improve its efficiency and effectiveness.

The revenue collection continued to improve during the year. The partnership with the People's Bank was strengthened to enhance the On Line Real Time (OLRT) payment updates of the electricity bill payments of the customers by introducing the Internet/ SMS payment system. This enabled the consumers to pay their electricity bills without having to visit the payment counters. By appointing new collecting agents, viz., Dialog (eZcash) and Mobitel (Mcash) the electricity bill collecting system was further improved during the year.

Several training programmes and workshops were conducted both locally and overseas for the accountants. A team of accountants were sent to Singapore for training on International Financial Reporting Standards (IFRS). A special one day programme for all accountants was conducted by the Corporate & Strategy Division on enhancing the service quality when dealing with customers.

CEB Provident Fund

The Ceylon Electricity Board Provident Fund operates as a private provident fund under the provisions of the Provident Fund Act No. 15 of 1958. It is administered by a Committee of Management comprising of seven members. The Chairman in his ex-officio capacity functions as the Chairman of the Committee and the General Manager in his ex-officio capacity serves as the Deputy Chairman of the Committee. The other ex-officio members of the Committee are the Finance Manager and the Deputy

General Manager (Personnel). The remaining three members are nominated by the Board. The secretary / accountant of the fund appointed by the Board will also be its treasurer and will be responsible for the day to day administration of the fund.

The total contribution to the fund during the year 2014 amounted to Rs. 2,008 million, out of which, Rs.803 million was contributed by the employees of the Board.

The total funds accumulated as at December 31, 2014 amounted Rs.39, 872 million, which was an increase of 6.05% over that of the previous year. The main income of the fund was derived by investing in treasury bills and bonds, fixed deposits in state banks and by providing loans to members. The fund earned an income of Rs. 4, 125 million during the year through its investments and a dividend of Rs. 10.62% was declared at the end of the year. The total amount of loans granted to the members during the year was Rs. 1, 770 million. During the year, a sum of Rs.2,929 million was refunded from the fund to members who retired from the service.

By the end of the year, the total number of members who had joined the fund were 16, 101, out of whom 788 were newly appointed members. During the year, 651 members retired from the service.

A sum of Rs. 185 million was paid as income tax on the earnings of the fund for the year 2014.

Pension Fund

The beneficiaries of this fund are the retired employees who have served the Board for more than 20 years. They are being paid, 30% to 34% of their last salary as pension until their death, in proportion to the number of years of their service at the CEB.

In the year 2014, the number of retired employees who were added to the fund was 465 and during this period another 191 who passed away during the year had to be struck off. There were 6487 retired employees who are beneficiaries of the fund at end of the year.

The net assets of the fund as at December 31, 2014 stood at Rs. 15,882 million. The income derived from investments was Rs. 1,415 million.



FINANCE REVIEW

FINANCIAL PERFORMANCE

The year 2014 was not financially favourable due to overpowering environmental factors. The financial performance and viability of the CEB are predominantly driven by the Power Generation Mix which is again dependent on the hardly predictable weather conditions. The direct generation cost which encompasses the majority of the CEB cost structure was 74% at the end of the year with reduced hydro power generation during the first half of the year. The loss after accounting for tax for the year was Rs. 14,605 million against restated profit after tax of Rs. 20,900 million of the previous year (2013) which was a 170% decline in the financial performance.

The CEB aligned its strategic plan with the national priorities and diverted from oil thermal energy sources and added 600 MW to the national electricity supply with the implementation of the phase II of the Lakvijaya Coal Power Plant during the year. With the positive contribution received from coal power generation and with improved hydro power generation, the financial performance recorded an uptick in the latter part of the year which slashed down the predicted annual loss of Rs. 34 billion to Rs. 15 billion.

The annual hydro generation came down from 50% in the previous year (2013) to 30% while the oil thermal (IPP and CEB) component stood at 35% with coal thermal contributing 26% of the total generation. The NCRE contributed the remaining energy requirement.

In 2014, a tariff revision came in to effect from September 16, 2014 for domestic consumers and from November 15, 2014 for bulk supply consumers, in order to extend to consumers the cost relief gained by the operation of the low cost Lakvijaya Coal Power Plant. As a result, all consumer categories were offered a substantial tariff relief which decreased the average selling price per kWh from Rs. 19.00 to 15.60 per month. Further the cost of diesel was reduced to Rs. 118 per liter (from Rs.121/-) with effect from

September 16, 2014, providing an estimated cost saving of Rs. 1 billion for the year 2014.

The annual generation indicated a 4% growth rate in the year 2014 with 12423 GWh compared to the previous year's (2013) generation of 11962 GWh. The unit sales grew by 4% from 10621 GWh (2013) to 11063 GWh in the year 2014. The correspondent rupee value for the sales was recorded as Rs.202,645 million for the year 2014, a 4% increase from Rs. 194,147 million in the 2013.

The selling price per unit was finalized at Rs. 18.50 per kWh in the year 2014 and the cost per unit was approximately Rs. 20.00 including deferred taxation and depreciation. Therefore loss per unit was Rs. 1.50 per kWh.

On a positive note, the CEB was able to reduce the IPP and CPC payables to Rs. 18 billion and Rs. 2 billion respectively, with the financial cushion created by improved weather conditions in the latter part of the year and the efficient operation of the Lakvijaya Coal Power Plant.

Long term project loan balances which represented the sub loan payable to the General Treasury for major capital projects funded by donor agencies were reduced to Rs. 159 billion during the year, with the conversion of 162 billion to equity. Further, a robust asset base continued to provide the bedrock for the CEB to grow with the blooming economic conditions of the country which approximates to Rs. 770 billion.

Group Accounts

The Board prepared group accounts incorporating its subsidiaries, Lanka Electricity Company (Pvt) Ltd, LTL Holdings (Pvt) Ltd, Lanka Coal Company Ltd and Sri Lanka Energy (Pvt) Ltd, in addition to the its own accounts.

FINANCE REVIEW Contd...

Highlights of Financial Performance

Profit & Loss	2014 Rs. Million	2013 (Restated) Rs. Million	2012 Rs. Million	2011 Rs. Million	2010 Rs. Million
Turnover	202,645	194,147	163,513	132,460	121,862
Direct Cost	(210,850)	(165,508)	(222,419)	(151,448)	(116,168)
Gross Profit /(Loss)	(8,205)	28,638	(58,906)	(18,988)	5,694
Administration Expenses	(3,115)	(2,556)	(2,997)	(1,636)	(1,851)
Other Income	5,524	5,107	6,354	3,810	3,062
Operating Profit / (Loss)	(5,796)	31,190	(55,549)	(16,814)	6,905
Finance Cost- Net	(6,650)	(8,924)	(5,898)	(3,371)	(2,047)
Profit / (Loss) Before Taxation	(12,446)	22,266	(61,447)	(20,185)	4,858
Income & Deferred Tax Expense	1,023	(1,325)	(16,198)		
Profit / (Loss) for the year	(11,423)	20,939	(77,496)		
Other Comprehensive Income	(3,182)	(39)	(124)		
Total comprehensive income for the year	(14,605)	20,900	(77,589)		
Balance Sheet	2014 Rs. Million	2013 (Restated) Rs. Million	2012 Rs. Million	2011 Rs. Million	2010 Rs. Million
Total Assets	769,660	749,438	727,728	661,333	605,422
Capital & Reserves	380,022	226,728	197,300	257,464	282,631
Non – Current Liabilities	307,328	430,008	393,072	281,835	229,128
Current Liabilities	82,309	92,698	137,356	122,034	93,663
Cash	(2,249)	(1,431)	(17,812)	(1,178)	(3,102)
Sales (GWh)	11,063	10,621	10,474	10,023	9,268
Generation (GWh)	12,423	11,962	11,801	11,528	10,714

REPORT OF THE DIRECTORS

The Board of Directors of the Ceylon Electricity Board present their report and consolidated financial statements for the year ending December 31, 2014.

Principal Activities and Business Reviews

The principal activities of the Board were the generation, procurement, transmission, effective distribution and sale of electricity.

Financial Results

A turnover increase of 4.38% and a net loss of Rs 14,605 million were recorded at the end of the year.

Investment

The CEB invested in 55.2% of the shares of Lanka Electricity Company (Pvt) Ltd, 63% of the shares of LTL Holdings (Pvt) Ltd, 60% of the shares of Lanka Coal Company (Pvt) Ltd, and 100% in Sri Lanka Energies (Pvt) Ltd. Furthermore, it has a 50% investment in the Trincomalee Power Company Ltd which is a joint venture of CEB & NTPC India.

LTL Holdings (Pvt) Ltd declared dividends amounting to Rs. 500 million for the financial year 2013 /14 and of this CEB received Rs. 315 million. The Lanka Electricity Company (Pvt) Ltd declared a dividend of Rs. 59 million for the financial year 2013 and Rs. 31 million was received by the CEB in the form of as dividend income for 2014.

Self-Insurance Reserve

The CEB maintains its own insurance for its fixed assets and annually appropriates 0.1% of the gross re-valued fixed value at the end of that year. The total accumulated funds of this insurance as given in the Balance Sheet amounted to Rs. 9,753 million.

Additions to Property, Plant & Equipment

During the year, property, plant and equipment amounting to Rs. 45,516 million was added to the capital assets compared to Rs. 33,009 million added

last year. These additions mainly related to the assets of the Transmission and Distribution Divisions.

Borrowings

The interest bearing loans and borrowings stood at Rs. 221,735 million as against Rs. 355,043 million last year.

Members of the Board

Mr. W.B. Ganegala was the Chairman of the Board during the year under review. He also served as a member in the Boards of Directors of Lanka Electricity Company (Pvt) Ltd., LTL Holdings (Pvt) Ltd., Lanka Coal Company (Pvt) Ltd. and Sri Lanka Energies (Pvt) Ltd. which are all subsidiaries of the CEB and in the Board of Directors of the Trincomalee Power Co. Ltd, a joint venture of CEB.

During the year Mr T.M. Herath served as the Vice Chairman up to March 19, 2014 and was succeeded by Prof. K.K.C.K. Perera on March 24, 2014 who was in office till the end of the year. Mr. K.I.D.P. Kularathne was appointed as the Working Director of the Board from March 1, 2013 and served until the end of the year.

Mr. W.D. Jayasinghe served as a member of the Board of Directors up to June 22, 2014 and Mr. Wirithamulla and Mr. T.D.S.P. Perera were appointed as members of the Board of Directors on March 1, 2013 and July 9, 2014 respectively and they both were in office up to the end of the year.

Mr. R.A.A.K. Ranawaka, Secretary, Ministry of Local Government and Provincial Councils was appointed as a member of the Board of Directors on March 6, 2013 in which capacity he served until the end of the year.

Ms. M.I.T.V. Amarasekara was appointed as a member of the Board of Directors on May 10, 2013 and continued to be in that capacity till the end of the year.



CONSOLIDATED INCOME STATEMENT

Year Ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

Continuing Operation	Note	Group		Board	
		2014	2013 Restated	2014	2013 Restated
Revenue	3	219,054,966	198,767,716	202,644,828	194,146,823
Cost of Sales		(220,417,618)	(167,440,089)	(210,849,743)	(165,508,775)
Gross Profit / (Loss)		(1,362,652)	31,327,627	(8,204,915)	28,638,048
Other Operating Income and Gain	4	7,783,460	6,876,585	5,524,438	5,106,532
Distribution Cost		(52,569)	(60,362)	-	-
Other Expenses		(1,296,267)	(153,681)	-	-
Administrative Expenses		(5,560,605)	(4,428,154)	(3,115,573)	(2,555,589)
Operating Profit/(Loss)		(488,633)	33,562,015	(5,796,050)	31,188,991
Finance Income	5.1	2,300,164	2,396,715	650,605	1,676,958
Finance Cost	5.2	(8,019,365)	(10,829,231)	(7,300,454)	(10,601,406)
Finance Cost-Net		(5,719,201)	(8,432,516)	(6,649,849)	(8,924,448)
Share of loss of Joint Venture	11	(15,333)	(8,975)	-	-
Profit/(loss) before Income Tax	6	(6,223,167)	25,120,524	(12,445,899)	22,264,543
Income Tax Expense	7.1	(1,317,990)	(590,409)	27,469	-
Deferred Tax (Charge) / Reversal	7.2	895,984	(1,207,593)	995,517	(1,325,265)
Profit/Loss for the year from continuing operation		(6,645,173)	23,322,522	(11,422,913)	20,939,278
Non Controlling Interest		(2,509,773)	(1,932,701)	-	-
Profit/(Loss) for the Year		(9,154,946)	21,389,821	(11,422,913)	20,939,278

The Notes on Pages 93 through 150 form an integral part of the Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2014	2013 Restated	2014	2013 Restated
Profit / (Loss) for the year from continuing operation	(6,645,173)	23,322,522	(11,422,913)	20,939,278
Other Comprehensive Income				
Actuarial loss on post employment benefit obligation	(3,263,468)	(52,961)	(3,182,402)	(39,085)
Exchange differences on translation of foreign subsidiary operations	(27,447)	81,941	-	-
Fair value gain on available for sale financial assets	6,380,056	655,473	-	-
Net gain / (loss) on exchange conversion of foreign currency loans	13,844	18,243	-	-
Revaluation of Land and Building	279,899	-	-	-
Deffered Tax Impact on Actuarial gain / loss	(2,566)	-	-	-
Total Comprehensive Income for the year, net of tax	(3,264,855)	24,025,218	(14,605,315)	20,900,193
Attributable to:				
Equity Holders of the Parent	(8,717,338)	21,731,700		
Non Controlling Interest	5,452,483	2,293,518		
	(3,264,855)	24,025,218		

The Notes on Pages 93 through 150 form an integral part of the Financial Statements

STATEMENT OF FINANCIAL POSITION

As at 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

	Note	Group			Board		
		2014	2013 Restated	2012 Restated	2014	2013 Restated	2012 Restated
ASSETS							
Non-Current Assets							
Property, Plant & Equipment	8	706,125,409	669,354,179	635,269,272	686,470,754	649,814,833	621,088,458
Premium Paid on Leasehold Land		6,984	7,373	5,903	-	-	-
Intangible assets	9	16,520	19,256	22,025	-	-	-
Investments in Subsidiaries	10	-	-	-	784,813	784,813	761,902
Investment in Joint Venture	11	59,814	75,145	84,121	150,000	150,000	150,000
Finance Lease Receivables	12	4,144,203	-	-	-	-	-
Other Non Current Financial Assets	13	11,329,793	4,737,475	5,672,324	107,000	-	-
Investments of Insurance Reserve	14	5,653,841	5,250,300	4,433,045	5,653,841	5,250,300	4,433,045
Total Non-Current Assets		727,336,564	679,443,728	645,486,690	693,166,408	655,999,946	626,433,405
Non Current Assets held for sale	15	1,955	-	-	1,955	-	-
Current Assets							
Property, Plant & Equipment-Heladhanavi Ltd	8.8	808,337	-	-	-	-	-
Inventories	16	39,349,291	39,267,846	32,528,016	34,561,437	36,544,650	29,949,063
Trade and Other Receivables	17	37,848,423	50,350,141	67,624,127	33,348,983	44,832,213	61,929,143
Amounts Due from Related Parties	18	-	-	-	1,619,422	4,981,501	1,810,852
Finance Lease Receivables	12	355,086	-	-	-	-	-
Other Current Financial Assets	13	21,965,435	17,888,255	13,876,552	5,418,489	5,034,000	5,035,090
Tax Refund Due		23,307	77,976	261,569	-	-	-
Cash and Bank Balances	28	4,416,678	7,127,745	5,689,709	1,543,366	2,042,958	2,570,748
Total Current Assets		104,766,557	114,711,963	119,979,973	76,491,697	93,435,322	101,294,896
Total Assets		832,105,076	794,155,691	765,466,663	769,660,060	749,435,268	727,728,301
EQUITY AND LIABILITIES							
Capital and Equity							
Contributed Capital	19	289,046,982	121,707,829	110,862,044	289,046,982	121,707,829	110,862,044
Reserves	20	38,640,569	33,102,172	30,806,054	27,434,332	25,998,798	24,460,247
Retained Earnings		75,546,305	89,400,470	72,498,276	63,540,825	79,022,147	61,977,397
Equity Attributable to the Equity Holders of the Parent		403,233,856	244,210,471	214,166,374	380,022,139	226,728,774	197,299,688
Non Controlling Interest		23,215,974	16,931,505	15,763,495	-	-	-
Total Equity		426,449,830	261,141,976	229,929,869	380,022,139	226,728,774	197,299,688
Non-Current Liabilities and Deferred Income							
Interest Bearing Loans & Borrowings	21	207,996,255	335,527,613	302,880,474	202,819,528	334,524,915	304,514,772
Consumer Deposits	22	10,458,306	9,721,662	8,899,445	10,458,306	9,721,662	8,899,445
Provisions and Other Deferred Liabilities	23	7,341,042	3,845,468	4,123,115	6,571,579	3,236,183	3,592,799
Deferred Income	24	69,808,549	63,598,001	58,285,116	66,292,438	60,343,185	55,208,276
Deferred Taxation	25	21,618,360	22,497,833	21,290,241	21,186,971	22,182,488	20,857,224
Total Non-Current Liabilities and Deferred Income		317,222,512	435,190,577	395,478,391	307,328,822	430,008,433	393,072,516
Current Liabilities							
Trade and Other Payables	26	62,511,390	77,822,614	91,663,496	60,134,201	66,162,449	86,959,044
Dividend Payables		628,949	491,648	19,322	-	-	-
Amounts Due to Related Parties	27	-	-	-	2,990,922	5,698,376	4,311,817
Interest Bearing Loans & Borrowings	21	23,312,581	18,397,805	41,574,861	18,915,024	20,518,283	41,185,236
Income Tax Payable		1,979,814	1,111,071	6,800,724	268,952	318,953	4,900,000
Total Current Liabilities		88,432,734	97,823,138	140,058,403	82,309,099	92,698,061	137,356,097
Total Equity and Liabilities		832,105,076	794,155,691	765,466,663	769,660,060	749,435,268	727,728,301

The Board of Directors and management are responsible for the preparation and presentation of these financial statements.

Signed and on behalf of the Board by;



Chairman



General Manager



Finance Manager

The Notes on Pages 93 through 150 form an integral part of the Financial Statements

2016-01-13

Colombo



STATEMENT OF CHANGES IN EQUITY - THE GROUP

Year Ended 31st December 2014

	Contributed Capital	Capital Reserve	Adjustment for Deemed Cost	Revaluation Reserve
Balance as at 01 st January 2013	109,567,865	17,796,535	4,529,883	587,475
Prior Year Adjustment made during the Period	1,294,179	(122,933)	-	-
Balance as at 01 st January 2013 (Restated)	110,862,044	17,673,602	4,529,883	587,475
Profit / (Loss) for the Year	-	-	-	-
Transfer to / (from) Insurance Reserve	-	-	-	-
Interest Income on Insurance Escrow Fund	-	-	-	-
Deemed Dividend Levy	-	-	-	-
Raj Lanka Power Company Ltd Share Issue	-	-	-	-
Heat Rate Reserve	-	-	-	-
Investment Reserve	-	-	-	-
Fixed Assets replacement Reserve	-	-	-	-
Overhaul Reserve	-	-	-	-
Sri Jayawardanapura Complex	20,000	-	-	-
Uthuru Wasanthaya	1,345,441	-	-	-
Accelerated Rural Electrification Project	50,000	-	-	-
Rural Electrification Project-8 (Iran)	485,231	-	-	-
Rural Electrification Project-4 (Extension)	2,455,813	-	-	-
Vavuniya Killinochchi Transmission Project	348,510	-	-	-
Batahira Ran Aruna Project	20,000	-	-	-
Nagenahira Navodaya Project	1,369,230	-	-	-
Ruhunu Udanaya Project	146,321	-	-	-
Uva Udanaya Project	2,299,935	-	-	-
Jaffna Rehabilitation Electricity Supply Project	493,890	-	-	-
Kandurata Udanaya	100,000	-	-	-
Wayaba Pubuduwa	200,000	-	-	-
Welioya Electrification	50,000	-	-	-
Energy Diversification Enhancement Project	535	-	-	-
Sabaragamuwa	285,000	-	-	-
Sustainable Power Sector Support Project	520,719	-	-	-
Trincomalee Integrated Project	162,991	-	-	-
Killinochchi Chunnakaum Transmission Project	491,760	-	-	-
ADB Funded - Clean Energy & Access Improvement Project	409	-	-	-
Other Comprehensive income	-	-	-	-
Actuarial gain or loss on defined benefit plan	-	-	-	-
Fair Value gain on quoted / unquoted shares	-	-	-	-
Exchange differences on translation of foreign subsidiary operation	-	42,175	-	-
Net gain / loss on exchange conversion of foreign currency loans	-	9,390	-	-
Final Dividends-Ordinary Shares - 2012 / 13 (LTL)	-	-	-	-
Dividend Payment (LECO)	-	-	-	-
Balance as at 31st December 2013(Restated)	121,707,829	17,725,167	4,529,883	587,475



(All amounts in Sri Lanka Rupees Thousands)

Overhaul Reserve	Depreciation Reserve	Asset Replacement Reserve	Investment Reserve	Self Insurance Reserve	Available for Sale Reserve	Retained Earnings	Non Controlling Interest	Total
42,670	23,000	213,700	66,849	8,101,951	897,871	68,467,833	15,949,348	226,244,983
(69,685)	-	-	-	(1,261,263)	-	4,030,442	(185,854)	3,684,886
(27,015)	23,000	213,700	66,849	6,840,688	897,871	72,498,275	15,763,494	229,929,868
-	-	-	-	-	-	21,389,821	1,932,701	23,322,522
-	-	-	-	809,110	-	(809,110)	-	-
-	-	-	-	729,441	-	-	-	729,441
-	-	-	-	-	-	(3,046,335)	-	(3,046,335)
-	-	-	-	-	-	-	254,517	254,517
-	-	-	-	-	-	-	-	-
-	-	-	360,189	-	-	(571,729)	211,540	-
-	-	8,434	-	-	-	(13,387)	4,953	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	20,000
-	-	-	-	-	-	-	-	1,345,441
-	-	-	-	-	-	-	-	50,000
-	-	-	-	-	-	-	-	485,231
-	-	-	-	-	-	-	-	2,455,813
-	-	-	-	-	-	-	-	348,510
-	-	-	-	-	-	-	-	20,000
-	-	-	-	-	-	-	-	1,369,230
-	-	-	-	-	-	-	-	146,321
-	-	-	-	-	-	-	-	2,299,935
-	-	-	-	-	-	-	-	493,890
-	-	-	-	-	-	-	-	100,000
-	-	-	-	-	-	-	-	200,000
-	-	-	-	-	-	-	-	50,000
-	-	-	-	-	-	-	-	535
-	-	-	-	-	-	-	-	285,000
-	-	-	-	-	-	-	-	520,719
-	-	-	-	-	-	-	-	162,991
-	-	-	-	-	-	-	-	491,760
-	-	-	-	-	-	-	-	409
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	(47,065)	(5,896)	(52,961)
-	-	-	-	-	337,378	-	318,094	655,473
-	-	-	-	-	-	-	39,765	81,941
-	-	-	-	-	-	-	8,853	18,243
-	-	-	-	-	-	-	(1,517,481)	(1,517,481)
-	-	-	-	-	-	-	(79,036)	(79,036)
(27,015)	23,000	222,134	427,038	8,379,239	1,235,250	89,400,470	16,931,505	261,141,976

STATEMENT OF CHANGES IN EQUITY - THE GROUP

Year Ended 31st December 2014

	Contributed Capital	Capital Reserve	Adjustment for Deemed Cost	Revaluation Reserve
Prior Year Adjustment made during the Period				
Balance as at 01 st January 2014 (Restated)	121,707,829	17,725,167	4,529,883	587,475
Profit/(Loss) for the period	-	-	-	-
Other comprehensive income				
Actuarial Gain / loss on retirement benefits	-	-	-	-
Revaluation of land and building	-	-	-	154,504
Net gain loss on available for sale Financial Assets	-	-	-	-
Fair Value gain on quoted / unquoted shares	-	-	-	-
Exchange Differences on Translation of Foreign subsidiary operation	-	(14,127)	-	-
Exchange Reserve	-	7,126	-	-
Total Comprehensive income	121,707,829	17,718,165	4,529,883	741,979
Interest income from Insurance Reserve Fund	-	-	-	-
Transfer to self insurances reserve	-	-	-	-
Fund received from ADB for the RHCP project.	-	45,697	-	-
Batahira Ran Aruna	790	-	-	-
RE 4 Extention	365,473	-	-	-
RE 8 Extention	725,000	-	-	-
Vavuniya Kilinochchi Transmission Line Project	181,705	-	-	-
Kilinochchi Chunnakaum Transmission Project	134,348	-	-	-
Naganahira Navodaya	2,437,178	-	-	-
Sustainable Power Sector Support Project	414,020	-	-	-
Greater Colombo Extension Project	21	-	-	-
Uthuru Wasantaya	1,179,240	-	-	-
Uva Udanaya	53,656	-	-	-
Jaffna Rehabilitation Project	140,697	-	-	-
Energy Diversification Project	14	-	-	-
Trincomalee Integrated project	24	-	-	-
Debt to equity conversion	161,706,953	-	-	-
Habarana Veyangoda Electrification Project	33	-	-	-
Transfer of foreing exchange reserve to retained earnings	-	(60,310)	-	-
Issue of share of subsidiary	-	-	-	-
Heat Rate Reserve	-	73,732	-	-
Heat Rate Reserve	-	(73,732)	-	-
Investment Reserve	-	-	-	-
Fixed Assets Replacement Reserve	-	-	-	-
Acquisition of NCI	-	-	-	-
Final Dividends - LTL Ordinary Shares 2013/14	-	-	-	-
Dividend payment - LECO	-	-	-	-
Balance as at 31 December 2014	289,046,982	17,703,552	4,529,883	741,979

The Notes on Pages 93 through 150 form an integral part of the Financial Statements



(All amounts in Sri Lanka Rupees Thousands)

Overhaul Reserve	Depreciation Reserve	Asset Replacement Reserve	Investment Reserve	Self Insurance Reserve	Available for Sale Reserve	Retained Earnings	Non Controlling Interest	Total
						(132)	(87)	(219)
(27,015)	23,000	222,134	427,038	8,379,239	1,235,250	89,400,338	16,931,418	261,141,758
-	-	-	-	-	-	(9,154,946)	2,509,773	(6,645,173)
-	-	-	-	-	-	(3,228,027)	(38,006)	(3,266,034)
-	-	-	-	-	-	-	125,395	279,899
-	-	-	-	-	3,467,638	-	2,814,315	6,281,953
-	-	-	-	-	50,494	-	47,609	98,103
-	-	-	-	-	-	-	(13,320)	(27,447)
-	-	-	-	-	-	-	6,719	13,844
(27,015)	23,000	222,134	427,038	8,379,239	4,753,382	77,017,365	22,383,902	257,876,904
-	-	-	-	513,832	-	-	-	513,832
-	-	-	-	876,005	-	(876,005)	-	-
-	-	-	-	-	-	-	-	45,697
-	-	-	-	-	-	-	-	790
-	-	-	-	-	-	-	-	365,473
-	-	-	-	-	-	-	-	725,000
-	-	-	-	-	-	-	-	181,705
-	-	-	-	-	-	-	-	134,348
-	-	-	-	-	-	-	-	2,437,178
-	-	-	-	-	-	-	-	414,020
-	-	-	-	-	-	-	-	21
-	-	-	-	-	-	-	-	1,179,240
-	-	-	-	-	-	-	-	53,656
-	-	-	-	-	-	-	-	140,697
-	-	-	-	-	-	-	-	14
-	-	-	-	-	-	-	-	24
-	-	-	-	-	-	-	-	161,706,953
-	-	-	-	-	-	-	-	33
-	-	-	-	-	-	109,258	(48,947)	1
-	-	-	-	-	-	-	1,002,447	1,002,447
-	-	-	-	-	-	-	43,303	117,035
-	-	-	-	-	-	117,036	(17,087)	26,216
-	-	-	487,699	-	-	(774,125)	286,426	-
-	-	9,841	-	-	-	(15,621)	5,780	-
-	-	-	-	-	-	-	95,934	95,934
-	-	-	-	-	-	-	(508,659)	(508,659)
-	-	-	-	-	-	(31,604)	(27,125)	(58,729)
(27,015)	23,000	231,975	914,737	9,769,076	4,753,382	75,546,305	23,215,974	426,449,830

STATEMENTS OF CHANGES IN EQUITY - THE BOARD

	Contributed Capital	Capital reserves
Balance as at 01 st January 2013	109,567,865	17,447,062
Prior year adjustment made during the period	1,294,179	-
Balance as at 01 January 2013 (Restated)	110,862,044	17,447,062
Profit for the Period	-	-
Transfer to/from Insurance Reserve	-	-
Interest income from insurance Escrow Fund	-	-
Deemed Dividend Levy	-	-
Sri Jayawardanapura Complex	20,000	-
Uthuru Wasanthaya	1,345,441	-
Accelerated Rural Electrification Project	50,000	-
Rural Electrification Project 08 (Iran)	485,231	-
Rajarata Navodaya Project	2,455,813	-
Vauniya Kilinochchi Transmission Project	348,510	-
Batahira Ran Aruna Project	20,000	-
Nagenahira Navodaya Project	1,369,230	-
Ruhunu Udanaya Project	146,321	-
Uva Udanaya Project	2,299,935	-
Jaffna Rehabilitation Electricity Supply Project	493,890	-
Kandurata Udanaya	100,000	-
Wayaba pubuduwa	200,000	-
Welioya Electrification	50,000	-
Energy diversification Enhancement Project	535	-
Sabaragamuwa	285,000	-
Sustainable Power Sector Support Project	520,719	-
Trincomalee Integrat	162,991	-
Killinochchi Chunnakaum Transmission Project	491,760	-
ADB fund	409	-
Balance as at 31st December 2013 (Restated)	121,707,829	17,447,062
Balance as at 01st January 2014 (Restated)	121,707,829	17,447,062
Profit/(Loss) for the period	-	-
Interest income from Insurance Reserve Fund	-	-
Transfer to self insurance reserve	-	-
Fund received from ADB for the RHCP project.	-	45,697
Batahira Ran Aruna	790	-
RE 4 Extension	365,473	-
RE 8 Extension	725,000	-
Vavuniya Kilinochchi Transmission Line Project	181,705	-
Kandurata Udanaya	-	-
Kilinochchi Chunnakaum Transmission Project	134,348	-
Naganahira Navodaya	2,437,178	-
Sustainable Power Sector Support Project	414,020	-
Greater Colombo Extension Project	21	-
Uthuru Wasantaya	1,179,240	-
Uva Udanaya	53,657	-
Jaffna Rehabilitation Project	140,697	-
Energy Diversification Project	14	-
Trincomalee Integrated project	24	-
Debt to equity conversion	161,706,953	-
Habarana Veyangoda Electrification Project	33	-
Balance as at 31st December 2014	289,046,982	17,492,759

The Notes on Pages 93 through 150 form an integral part of the Financial Statements



(All amounts in Sri Lanka Rupees Thousands)

Capital Redemption Reserve	Depreciation Reserves	Self Insurance Reserves	Retained Earnings	Total
165,446	23,000	8,086,000	57,940,887	193,230,261
-	-	(1,261,263)	4,036,511	4,069,427
165,446	23,000	6,824,737	61,977,398	197,299,688
-	-	-	20,900,194	20,900,194
-	-	809,110	(809,110)	-
-	-	729,441	-	729,441
-	-	-	(3,046,335)	(3,046,335)
-	-	-	-	20,000
-	-	-	-	1,345,441
-	-	-	-	50,000
-	-	-	-	485,231
-	-	-	-	2,455,813
-	-	-	-	348,510
-	-	-	-	20,000
-	-	-	-	1,369,230
-	-	-	-	146,321
-	-	-	-	2,299,935
-	-	-	-	493,890
-	-	-	-	100,000
-	-	-	-	200,000
-	-	-	-	50,000
-	-	-	-	535
-	-	-	-	285,000
-	-	-	-	520,719
-	-	-	-	162,991
-	-	-	-	491,760
-	-	-	-	409
165,446	23,000	8,363,288	79,022,147	226,728,773
165,446	23,000	8,363,288	79,022,147	226,728,773
-	-	-	(14,605,317)	(14,605,317)
-	-	513,832	-	513,832
-	-	876,005	(876,005)	-
-	-	-	-	45,697
-	-	-	-	790
-	-	-	-	365,474
-	-	-	-	725,000
-	-	-	-	181,705
-	-	-	-	-
-	-	-	-	134,348
-	-	-	-	2,437,178
-	-	-	-	414,020
-	-	-	-	21
-	-	-	-	1,179,240
-	-	-	-	53,656
-	-	-	-	140,697
-	-	-	-	14
-	-	-	-	24
-	-	-	-	161,706,953
-	-	-	-	33
165,446	23,000	9,753,126	63,540,825	380,022,139



CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2014	2013	2014	2013
Cash Flows From / (Used in) Operating Activities				
Profit/(loss) before tax	(6,223,167)	25,120,524	(12,445,899)	22,264,543
Adjustments for				
Depreciation - Charged for the year	21,701,693	21,769,587	21,361,151	20,491,076
Consumer Contribution - Amount Amortised During the year	(2,793,293)	(2,255,662)	(2,506,972)	(2,265,266)
Government Grant - Amount Amortised During the year	(12,517)	(12,391)	(12,391)	(12,391)
Income from Investments	(645,036)	(575,828)	(346,400)	(1,353,948)
(Profit) / Loss on sales of Property, Plant & Equipment	(163,404)	(123,210)	(106,708)	(105,936)
Finance Costs	8,019,365	13,157,111	6,012,065	11,138,754
Provision for Obsolete & Unserviceable Cost	352,857	64,347	352,857	33,275
Provision for price Variance	942,104	2,102,594	942,104	871,002
Provision for Impairment of Trade Debtors	-	148,082	-	-
Provision for Impairment of Other Debtors	8,887	38,083	8,887	163,812
Bad Debt Write off	156,041	-	156,041	-
Stores Discrepancies Account	2,994	816	2,994	816
Share of loss of Joint Venture	15,333	-	-	-
Amortization of Intangible Assets	2,735	-	-	-
Finance Income	(1,655,057)	(1,820,887)	(304,205)	(267,467)
Disposal Adjustments-Augmentation	-	109	-	109
Reversal of Provision	-	(63)	-	(63)
Defined Benefit Plans	863,235	801,033	716,948	713,422
Personnel Cost on Pension Fund	(120,799)	(706,345)	(120,799)	(664,143)
Operating Profit/(Loss) before Working Capital Changes	20,451,975	57,707,900	13,709,672	51,007,596
(Increase) / Decrease in Inventories	(1,379,399)	(8,773,992)	1,980,220	(7,557,103)
(Increase) / Decrease in Trade and Other Receivables	12,260,063	12,331,324	14,680,380	7,750,366
Increase / (Decrease) in Trade and Other Payables	(15,358,164)	(16,630,455)	(8,735,701)	(24,069,584)
Cash Generated from Operations	15,974,475	44,634,777	21,634,571	27,131,275
Finance Cost paid	(7,948,477)	(8,824,249)	(5,941,324)	(9,282,761)
Retirement Benefit Obligation	(512,895)	(425,150)	(443,153)	(402,778)
Income Tax Paid	(446,455)	(6,388,351)	(50,000)	(4,237,410)
Net Cash From / (Used in) Operating Activities	7,066,648	28,997,027	15,200,094	13,208,326
Cash Flows from / (Used in) Investing Activities				
Acquisition of Property, Plant & Equipment and capital work in progress	(62,927,235)	(72,955,665)	(59,714,218)	(65,451,558)
Acquisition of Intangible Assets	-	2,768	-	-
Investment in Joint Ventures	-	8,973	-	-
Investment in Insurance Reserves Fund	(403,541)	(817,254)	(403,541)	(817,255)
Interest Received from Insurance Reserves Fund	513,832	729,441	513,832	729,441
Investment in Non Current Financial Assets	931,269	1,619,705	-	-
Investment in Current Financial Assets	(3,992,680)	(4,020,712)	-	-
Acquisition of Investments	-	-	-	(22,910)
Dividend Received	645,036	-	346,400	1,353,948
Interest Received	1,655,057	2,406,798	304,205	267,467
Sale Proceeds of Fixed Assets Disposals	254,150	291,585	197,454	55,833
Dividend Paid	(430,088)	(1,124,190)	-	-
Net Cash Flows from / (Used in) Investing Activities	(63,754,200)	(73,858,551)	(58,755,868)	(63,885,034)
Cash Flows from (Used in) Financing Activities				
Proceeds From Contributed capital	5,632,200	10,845,785	5,632,200	10,845,784
Consumer Contribution	9,010,327	7,857,347	8,468,616	8,011,379
Grant - Received	51,726	-	-	-
Consumer deposit - refund	(193,717)	(243,215)	(193,720)	(243,217)
Consumer deposit Received	930,361	1,065,433	930,361	1,065,433
Net Movement in Lease Creditors / (Lease Payment)	(133,115)	(123,500)	(132,186)	(120,724)
Proceeds From Interest Bearing Loans & Borrowings	55,309,973	85,305,461	46,289,209	85,487,618
Repayment of Interest Bearing Loans & Borrowings	(19,013,789)	(38,355,312)	(18,256,325)	(37,988,348)
Finance Lease Receivables	(355,086)	-	-	-
Nividu Share Issues	-	254,517	-	-
Tax Refund Received	20,669	-	-	-
Premium paid on Leasehold land	389	(1,470)	-	-
Net Cash Flows from / (Used in) Financing Activities	51,259,938	66,605,046	42,738,155	67,057,925
Net Increase / (Decrease) in Cash and Cash Equivalents	(5,427,614)	21,743,522	(817,619)	16,381,217
Cash and Cash Equivalents at the beginning of the year	3,563,839	(18,179,683)	(1,431,444)	(17,812,661)
Cash and Cash Equivalents at the end of the year	(1,863,775)	3,563,839	(2,249,063)	(1,431,444)

The Notes on Pages 93 through 150 form an integral part of the Financial Statements



NOTES TO THE FINANCIAL STATEMENTS

1.0 CORPORATE INFORMATION

1.1 General

Ceylon Electricity Board was incorporated under Ceylon Electricity Board Act No.17 of 1969. The Head Office of the Board is situated at No.50, Sir Chittampalam A Gardiner Mawatha, Colombo 02.

1.2 Principal Activities and Nature of Operations

Board

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

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

Lanka Electricity Company (Pvt) Ltd

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

LTL Holdings (Pvt) Ltd

During the year, the principal activities of the company were manufacturing and export of transformers and engaged in Investment Activities in Group companies as the implementation of the corporate business strategy.

Lanka Coal Company (Pvt) Ltd

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

Sri Lanka Energies (Pvt) Ltd

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

Joint Venture

Trincomalee Power Company Limited

The company's principal activity is generation and sale of electricity to National Grid of CEB.

1.3 Date of Authorization for Issue

The Financial Statements of the Ceylon Electricity Board, for the period ended 31 December 2014 were authorized for issue in accordance with a resolution of the Board of Directors on 2016.01.13

2.0 GENERAL POLICIES

2.1 Basis of Preparation

The Consolidated Financial Statements of the Group have been prepared in accordance with Sri Lanka Accounting Standards, comprising SLFRS/LKAS (here after "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The Financial statements have been prepared on an accrual basis under the historical cost convention.

The preparation of financial statements in conformity with the SLFRS /LKAS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. Areas involving higher degree of judgement or complexity, or areas where assumption and estimation are significant to the financial statements are disclosed.

2.1.1 Statement of Compliance

The Consolidated Financial Statements of the Group has been prepared in accordance with Sri Lanka Accounting Standards. (SLFRS)

2.1.2 Basis of Consolidation

The Group accounts comprise the consolidated accounts of the Ceylon Electricity Board (CEB) and the Subsidiaries, LTL Holdings (Pvt) Ltd (LTL), Lanka Electricity Co.(Pvt) Ltd (LECO), Lanka Coal Company (Pvt) Ltd (LCC), Sri Lanka Energies (Pvt) Ltd and the subsidiaries of LTL Holdings (Pvt) Ltd (LTL), Lanka Electricity Co.(Pvt) Ltd (LECO).

The subsidiaries of LTL Holdings (Pvt) Ltd are LTL Transformers (Pvt) Ltd, LTL Galvanizers (Pvt) Ltd, Lakdhanavi Ltd, Nividhu (Pvt) Ltd, LTL Energy (Pvt) Ltd, Nividhu Assupiniella (Pvt) Ltd, Lanka Industrial Products Engineering (Pvt) Ltd, Pawandanavi (Pvt) Ltd, and Infra Engineering (Pvt) Ltd which are limited liability companies incorporated and domiciled in Sri Lanka and the registered offices of these Companies are located at No.67, Park Street Colombo 2.



NOTES TO THE FINANCIAL STATEMENTS Contd...

Bright International Power (Pvt) Ltd is a fully owned subsidiary of Lakdhanavi Limited having its registered office at 8 Pioneer Sector 1, Singapore 628420. Raj Lanka Power Co. Limited is a partially owned subsidiary of Lakdhanavi Limited having its registered office No; 350, Naljani (Wireless Gate), Chandana, Gazipar -1702, Bangladesh.

Heladhanavi Limited was a joint venture between Lakdhanavi Limited and Hemas Power (Pvt) Limited at the beginning of the period and was subsequently converted to a subsidiary. The registered office of the Company is located at No 36, Bristol Street, Colombo 01 and the Principal place of business is situated at Hela Estate, Puttalam.

Lakdhanavi Bangla Power Company Ltd is a partially owned subsidiary of LTL Holdings (Pvt) Ltd and having its registered office at No. 67, Shahara Centre, 9th Floor, 37/A, Kakrial VIP Road, Dhaka #1000, Bangladesh.

The principal place of business of Lakdhanavi Limited and Lanka Industrial Products (Pvt) Ltd are situated at Lindel Industrial Estate, Sapugaskanda, and Nividu (Pvt) Ltd at Belihuloya, Balangoda and Nividu Assupiniella (Pvt) Ltd at Aranayaka, Pawan Danavi (Private) Ltd at Illanthadiya, Norachchola respectively.

The registered office of the LTL Energy (Pvt) Limited is No; 67, Park Street Colombo 02 and the principal place of business, is situated at No;08, Rosmead Place Colombo 07.

The subsidiaries of Lanka Electricity Co (Pvt) Ltd (LECO) are LECO Projects (Pvt) Ltd and Ante LECO Metering Company (Pvt) Ltd. The registered offices of these companies are located at 411, E.H. Cooray Buildings, Galle Road, Colombo 03.

The registered office of Lanka Coal Company (Pvt) Ltd is situated at 51/3, Dutugemunu Street, Dehiwala.

The registered office of Sri Lanka Energies (Pvt) Ltd is situated at No: 50, Sir Chittampalam A Gardiner Mawatha Colombo 02 and its principal place of business is located at 11th floor, Sethsiripaya Stage II, Baththaramulla.

The Trincomalee Power Company Limited is a joint venture between the Ceylon Electricity Board (CEB) and the NTPC Limited of India. The registered office is in Third floor, No 240, High Level Road, Kirulapone.

Ceylon Electricity Board, Lanka Electricity Co. (Pvt) Ltd, Lanka Coal Co. (Pvt) Ltd and Sri Lanka Energies (Pvt) Ltd have a common financial year ending 31st December whereas the financial year of LTL Holdings (Pvt) Ltd and the Trincomalee Power Company Limited are 31st March. However, the Financial Statements of the said companies have been prepared and certified by the Auditors solely to enable the Group to prepare Consolidated Financial Statements.

The total profits and losses of the subsidiary companies are included in the consolidated Income Statement, and proportions of the profit or loss after taxation applicable to outside shareholders, adjusted under the heading of Non-controlling Interest in arriving at the profit or loss attributable to the equity share holders of the Ceylon Electricity Board.

All the assets and liabilities of the Board and its subsidiaries are included in the Consolidated Statement of Financial Position. The interest of the outside shareholders in the net assets of the subsidiaries is shown separately in Consolidated Statement of Financial Position under the heading of Non-controlling Interest. Inter Group balances and transactions and any unrealized gains/losses resulting from inter Group transactions and dividends, are eliminated in preparing the Consolidated Financial Statements.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss
- Reclassified the parent share of components

NOTES TO THE FINANCIAL STATEMENTS Contd...

previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

The Consolidated Financial Statements comprises the financial statements of the Group and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls and investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable return to its involvement with the investee
- The ability to its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of a voting or similar rights of an investee the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls and investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interest having a deficit balance. When necessary, adjustments are made to the financial statements of assets and liabilities, equity, income, expenses and cash flows relating to the transaction between the members if the Group are eliminated in full on consolidation. A change in the ownership interest of the subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it recognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any result in gain or loss is recognized in profit or loss. Any investment retained is recognised at fair value.

2.1.3 Going Concern

Going Concern – Heladhanavi Limited

The directors have made an assessment of the Group's ability to continue as a going concern and they do not intend either to liquidate or to cease trading except for the following

The Power Purchase Agreement (PPA) dated 09 May 2009 signed between Heladhanavi Ltd and Ceylon Electricity Board expired on 08 December 2014. From the entity point of view there is a material uncertainty about the entity's ability to continue as a going concern upon expiry of the agreement.

Therefore the going concern assumption is not appropriate in the preparation of Financial Statements of Heladhanavi Ltd.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Jointly Control Entity

Ceylon Electricity Board

The financial statements of the Trincomalee Power Company Limited, a jointly controlled entity between Ceylon Electricity Board and NTPC have been included in the consolidated Financial Statements on Equity Method.

LTL Holding (Private) Ltd

The Financial Statements of Heladhanavi Limited, a jointly controlled entity between Hemas



NOTES TO THE FINANCIAL STATEMENTS Contd...

Power (Pvt) Limited and Lakdhanavi Limited have been included in the Group consolidated Financial Statements up to 31st October 2014 and its accounting policy also were changed to equity method from proportionate consolidation method in accordance with SLFRS 11 which came in to affect from 01st January 2011.

2.2.2 Foreign Currency Translation

a). Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in "Sri Lanka Rupees", which is considered the entity's functional and presentation currency.

b). Transactions and balances

Foreign currency transactions are initially recorded at the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

In terms of sub section 06 of the 42 of the Ceylon Electricity Board Act No: 17 of 1969, CEB, does not take account of any profit or losses arising from gain exchange fluctuations in respect of the capital and interest on loans in foreign currencies as they are borne by the Government of Sri Lanka. The outstanding loans repayable are valued at the agreed exchange rate at the time of receipt of the loan by CEB.

c). Foreign currency operation

The statement of financial position and the statement of comprehensive income of overseas subsidiaries, which are in foreign operation, are to be translated to Group's presentation currency as follows.

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

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

2.2.3 Taxation

a). Current Taxes

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

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

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provision of the Inland Revenue Act No: 10 of 2006 and the amendments thereto.

Ceylon Electricity Board

CEB is exempted from income tax from all sources of income for a period of 5 years with effect from the year of assessment coming from 1st April 2011 in accordance with the provisions of the Inland Revenue Act No10 of 2006 and amendments thereto. Accordingly, the tax holiday period will be expired in the year of assessment 2015/16 and the profits are liable for income tax at 28%.

b). Deferred Taxation

Deferred income tax is provided, using the liability method, on all temporary differences arising

NOTES TO THE FINANCIAL STATEMENTS Contd...

between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except, where the deferred income tax assets relating to the deductible temporary differences arisen from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss. The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

In respect of taxable temporary differences associated with investment in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

In respect of deductible temporary differences associated with investment in subsidiaries, associates and interests in joint ventures deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the

liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date. Deferred tax relating to items recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

2.2.4 Borrowing Costs

Borrowing costs consist of interest and other costs that the Board incurs in connection with the borrowing of funds. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

2.2.5 Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. Net realisable value is the price at which inventories can be sold in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale. The cost incurred in bringing inventories to its present location and condition is accounted as follows.

Lanka Electricity Co. (Pvt) Ltd	
The Operational & Maintenance goods	at actual cost on weighted average basis.
Goods in Transit and other cost	at actual cost
LTL Holdings (Pvt) Ltd	
Raw Materials	at actual cost on first-in- first-out basis
Finished goods & Work-In-Progress	at the cost of direct materials, direct labour and appropriate proportion of fixed production overhead
Consumables & Spares	at actual cost on first-in-first-out basis
Goods in Transit	at actual cost



NOTES TO THE FINANCIAL STATEMENTS Contd...

Ceylon Electricity Board

Inventory which are mostly used and listed in the Annual Price List are valued at Standard Price in the Distribution Divisions and others (Generation and Transmission Divisions) such as consumables and spares at First In First Out valuation method.

However, the Board made provision for unrealized profit of the inventory which is valued at Standard Price to enable to bring down the value to cost.

2.2.6 Cash and Cash Equivalents

Cash and Cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of Group statement of cash flows, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities, i.e. three months or less from the date of acquisition are also treated as cash equivalents.

2.2.7 Property, Plant and Equipment

a) Cost & Valuation

Property, Plant & Equipment is stated at cost less accumulated depreciation and any accumulated impairment losses, if any. Such cost include the cost of replacing component, parts of the Property Plant & Equipment and borrowing costs for the long term construction projects if the recognition criteria are met. When significant parts of Property Plant & Equipment are required to be replaced at intervals, the Group derecognises the net book value of the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant & equipment as a replacement if the recognition criteria are satisfied.

When items of Property, Plant & Equipment are subsequently revalued, the entire class of such assets is revalued. Any revaluation surplus is recognised in other comprehensive income and accumulated equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offset and existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

b) Capital work in progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly include in the construction work of long term capital projects. Expenses that are in the capital nature are accounted for as capital work-in-progress until the projects are completed and the related assets are available for use.

c) De-recognition

The carrying amount of an item of Property Plant & Equipment is derecognized on disposal or when no future economic benefits are expected from its use. The gain or losses arising from de-recognition of an item of Property Plant & Equipment is included in the income statement when the item is derecognized.

When replacement costs are recognized in the carrying amount of an item of Property Plant & Equipment, the remaining carrying amount of the replaced parts are de-recognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

When an asset is identified as "non-current assets held for sale" it should be disposed within 06 months from the Board decision. If not disposed it should be reclassified under Property Plant & Equipment (PPE) again along with the depreciation adjustment for the period ceased for depreciation.

d) Restoration Cost

Expenditure incurred on repair or maintenance of Property, Plant & Equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognised as an expense when incurred.

e) Depreciation

Depreciation is calculated by using straight line basis over the useful life of the asset when the asset is available for use other than free hold land. Building on Leasehold land is depreciated over

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the shorter of the estimated useful life of the asset and lease term.

The useful lives of the assets are estimated as follows;

2.2.8 Leases

Ceylon Electricity Board

Freehold Buildings & Lease hold Land & Buildings	40 Years
Civil Works:	
Spillways & Dams	100Years
Steel water pipes & pens stock	40Years
Substation & Switch Yard	35 Years
Power Stations including Plant (Hydro)	35 Years
Power Stations including Plant (Thermal)	25 Years
Power Stations including Plant (Diesel)	15 Years
Power Stations including Plant (Gas Turbine)	12 Years
Power Stations including Plant (Coal)	30 Years
Power Stations including Plant (Wind)	15 Years
Transmission Lines at 220kV, 132kV, and 66kV	35 Years

Distribution Lines:

HT Underground-33kV	50 Years
HT Underground-132kV	50 Years
HT Underground-11kV	40 Years
HT Overhead Lines	35 Years
LT Underground	40 Years
LT Overhead Lines	35 Years
LT Feeder Pillar	35 Years
Consumer Substation	35 Years
HT Switchgear	35 Years
Primary & Grid Substation	35Years
Service Main	35 Years
SCADA (Central Facilities) & Communication Equipment	15 Years
Vehicles	07 Years
Motor Boats	07 Years
Machinery & Tools	05 Years
Office Equipment	05 Years
Furniture & Fittings	05 Years

LTL Holdings (Pvt) Ltd

Buildings	over 25 - 50 years
Plant &Machinery	over 8 - 15 years
Power Plant	over 10 - 15 years
Factory Equipment	over 10 years
Intercom Equipment	over 10 years
Fire Fighting Equipment	over 10 years
Office Equipment	over 03 - 10 years

Furniture and Fittings	over 03 - 10 years
Motor Vehicles	over 04 years
Heat Recovery Unit	over 06 years
Operation and maintenance spares	Actual Usage

Lanka Electricity Co. (Pvt) Ltd.

Buildings	40 years
Leasehold Land	over lease period
Supply of Infrastructure	
Substations, Overhead lines & Service Lines taken	
Over from Local Authorities & CEB	10 years
Substations, Overhead lines & Service Lines	
Constructed by LECO	20 - 25 years
Motor Vehicles	05 - 07 years
Computers	03 - 05 years
Office Equipments	03 - 07 years
Plant & Machinery	03 - 04years

Lanka Coal Co. (Pvt) Ltd.

Furniture & Fittings	5 years
Equipments	4 years
Motor Vehicles	4 years
Computers	4 years

Trincomalee Power Company Limited

Furniture and fittings	5 years
Equipment	5 years
Laptop and Computers	3 years
Assets which cost up to Rs.15, 000 are fully depreciated	

a) Finance Leases

Finance Leases, which transfer the substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance lease charges and reduction of the leased liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged and reflected in the Income Statement. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the entity will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets which are owned as described in 2.2.7 (e)

The Group is of the view that the substance of the arrangement between the Raj Lanka Power



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Company Limited and Bangladesh Power Development Board falls within the purview of "IFRIC 4 -Determining Where an Arrangement Contains a Lease" and to be accounted as a lease under "LKAS 17-Leases" due to the satisfaction of following criterion;

- The fulfilment of the arrangement under the Power Purchase Agreement is depended on the exclusive use of the specific power plant of the Group situated in Rajshahi, Bangladesh
- Bangladesh Power Development Board has the right to operate the power plant or direct others to operate the power plant in a manner it determines while controlling entire output of the power plant
- It is impossible for any other party than Bangladesh Power Development Board to take any output of power generated by the power plant of the company and the capacity charge per unit paid by Bangladesh Power Development Board is not based on the output

The provision of IFRIC 4 is applied with retrospective effect as if the company has applied from its commercial operation date.

b) Operating Leases

Operating lease payments are recognised as an operating expense in the income statement on a straight line basis over the lease term.

c) Group as a Lessor – LTL

Hydro power, wind power and thermal power plants in which the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating lease. Lease income from all power plants is recognised in the income statement based on energy output for the period which is more representative of the time pattern in which use benefits derived from leased assets are diminished. Cost including depreciation incurred in earning the lease income is recognised as an expense. The depreciation policy for depreciable leased assets is consistent with Group's depreciation policy for similar assets.

2.2.9 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried

at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embedded in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite lives is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gain or losses arising from recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the income statement when the asset is derecognised.

Computer Software

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

2.2.10 Financial Instruments - Initial Recognition and Subsequent Measurement

2.2.10.1 Financial Assets

a) Initial Recognition and Measurement

Financial Assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held -to -

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maturity investments and available – for – sale financial assets, as appropriate and determined the classification of its financial assets at initial recognition. All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss. The financial assets include cash and short – term deposits, trade and other receivables, loans and other receivables quoted and unquoted financial instruments.

b) Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as follows.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance costs in the statement of comprehensive income. Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income when the Group's right to receive payments is established.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After Initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on an acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement.

Available for Sale Financial Investments

Available - for – sale financial investments include equity and debt securities. Equity investments classified as available for – sale are those, which are neither classified as held for trading no designated at fair value through profit or loss.

Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available – for – sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available – for – sale reserve until the investment is derecognized, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available – for – sale reserve. Interest income on available – for- sale debt securities is calculated using the effective interest method and recognised in Income statement.

The Group evaluates its available – for – sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held - to – maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available for sale category, any previous gain or loss on that asset that has been recognised in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently to be impaired, then the amount recorded in equity is reclassified to the income statement.

Held to Maturity Investments

Non – derivative financial assets with fixed or determinable payments and fixed maturities are



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classified as held – to – maturity when the Group has the positive intention an ability to hold them to maturity. After initial measurement, held- to-maturity investments are measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs.

c) Derecognition

A financial asset (or, where applicable apart of a financial asset or part of a Group of similar financial assets) is derecognised when,

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass- through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the company’s continuing involvement in it. In that case, the Group also recognises an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.2.10.1.1 Impairment of Financial Assets

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

Financial assets at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of the estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the

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

Available - for –sale Financial Investments

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

2.2.10.2 Financial Liabilities

a) Initial Recognition and Measurement

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

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

b) Subsequent Measurement

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

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains are recognised in the income statement when the liabilities are recognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance cost in the income statement.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

2.2.10.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.2.10.4 Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active market at each reporting date is determined by reference to quoted market prices or dealer price quotations. (Bid price for long position and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using



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recent arm's length market transactions: reference to the current fair value of another instrument that is substantially the same: a discounted cash flow analysis or other valuation models.

2.2.10.5 Impairment of Non – Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group make an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the assets are carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.2.11 Provisions

Provisions are recognised when the Group has a present obligations (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

2.2.12 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

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

The Group measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using actuarial valuation technique which is based on the Projected Unit Credit method (PUC). Actuarial gains and losses are recognized in full in the period in which they occur in the income statement. The gratuity liability is not externally funded. This item is grouped under Other Deferred Liabilities in the Statement of Financial Position.

b) Defined Benefit Plan – Pension Obligation

Define benefit plans - pension defines as an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as years of service and remuneration.

The liability recognised in the statement of financial position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past – service cost.

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The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash out flows using interest rates of government bonds in the absence of high quality deep corporate bond market in Sri Lanka. The government bonds are denominated in the currency in which the benefits will be paid, and that have to maturity approximating to the terms of the related pension obligation.

Actuarial gain and losses arising from experience adjustment and changes in actuarial assumption are charged or credited to equity in other comprehensive income in the period in which they arise.

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

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

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

2.2.13 Self Insurance Reserve

CEB transfers to a Self Insurance Reserve each year, at the rate of 0.1% of the gross re-valued fixed assets at the end of the year. Losses and damages to Property, Plant and Equipment of CEB are charged to this Insurance Reserve. The funds for this purpose are met from the monies invested in a separate account at a Bank.

2.2.14 Deferred Income

a) Consumer Contribution

Ceylon Electricity Board

The consumer contribution of CEB are deferred and amortized to the income statement over 35 years being the period over which the related assets are depreciated.

Lanka Electricity Co. (Pvt) Ltd.

Contributions from consumers to defray the cost of assets installed to establish new service connections are recognised as deferred obligations. The new service connection assets are depreciated over a period of 20 years. The corresponding consumer contributions are amortised to the Income Statement over a similar period of 20 years up to 31st December 2008. Commencing from 1st January 2009, receipt of Consumer Contribution is amortized over a period of 8 years, and receipt of Consumer Contribution before 31st December 2008 is amortised over 20 years.

b) Government Grants

Government Grant received as acquisition of Plant & Machinery are treated as deferred income. Government grant in note 24.2 represent the value of Grid substation and Transmission lines located at Seethawaka Industrial Park received from the Ministry of Industrial Development which is to be amortised over 35 years based on the income approach.

2.2.15 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. Revenue of Lakdhanavi Limited and Heladhanavi Limited will be adjusted for capacity charges for Minimum Guaranteed Energy Amount (MEGA) at the end of the calendar year. The following specific criteria are used for the purpose of recognition of revenue.

a) Rendering of Services

Revenue from rendering of services is recognized in the accounting period in which the services are rendered or preformed.

b) Sale of Goods

Revenue from sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to buyer, with the company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.



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c) Interest

Interest Income is recognized as the interest accrues unless collectability is in doubt.

d) Dividends

Dividend Income recognized when the shareholders' right to receive the payment is established.

e) Others

Other income is recognized on an accrual basis. Net gains and losses of a revenue nature on the disposal of property, plant & equipment and other non-current assets including investments have been accounted for in the Income Statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses. On disposal of re-valued property, plant & equipment, the amount remaining in Revaluation Reserve relating to that asset is transferred directly to Retained Earnings. Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

2.3 SIGNIFICANT ACCOUNTING ASSUMPTIONS, JUDGEMENTS AND ESTIMATES

In the process of applying the Group accounting policies, management is required to make judgment, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements. Further, management is required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of a using a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements. The key items as such are discussed below.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use asset, even if that right is not explicitly specified in an arrangement. Accordingly, the thermal power plants in which

the Group does not transfer substantially all the risk and benefits of ownership of the assets are classified as operating lease. The Group exercised significant judgment in determining criteria that individually or combination would lead to lease being classified as a finance lease or operating lease.

Fair Value of Financial Instruments

When the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be from active markets, their fair value is determined using valuation techniques including the discounted cash flow mode. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Reviews of Impairment Losses on non financial assets

The Group determines whether assets have been impaired by performing an impairment review. This requires the estimation of the 'value in use' of the cash generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Group to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

Impairment Losses on Trade and Other Receivables

Trade and other receivables that have been assessed individually and found not to be impaired and all individually insignificant receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the receivable portfolio (such as levels of arrears, credit utilisation, etc.), and judgments on the effect of concentrations of risk and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

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Taxes

The Group is subject to income taxes and other taxes including VAT. Significant judgment was required to determine the total provision for current, deferred and other taxes pending the issue of tax guidelines on the treatment of the adoption of SLFRS in the financial statements and taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of this Financial Statements. The Group recognized assets and liabilities for current, deferred and other taxes on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, and deferred tax amounts in the period in which the determination is made.

Useful lives of Property, Plant & Equipment

The Group reviews the assets' residual values, useful lives and methods of depreciation at each reporting date. Judgment by the management is exercised in the estimation of these values, rates, and methods.

Defined Benefit Plans

The cost of defined benefit plans- gratuity is determined using actuarial valuation technique. The actuarial valuation technique involves making assumptions about discount rates, expected rates of return on assets, future salary increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

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Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2014	2013	2014	2013
3 REVENUE				
Sales	219,054,966	198,767,716	202,644,828	194,146,823
	219,054,966	198,767,716	202,644,828	194,146,823

	Group		Board	
	2014	2013	2014	2013
4 OTHER OPERATING INCOME AND GAIN				
Income on Foreign Investment	28,496	308,740	-	-
Penalty on Electricity Consumption	15,218	27,178	15,218	27,177
Recoveries from Consumers	283,143	259,520	-	-
Profit (Loss) on Disposal of Property Plant and Equipment	212,364	193,467	155,668	156,893
Deferred Income on Consumer Contribution	2,793,294	2,532,070	2,506,972	2,265,265
Deferred Income on Government Grant	12,391	12,391	12,391	12,391
Miscellaneous Income	2,134,052	1,782,196	996,099	883,882
Government Department Income	311,601	372,619	311,475	372,619
Liquidated Damages	62,988	117,725	62,988	117,725
Sale of Ash	128,924	24,263	128,924	24,263
Tender Fee /Non Refundable Deposits/Forfeiture of Guarantees	11,167	12,143	11,167	12,143
Income on Cost Recovery jobs	522,298	499,204	522,298	499,204
Service Main Application Fee	68,112	70,258	68,112	70,158
Surcharge on Electricity Bills	733,126	664,811	733,126	664,812
Gain on Bargaining Purchase	76,824	-	-	-
Fair Value Gain on Further Acquisitions	389,462	-	-	-
	7,783,460	6,876,585	5,524,438	5,106,532

	Group		Board	
	2014	2013	2014	2013
5.1 FINANCE INCOME				
Interest on Other Deposits	782,592	865,181	-	-
Interest on Administration Borrowings by Treasury	39,900	61,225	-	-
Interest on Borrowings	342,830	438,276	-	-
Interest on Government Securities	96,150	116,136	-	-
Dividend Income	645,036	575,828	346,400	1,353,948
Interest Income from Investments	58,991	63,661	3,975	62,859
Interest Income from Staff Loans	256,100	220,865	221,665	204,608
Samurdhi Loan Interest	78,565	55,543	78,565	55,543
	2,300,164	2,396,715	650,605	1,676,958

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2014	2013	2014	2013
5.2 FINANCE COST				
Interest Expense on Overdrafts	111,272	228,845	35,193	228,323
Interest Expense on Loans and Borrowings	6,548,775	8,429,111	5,906,131	8,202,153
Interest Expense on Project Loans	-	25,176	-	25,176
Lease Interest	70,888	50,051	70,741	49,788
Bank Charges	41	82	-	-
Delayed Interest on IPP Payments	966,958	2,054,949	966,958	2,054,949
Delayed Interest on CPC Payments	321,431	41,017	321,431	41,017
	8,019,365	10,829,231	7,300,454	10,601,406

	Group		Board	
	2014	2013	2014	2013
6 PROFIT / (LOSS) BEFORE TAX				
Stated after Charging / (Crediting)				
Auditors' Remuneration - Current Year Fees and Expenses	5,726	11,687	3,414	6,588
Director's Emoluments	4,754	6,833	4,550	5,046
Depreciation	21,701,695	21,769,587	21,361,151	20,491,076
Personnel Costs includes				
- Defined Benefit Plan Costs - Gratuity	1,449,463	799,574	1,424,961	713,422
- Defined Contribution Plan Costs - EPF & ETF	1,520,247	1,550,074	1,493,766	1,368,196
- Other Staff Costs	16,139,295	13,982,196	15,865,006	13,789,432
(Profit)/Loss on Disposal of Property, Plant and Equipment	163,404	123,210	106,708	107,396
Amortization of Computer Software	9,227	2,769	-	-
Public Relation and Advertising	223,271	168,673	213,079	150,780
Consumer Contribution	(2,506,972)	(2,532,070)	(2,506,972)	(2,265,266)
Government Grant	(12,391)	(12,391)	(12,391)	(12,391)
Provision for Impairment of Other Debtors	8,887	39,218	8,887	39,218

	Group		Board	
	2014	2013	2014	2013
7 INCOME TAX EXPENSE				
7.1 Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year	1,195,154	1,045,826	-	-
Under / (Over) Provision of Current Taxes in respect of Prior Years	122,836	(455,417)	(27,469)	-
	1,317,990	590,409	(27,469)	-
7.2 Deferred Tax				
Deferred Taxation Charge / (Reversal) (Note 25)	(895,984)	1,207,593	(995,517)	1,325,265
	(895,984)	1,207,593	(995,517)	1,325,265

Ceylon Electricity Board is exempted from income tax for a period of five (05) years starting from 01st April 2011. Therefore no current income tax charge arises during this period.



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

8 PROPERTY, PLANT & EQUIPMENT

8.1 Group

8.1.1 Freehold Assets

Gross Carrying Amounts

At Cost or Valuation

	Balance As At 01.01.2014 Restated	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2014
Freehold Land	10,588,792	175,134	279,688	-	(16,663)	6,257	11,033,208
Leasehold Land	2,883	-	-	-	(2,883)	-	-
Building	14,735,747	1,074,607	28,646	-	(220,195)	(35,442)	15,583,363
Civil Works	190,094,307	2,674,251	-	-	-	-	192,768,558
Plant & Machinery	4,551,792	192,228	-	-	(801,742)	-	3,942,278
Generation Power Plant	192,485,008	1,487,100	-	-	(1,738)	-	193,970,370
Transmission & Distribution Lines	428,084,982	28,561,749	-	-	(5,331,357)	(292,680)	451,022,694
Motor Vehicles	5,998,750	1,264,461	-	(4,685)	(249,884)	(28,642)	6,980,000
Other Supply Infrastructure	19,546,883	612,169	-	-	(60,262)	-	20,098,790
Office & Other Equipment	2,507,693	300,092	-	-	(195,219)	(5,736)	2,606,830
Furniture and Fittings	208,389	15,003	-	-	(2,184)	-	221,208
Machinery and Tools	6,179,450	350,233	-	-	(7,284)	(2,648)	6,519,751
Container Accomadation	6,744	-	-	-	-	-	6,744
	874,991,420	36,707,027	308,334	(4,685)	(6,889,411)	(358,891)	904,753,794

8.1.2 Project Assets

Gross Carrying Amount

At Cost or Valuation

	Balance As At 01.01.2014 Restated	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2014
Freehold Land	117,230	677	-	-	-	(5,550)	112,357
Building	-	313,024	-	-	(313,024)	-	-
Civil Works	-	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-	-
Generation Power Plant	-	4,252,086	-	-	(4,252,086)	-	-
Transmission & Distribution Lines	-	4,714,241	-	-	(4,714,241)	-	-
Motor Vehicles	577,770	459,158	-	-	(234,117)	-	802,811
Office & Other Equipment	50,886	3,846	-	-	(1,093)	(340)	53,299
Furniture and Fittings	19,182	562	-	-	(29)	-	19,715
Machinery and Tools	5,613	7,303	-	-	-	(42)	12,874
	770,681	9,750,897	-	-	(9,514,590)	(5,932)	1,001,056

8.1.3 Lease Hold Assets

	Balance As At 01.01.2014 Restated	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2014
Motor Vehicles	361,936	153,735	-	-	(41,663)	1,670	475,678
	361,936	153,735	-	-	(41,663)	1,670	475,678
Total Value of Depreciable Assets	876,124,037	46,611,659	308,334	(4,685)	(16,445,664)	(363,153)	906,230,528



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

8.1.4 In the Course of Construction

	Balance As At 01.01.2014 Restated	Incurred During the Year	Increase/ Decrease in Revalua- tion	Transfer to PPE	Reclassified/ Transferred	Balance As At 31.12.2014
Capital Work in Progress	167,063,486	63,498,081	-	(30,325,376)	(4,905,451)	195,330,740
Total Gross Carrying Amount	167,063,486	63,498,081	-	(30,325,376)	(4,905,451)	195,330,740

8.1.5 Depreciation

Freehold Assets	Balance As At 01.01.2014 Restated	Charge for the year	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2014
Freehold Land	-	-	-	-	-	-	-
Leasehold Land	732	37	-	-	(769)	-	-
Building	4,561,007	465,269	(43,806)	-	(93,071)	(75)	4,889,324
Civil Works	57,524,095	2,229,274	-	-	-	-	59,753,369
Plant & Machinery	1,774,065	336,188	-	-	(800,047)	-	1,310,206
Generation Power Plant	110,376,961	5,665,611	-	-	-	-	116,042,572
Transmission & Distribution Lines	180,780,097	13,491,202	-	-	(2,448,128)	(1,401)	191,821,770
Motor Vehicles	2,617,691	969,480	-	(2,139)	(109,139)	(20,824)	3,455,069
Other Supply Infrastructure	11,965,370	715,288	-	-	(34,513)	-	12,646,145
Office & Other Equipment	1,620,756	264,110	-	-	(75,551)	(5,156)	1,804,159
Furniture and Fittings	114,142	38,267	-	-	(1,486)	48	150,971
Machinery and Tools	2,037,259	862,248	-	-	(2,366)	1	2,897,142
Container Accomadation	5,058	1,686	-	-	-	-	6,744
	373,377,233	25,038,660	(43,806)	(2,139)	(3,565,070)	(27,407)	394,777,471

8.1.6 Depreciation

Project Assets	Balance As At 01.01.2014 Restated	Charge to WIP / Transfers	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2014
Freehold Land	-	-	-	-	-	-	-
Building	-	-	-	-	-	-	-
Civil Works	-	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-	-
Generation Power Plant	-	-	-	-	-	-	-
Transmission & Distribution Lines	-	-	-	-	-	-	-
Motor Vehicles	303,283	157,156	-	-	(54,771)	-	405,668
Office & Other Equipment	39,553	4,365	-	-	(364)	100	43,654
Furniture and Fittings	16,261	924	-	-	-	-	17,185
Machinery and Tools	664	1,695	-	-	-	(1)	2,358
	359,761	164,140	-	-	(55,135)	99	468,865

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

8.1.7 Depreciation

Lease Hold Assets	Balance As At 01.01.2014 Restated	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2014
Motor Vehicles	96,350	75,145	-	-	(4,494)	22,523	189,524
	96,350	75,145	-	-	(4,494)	22,523	189,524
Total Value of Depreciable Assets	373,833,344	25,277,944	(43,806)	(2,139)	(3,624,699)	(4,785)	395,435,859

8.1.8 Net Book Value

	2014	2013
At Cost or Valuation	510,794,669	502,290,693
Capital Work in Progress	195,330,740	167,063,486
Total Carrying Amount of Property, Plant & Equipment	706,125,409	669,354,179

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

8 PROPERTY, PLANT & EQUIPMENT

8.2 Board

8.2.1 Gross Carrying Amounts

Freehold Assets

At Cost or Valuation

	Balance As At 01.01.2014 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2014
Freehold Land	9,169,771	85,709	-	(16,663)	6,257	9,245,074
Leasehold Land	-	-	-	-	-	-
Building	13,867,109	1,074,120	-	(221,190)	(35,442)	14,684,597
Civil Works	190,094,307	2,674,251	-	-	-	192,768,558
Plant & Machinery	433,609	164,629	-	-	-	598,238
Generation Power Plant	192,485,008	1,487,100	-	(1,738)	-	193,970,370
Transmission & Distribution Lines	428,084,982	28,561,749	-	(5,331,357)	(292,680)	451,022,694
Motor Vehicles	5,182,892	964,586	(4,685)	(225,501)	(28,642)	5,888,650
Other Supply Infrastructure	-	-	-	-	-	-
Office & Other Equipment	1,831,387	234,882	-	(187,355)	(5,736)	1,873,178
Furniture and Fittings	207,307	13,966	-	(2,184)	-	219,089
Machinery and Tools	3,922,137	350,233	-	(7,284)	(2,648)	4,262,438
	845,278,509	35,611,225	(4,685)	(5,993,272)	(358,891)	874,532,886

8.2.2 Project Assets

Gross Carrying Amounts

At Cost or Valuation

	Balance As At 01.01.2014 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2014
Freehold Land	117,230	677	-	-	(5,550)	112,357
Building	-	313,024	-	(313,024)	-	-
Civil Works	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-
Generation Power Plant	-	4,252,086	-	(4,252,086)	-	-
Transmission & Distribution Lines	-	4,714,241	-	(4,714,241)	-	-
Motor Vehicles	577,770	459,158	-	(234,117)	-	802,811
Office & Other Equipment	50,886	3,846	-	(1,093)	(340)	53,299
Furniture and Fittings	19,182	562	-	(29)	-	19,715
Machinery and Tools	5,613	7,303	-	-	(42)	12,874
	770,681	9,750,897	-	(9,514,590)	(5,932)	1,001,056

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

8.2.3 Leasehold Assets

	Balance As At 01.01.2014 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2014
Motor Vehicles	357,659	153,735	-	(41,663)	1,670	471,401
	357,659	153,735	-	(41,663)	1,670	471,401
Total Value of Depreciable Assets	846,406,849	45,515,857	(4,685)	(15,549,525)	(363,153)	876,005,343

8.2.4 In the Course of Construction

	Balance As At 01.01.2014 Restated	Incurred During the Year	Transfer to PPE	Reclassified / Transferred	Balance As at 31.12.2014
Capital Work in Progress	162,138,561	58,088,188	(29,634,035)	(78,941)	190,513,773
Total Gross Carrying Amount	162,138,561	58,088,188	(29,634,035)	(78,941)	190,513,773

8.2.5 Depreciation

At Cost or Valuation	Balance As At 01.01.2014 Restated	Charge for the year	Transfer to Asset Held for Sale	Disposals / Transfers / Discontin- ued	Adjustments	Balance As at 31.12.2014
Freehold Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Building	4,359,984	450,444	-	(93,955)	(75)	4,716,398
Civil Works	57,524,095	2,229,274	-	-	-	59,753,369
Plant & Machinery	332,266	82,261	-	-	-	414,527
Generation Power Plant	110,376,961	5,665,611	-	-	-	116,042,572
Transmission & Distribution Lines	180,780,097	13,491,202	-	(2,448,128)	(1,401)	191,821,770
Motor Vehicles	2,100,126	864,382	(2,139)	(84,756)	(20,824)	2,856,789
Other Supply Infrastructure	-	-	-	-	-	-
Office & Other Equipment	1,087,744	226,843	-	(67,702)	(5,156)	1,241,729
Furniture and Fittings	106,861	37,144	-	(1,485)	48	142,568
Machinery and Tools	1,609,540	796,283	-	(2,366)	1	2,403,458
	358,277,674	23,843,444	(2,139)	(2,698,392)	(27,407)	379,393,180

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

8.2.6 Depreciation

Project Assets

At Cost or Valuation	Balance As At 01.01.2014 Restated	Charge to WIP / Trans- fers	Transfer to Asset Held for Sale	Disposals / Transfers / Discontin- ued	Adjustments	Balance As at 31.12.2014
Freehold Land	-	-	-	-	-	-
Building	-	-	-	-	-	-
Civil Works	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-
Generation Power Plant	-	-	-	-	-	-
Transmission & Distribution Lines	-	-	-	-	-	-
Motor Vehicles	303,283	157,156	-	(54,771)	-	405,668
Office & Other Equipment	39,553	4,365	-	(364)	100	43,654
Furniture and Fittings	16,260	924	-	-	-	17,184
Machinery and Tools	664	1,695	-	-	(1)	2,358
	359,760	164,140	-	(55,135)	99	468,864

8.2.7 Depreciation

Leasehold Assets

	Balance As At 01.01.2014 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers / Discontin- ued	Adjustments	Balance As at 31.12.2014
Motor Vehicles	93,142	75,145	-	(4,494)	22,523	186,316
	93,142	75,145	-	(4,494)	22,523	186,316
Total Depreciation	358,730,576	24,082,729	(2,139)	(2,758,021)	(4,785)	380,048,360

8.2.8 Net Book Values

At Cost or Valuation

	2014	2013 Restated
Freehold Land	9,357,431	9,287,000
Leasehold Land	-	-
Building	9,968,199	9,507,125
Civil Works	133,015,189	132,570,212
Plant & Machinery	183,711	101,342
Generation Power Plant	77,927,798	82,108,047
Transmission & Distribution Lines	259,200,924	247,304,885
Motor Vehicles	3,429,004	3,357,254
Other Supply Infrastructure	-	-
Office & Other Equipment	641,094	754,977
Furniture and Fittings	79,051	103,368
Machinery and Tools	1,869,496	2,317,546
Container Accommodation	285,085	264,516
	495,956,982	487,676,272
Capital Work-In-Progress (8.2.9)	190,513,772	162,138,561
Total Carrying Amount of Property, Plant & Equipment	686,470,754	649,814,833



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

8.2.9 Capital Work in Progress as at 31 December 2014 represent the following projects

	2014	2013 Restated
Generation Projects	14,962,260	13,128,296
Transmission Projects	3,851,958	3,294,002
Distribution Projects	31,402,469	25,375,486
Upper Kothmale Hydro Power Project	200,843	1,075,942
Colombo City Electricity Distribution Development Project	1,402,388	4,143,863
Broadland Hydro Power Project	1,534,193	
Puttalam Coal Power Project	107,992,770	90,815,482
Trincomalee Coal Power Project	2,084,723	505,039
AGM Project	26,229,148	23,481,958
Vidulakpaya Project	380,175	296,315
Jaffna Power Plant	4,913	4,298
Others (W&AS)	19,382	17,880
Greater Colombo Transmission and Distribution Loss Reduction Project	448,550	-
Total Value of Capital Work-In-Progress	190,513,772	162,138,561

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

8 PROPERTY, PLANT AND EQUIPMENT (Contd....)

8.3 Capital Work in Progress as at 31 December 2014 Represents the following.

Projects	Group		Board	
	2014	2013	2014	2013
Generation Projects	14,962,260	13,128,296	14,962,260	13,128,296
Transmission Projects	3,851,958	3,294,002	3,851,958	3,294,002
Distribution Projects	31,402,469	25,375,486	31,402,469	25,375,486
Upper Kothmale Hydro Power Project	200,843	1,075,942	200,843	1,075,942
Colombo City Electricity Distribution Development Project	1,402,388	4,143,863	1,402,388	4,143,863
Broadland Hydro Power Project	1,534,193	-	1,534,193	-
Puttalam Coal Power Project	107,992,770	90,815,482	107,992,770	90,815,482
Trincomalee Coal Power Project	2,084,723	505,039	2,084,723	505,039
AGM Project	26,229,148	23,481,958	26,229,148	23,481,958
Vidulakpaya Project	380,175	296,314	380,175	296,314
Jaffna Power Plant	4,913	4,298	4,913	4,298
Others (W&AS)	19,382	17,880	19,382	17,880
Greater Colombo Transmission and Distribution Loss Reduction Project	448,550	-	448,550	-
Work in Progress-LECO	561,369	405,426	-	-
Work in Progress-LTL	4,250,430	4,514,332	-	-
Work in Progress-SLE	5,168	5,168	-	-
Total Value of Capital Work-In-Progress	195,330,740	167,063,486	190,513,772	162,138,561

8.4 Ceylon Electricity Board

All the motor vehicles are fair valued as at 01. 01. 2011 by the independent technical team of the board. Property plant & Equipments were not pledged for any liabilities of the board.

8.5 Lanka Electricity Company (Pvt) Limited

The fair value of land and buildings was determined by means of a revaluation during the financial year 31st December 2014. The valuation are performed by Mr .P.P.T. Mohideen, a Chartered Valuation Surveyor who is an accredited independent valuer who has valuation experience for similar Land and Building in Sri Lanka for more than 30 years. Fair value of the Land and Building were determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.

Significant unobservable valuation input	Range
Land : Price per perche	- Rs. 125,000 - Rs. 4,000,000
Building : Price per Square Meter	- Rs. 100 - Rs. 750

Land and Building of the company are located at Kelaniya , Kalutara ,Nugegoda, Moratuwa, Narahenpita, Negambo, Gall ,Kotte, Nuwaraeliya, Waskaduwa, Ekala, Ja-Ela, Hikkaduwa, Peliyagoda, Rajagiriya, Ambalangoda, and Maharagama.

Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows.

Class of Assets	Cost	Cumulative Depreciation, If asstes were carried at cost	Net carrying Amount 2014	Cost	Cumulative Deprecia- tion, If assets were carried at cost	Net Carrying Amount 2013
Building	317,542	92,382	225,160	317,055	84,443	232,612
Land	533,059	-	533,059	502,125	-	502,125
	850,601	92,382	758,219	819,180	84,443	734,737

Property Plant and Equipment of the Company includes fully depreciated assets having a gross carrying amount of Rs. 550 Mn (2013 - Rs. 591 Mn)



NOTES TO THE FINANCIAL STATEMENTS Contd...

Company's Land include a Land situated at No. 953/1, Sri Jayawardnapura Mawatha, Ethul Kotte which has a carrying value of 69.5 Mn. According to the gazette notification 1869/7 dated 01 July 2014, Land acquisition notices mentioned that the government intends to acquire the above land for the public purpose.

The management has requested to grant an alternative land or equivalent Market Value for which a final decision is pending as of the date

8.6 LTL Holdings (Private) Limited

During the period, the Group acquired Property, Plant & Equipment to the aggregate value of Rs. 4,712,225,712/- (2013 Rs 5,823,911,455/-) of which cash payments amounting to Rs 4,712,225,712/- (2013 Rs. 5,769,902,750/-) were made during the period for purchase of Property, Plant & Equipment.

Property, Plant & Equipment includes fully depreciated assets having a gross carrying amount of Rs. 401,403,713/- (2013 - Rs. 1,035,032,373/-)

8.7 Sri Lanka Energies (Private) Limited

During the financial year, the company acquired Property, Plant and Equipment to the aggregate value of Rs 1,211,911/- (2013 - Rs 2,654,259/-) which were acquired by means of cash payments.

8.8 Group - Current Assets

Property plant and equipment - Heladhanavi Limited

Cost	Land	Building	Office Equipment	Furniture and Fittings	Power Plants	Fire Fighting equipments	Motor vehicles	Total
At 31 Dec 2014	10,884	9,436	2,047	366	5,957,319	2,282	995	5,983,330
Accumulated Depreciation as at 31 October 2014	-	8,933	2,047	366	3,916,691	2,282	995	3,931,315
Depreciation for two months	-	503	-	-	19,808	-	-	20,311
Impairment charge	-	-	-	-	1,223,367	-	-	1,223,367
At 31 Dec 2014	-	9,436	2,047	366	5,159,866	2,282	995	5,174,993
Net book Value At 31 Dec 2014	10,884	-	-	-	797,453	-	-	808,337

The above balances represents the property, plant and equipment acquired from Heladhanavi Ltd during the current financial year

The above property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 5,690,189 /-

* Impairment Charge on power plant

The economic life of the power plant was estimated to be 15 years and depreciated accordingly with the intention that the power purchase agreement ("PPA") will be renewed for another five years after expiration. Original life span of the PPA was ten years and has expired in Dec 2014. During the current year, the management of the company have concluded the extension to the PPA has not been granted by Ceylon Electricity Board.

The decision also would either likely to make the owner plant asset an idle assets stemming from the cession of operations or be considered for disposal prior to utilizing its full economic life. Both outcomes significantly impact the carrying value of the power plant asset.

The recoverable amount of the power plants as at 31 March 2014 has been determined based on the value in use as it was concluded that fair value less cost to sale did not exceed the value in use. When determining the value in use it was assumed as the PPA will not be renewed on expiration. Accordingly, group has recognized an impairment charge of Rs. 1,223,367,182/- in the income statement.

Key Assumptions Used in Impairment model.

Assumptions used for the impairment model,

Residual value of the Plant

Non-Renewal of the Power Purchase Agreement (PPA)

Evaluation on the plant's overall performance and expected future running hours.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

9 INTANGIBLE ASSETS

	Group		Board	
	Cost	Cost	Cost	Cost
At cost	2014	2013	2014	2013
As at 1 January	31,239	31,239	-	-
Acquired / incurred during the period	25	-	-	-
As at 31 December	31,264	31,239	-	-
Amortisation				
As at 1 January	11,984	9,214	-	-
Amortized during the period	2,760	2,769	-	-
As at 31 December	14,744	11,983	-	-
Net Book Value	16,520	19,256	-	-

LTL Holdings (Pvt) Ltd

Intangible assets of the Group represents Computer software acquired by LTL Galvanizers (Pvt) Limited

10. INVESTMENTS IN SUBSIDIARIES

	Holding	Group		Board	
		Cost	Cost	Cost	Cost
At cost	Percentage	2014	2013	2014	2013
Non-Quoted					
Lanka Electricity Company (Pvt) Ltd	55.2	-	-	628,003	628,003
LTL Holdings (Pvt) Ltd	63	-	-	96,900	96,900
Lanka Coal Company(Pvt)Ltd	60	-	-	12,000	12,000
Sri Lanka Energies (Pvt) Ltd	100	-	-	47,910	47,910
Total Non-Quoted Investments in Subsidiaries		-	-	784,813	784,813

10.1 Details of those companies in which Ceylon Electricity Board, held a controlling interest, directly or indirectly are set out below.

Name of Company	Percentage of Share holding		Description of business
Subsidiaries	Group	Board	
LTL Holdings (Pvt) Ltd	63	63	Manufacture and sale of transformers.
Lanka Electricity Company (Pvt) Ltd	55	55	Sale of energy.
Lanka Coal Company (Private) Ltd	60	60	Coal Purchases for Lakvijaya Coal Power Plant
Sri Lanka Energies (Pvt) Ltd	100	100	Constructing transmission lines and grid stations, construction, maintaining renewable energy projects.
Lakdhanavi Limited.	52		Generation of power to the national grid.
LTL Energy (Pvt) Ltd	63		Providing Energy efficiency Improvement Services.
Lanka Industrial Products Engineering (Pvt) Ltd	63		Engineering Services
LTL Transformers (Pvt) Ltd	63		Manufacturing & Repair of transformers, manufacturing of Feeder Pillars
LTL Galvanizers (Pvt) Ltd	63		Engage in Galvanizing Operations
LECO Projects (Pvt) Ltd	55.2		Providing Infrastructure Facilities for electricity distribution.
Bright International Power (Pvt) Ltd	51.7		Power plant Operation and supply
Infra & Engineering (Pvt) Ltd	51.7		Heavy engineering service for the power plants and other operation and maintenance of power plants



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

Pawan Danavi (Pvt) Ltd	32	Produced independent wind power and transmit to feed the National grid
Nividu (Pvt) Ltd	30	Produce independent hydro power and transmit to feed the National grid.
Nividu Assupinella (Pvt) Ltd	30	Produce independent hydro power and transmit to feed the National grid.
Ante LECO Metering Company (Pvt) Ltd	38.5	To set up an energy meter manufacturing facility to meet the electronic meter requirements of Sri Lanka and for the export market
Raj Lanka Power Company Ltd	41	To be produced independent power and retransmit to feed the national grid of Peoples Republic of Bangladesh
Lakdhanavi Bangla Power Company Ltd	26	Produce independent thermal power and transmit to feed the national grid of Peoples republic of Bangladesh (During the year under construction)

10.2 All of these companies were incorporated in Sri Lanka except the Bright International Power (Pvt) Ltd and Raj Lanka Power Company (Pvt) Ltd

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

	Group		Board	
	2014	2013	2014	2013
As at 01 January	75,147	84,120	150,000	150,000
Investment Made During The Year	-	-	-	-
Share of pre-operating loss	(15,333)	(8,975)	-	-
	59,814	75,145	150,000	150,000

12. FINANCE LEASE RECEIVABLE

The Raj Lanka Power Company Ltd, subsidiary of the LTL group has the legal ownership of the Power Plant at Rajshahi, Natore, Bangladesh. According to the Power Purchase Agreement (PPA) between Bangladesh Power Development Board and the company, the arrangement between the two parties comes under the purview of IFRIC 4 "Determining whether an arrangement contains a Lease", and thereby treated as finance lease which is accounted for in accordance with LKAS 17 "Leases".

As per the guideline provided in LKAS 17 "Leases", the company has been identified as the lessor and Bangladesh Power Development Board has been identified as the lessee. Under the Power Purchase Agreement (PPA), in substance, the company (as lessor to the lease arrangement) will recover the total capital invested via the capital recovery component of the capacity charge.

Accordingly, the capital recovery component included in the capacity charge has been treated as future minimum lease rentals.

Total lease receivable (capital recovery component of the capacity charge) is as follows.

	Group		Board	
	2014	2013	2014	2013
Gross Investment in finance leases receivables				
Current				
Less than one year	355,086	-	-	-
Non Current				
Between one and five years	1,619,690	-	-	-
More than five years	2,524,513	-	-	-
	4,144,203	-	-	-
Net investment in finance leases	4,499,289	-	-	-

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

13. OTHER FINANCIAL ASSETS	Group		Board	
	2014	2013	2014	2013
Summary				
13.1 Loans and receivables				
Refundable Deposits	25,720	20,785	-	-
Investment in Fixed Deposits	9,421,360	8,556,173	-	-
Investment in Repurchase Agreements	1,512,120	938,594	-	-
Administrative Borrowings by Department of Treasury Operations	873,510	570,000	-	-
Investment in Other Deposit	3,225,100	-	-	-
Loans to Company Officers	5,933,430	6,245,732	5,418,489	5,034,000
Loan given to Sri Lanka Energies (Pvt) Ltd- Related Company	-	-	107,000	-
	20,991,240	16,331,284	5,525,489	5,034,000
13.2 Held to maturity Investments				
Investments in Debentures	772,646	516,951	-	-
Investment in Treasury Bills	-	7,904	-	-
	772,646	524,855	-	-
13.3 Available for Sale Investments				
Investments in Unquoted Equity Shares				
Lanka Broad Band Network (Pvt) Ltd				
Ordinary Shares	3,027,966	2,929,863	-	-
Preference Shares	15,000	15,000	-	-
West Coast Power (Pvt) Ltd				
Ordinary Shares	8,281,953	2,000,000	-	-
Less: Impairment of Investments	(20,000)	(20,000)	-	-
Investments in Joint Venture (Amtrad Holdings)	7,364	7,364	-	-
Investment in Subsidiary-Kumbalgamuwa Mini Hydro (Pvt) Ltd	100,000	-	-	-
Investment in Equity Funds	119,059	-	-	-
Investments in Joint Venture (Heladhanavi Ltd)	-	837,364	-	-
	11,531,342	5,769,591	-	-
Total Other Financial Assets				
Other Non Current Financial Assets	11,329,793	4,737,475	107,000	-
Other Current Financial Assets	21,965,435	17,888,255	5,418,489	5,034,000
	33,295,228	22,625,730	5,525,489	5,034,000

Loans and Receivables

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

Available- for sale investments**LTL Holdings (Pvt) Ltd**

The Available for sale financial Assets consist of a 4.77% Investment in equity shares of Non - listed company, West Coast (Pvt) Ltd, which is valued on price to earnings based valuation.

Lanka Electricity Company (Pvt) Ltd

The available for sale financial assets consists of 18.18% investments in equity shares of a non listed company, West Coast Power (Pvt) Ltd which is valued based on discounted cash flow method.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

14. INVESTMENT OF INSURANCE RESERVE	Group		Board	
	2014	2013	2014	2013
At the beginning of the year	5,250,300	4,433,045	5,250,300	4,433,045
Investments made during the year	403,541	817,255	403,541	817,255
Withdrawals During the year	-	-	-	-
At the end of the year	5,653,841	5,250,300	5,653,841	5,250,300
15. NON CURRENTS ASSET HELD FOR SALE				
Balance at the beginning of the period	-	-	-	-
Transfer from PPE	2,546	-	2,546	-
Disposal during the period	(591)	-	(591)	-
Re-Classified to PPE	-	-	-	-
Balance at the end of the period	1,955	-	1,955	-
16. INVENTORIES				
	Group		Board	
	2014	2013	2014	2013
Raw Materials	1,001,011	486,763	-	-
Finished Goods	1,389,210	1,041,168	-	-
Consumables & Spares	26,087,235	26,688,279	24,908,750	25,537,373
Work in Progress	1,304,118	59,994	-	-
Fuel	11,910,144	12,126,174	11,910,144	12,150,005
Goods in Transit	1,712,206	1,832,126	1,649,456	1,775,974
	-	-	-	-
Less: Provision for Obsolete & Unservisable Stock	(1,164,213)	(864,064)	(1,164,213)	(816,108)
Provision for price Variance	(2,742,700)	(2,102,594)	(2,742,700)	(2,102,594)
Impairment of Inventories	(147,719)	-	-	-
	-	-	-	-
	39,349,291	39,267,846	34,561,437	36,544,650
17. TRADE AND OTHER RECEIVABLES				
	Group		Board	
	2014	2013	2014	2013
Trade Debtors	18,041,511	20,960,873	14,089,173	16,414,010
Less: Provision for impairment	(3,501,660)	(3,392,223)	(2,928,910)	(2,800,477)
	14,539,851	17,568,650	11,160,263	13,613,533
Other Debtors	23,012,180	32,064,136	22,396,916	31,502,796
Advances and Prepayments	504,588	1,001,471	-	-
Less: Provision for impairment	(208,196)	(284,116)	(208,196)	(284,116)
	37,848,423	50,350,141	33,348,983	44,832,213
18. AMOUNTS DUE FROM RELATED PARTIES				
	Group		Board	
	2014	2013	2014	2013
Lanka Electricity Company (Pvt) Ltd	-	-	1,619,422	4,981,501
Lanka Coal Company (Pvt) Ltd	-	-	-	-
Ante LECO Metering Compnay (Pvt) Ltd	-	-	-	-
	-	-	1,619,422	4,981,501

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

19 CONTRIBUTED CAPITAL

The Capital contributed represents the value of net assets taken over by CEB from the Department of Government Electrical Undertakings (DGEU) on the formation of CEB in 1969 as per CEB Act No: 17 Of 1969 and contributions made by GOSL to finance the specific capital (Development) projects as follows.

	2014	Restated 2013
Contributions received for capital Projects as at 01 st January	121,707,829	110,862,044
Batahira Ran Aruna	790	20,000
RE 8 Extention	725,000	581,496
Rajarata Navodaya (RE 4 Extention)	-	2,455,813
Vauniya Kilinochchi Transmission Line Project	181,705	348,510
Kandurata Udanaya	-	100,000
Kilinochchi Chunnakaum Transmission Project	134,348	491,760
Naganahira Navodaya	2,437,178	1,369,230
Ruhunu Udanaya	-	146,321
Sabaragamuwa	-	285,000
Sustainable Power Sector Support Project	414,020	520,719
Greater Colombo Extension Project	21	-
Uthuru Wasantaya	1,179,240	1,345,441
Uva Udanaya	53,656	2,299,935
Jaffna Rehabilitation Project	140,697	-
Wayaba Pubuduwa	-	200,000
Accerlerated Rural Electrification Project	-	50,000
Rehabilitation Electricity Supply Jaffna Region Project	-	493,890
Energy Diversification Project	14	535
Trincomalee Integrated project	24	162,991
Debt to equity conversion (Refer note 21.2)	161,706,953	-
Clean Energy & Access Improvement Project (Demand side municiple Street Lightening Project)	-	20,409
Welioya Electrification Project	-	50,000
Habarana Veyangoda Electrification Project	33	-
Balance As at 31 st December	289,046,982	121,707,829

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

20 RESERVES	Group		Board	
	2014	2013	2014	2013
Summary				
Capital Reserves (20.1)	17,703,552	17,725,167	17,658,206	17,612,509
Revaluation Reserve (20.2)	741,979	587,475	-	-
Deemed Cost Adjustment to Supply Infrastructure (20.3)	4,529,883	4,529,883	-	-
Depreciation Reserve (20.4)	23,000	23,000	23,000	23,000
Self Insurance Reserve (20.5)	9,769,076	8,379,239	9,753,126	8,363,289
Asset Replacement Reserve *	231,975	222,134	-	-
Overhaul Reserve **	(27,015)	(27,015)	-	-
Investment Reserve	914,737	427,039	-	-
Available for Sale Reserve ***	4,753,382	1,235,250	-	-
	38,640,569	33,102,172	27,434,332	25,998,798

Lanka Electricity Company (Pvt) Ltd

* Asset Replacement Reserve

This represents the amount transferred from the retained earnings to cover losses & damages to property, plant and equipment and inventories of the company.

LTL Holdings (Pvt) Ltd

** Overhaul Reserve

This reserve has been created for future overhaul activities of Heladhanavi Ltd.

*** Available for Sale Reserve

This reserve records fair value changes on available for sale financial assets.

20.1 Capital Reserve

	Group		Board	
	2014	2013	2014	2013
Balance as at the Beginning of the Year	17,725,167	17,673,601	17,612,509	17,612,509
Foreign Exchange Reserve *	(53,185)	9,390	-	-
Exchange Equalization Reserve **	-	42,176	-	-
Other Comprehensive Income	(14,127)	-	-	-
ADB-RHCP Project	45,697	-	45,697	-
Balance as at the end of the Year	17,703,552	17,725,167	17,658,206	17,612,509

Lanka Electricity Company (Pvt) Ltd

Foreign Exchange Reserve *

This represents the gain on exchange in the previous years when Asian Development Bank term Loans in SDR were paid to the Government of Sri Lanka at contracted rates although supplies of capital goods were received and accounted at higher prevailing rates and gain recorded when loan agreement were signed.

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

LTL Holdings (Pvt) Ltd

Exchange Equalization Reserve**

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

20.2 Revaluation Reserve

	Group		Board	
	2014	2013	2014	2013
On: Property, Plant & Equipment				
Balance as at the beginning of the year	587,475	587,475	-	-
Transfer of surplus during the year	154,504	-	-	-
Balance as at the end of the year	741,979	587,475	-	-

LTL Holdings (Pvt) Ltd

The above Revaluation Surplus consist of net surplus resulting from the revaluation of PPE as described in note.

20.3 Deemed Cost Adjustment to Supply Infrastructure

	Group		Board	
	2014	2013	2014	2013
Balance as at the beginning of the year	4,529,883	4,529,883	-	-
Prior Year Adjustments	-	-	-	-
Balance as at the end of the year	4,529,883	4,529,883	-	-

20.4 Depreciation Reserve

	Group		Board	
	2014	2013	2014	2013
At the beginning of the year	23,000	23,000	23,000	23,000
		-		-
At the end of the year	23,000	23,000	23,000	23,000

Depreciation Reserve has been established under the provisions of Section 47 (2) of the CEB Act No. 17 of 1969 which require CEB to maintain with the General treasury, a Depreciation Reserve to cover property, plant & equipment as determined by CEB.

20.5 Self Insurance Reserve

	Group		Board	
	2014	2013	2014	2013
Balance at the beginning of the period	8,379,239	8,101,951	8,363,289	8,086,001
Transfers from the retained earnings	876,005	809,110	876,005	809,110
Damages charged during the period	-	(1,261,263)	-	(1,261,263)
Income received from investment	513,832	729,441	513,832	729,441
Balance at end of the period	9,769,076	8,379,239	9,753,126	8,363,289

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

21. INTEREST BEARING LOANS & BORROWINGS

Group	2014	2014	2014	2013	2013	2013
	Repayable Within 1 year	Repayable After 1 year	Total	Repayable Within 1 year	Repayable After 1 year	Total
Bank Loans (21.1)	16,264,421	45,092,763	61,357,184	14,616,076	32,274,223	46,890,299
Loans from Treasury (21.2)	-	159,475,844	159,475,844	-	302,350,587	302,350,587
Loans from Samurdhi Authority (21.4)	183,680	922,503	1,106,183	139,773	721,891	861,664
Lease Creditors (21.5)	99,474	235,571	335,045	78,050	180,912	258,962
Bank Overdrafts	6,280,452	-	6,280,452	3,563,906	-	3,563,906
Redeemable Preference Shares	484,554	2,269,574	2,754,128	-	-	-
	23,312,581	207,996,255	231,308,836	18,397,805	335,527,613	353,925,418
The Board	2014	2014	2014	2013	2013	2013
	Repayable Within 1 year	Repayable After 1 year	Total	Repayable Within 1 year	Repayable After 1 year	Total
Bank Loans (21.1.1)	13,285,443	41,505,286	54,790,729	14,097,000	30,307,571	44,404,571
Loans from Treasury (21.2)	-	159,475,844	159,475,844	-	302,350,587	302,350,587
Loans from Related Party (21.3)	1,560,000	705,000	2,265,000	2,730,000	965,000	3,695,000
Loans from Samurdhi Authority (21.4)	183,680	922,503	1,106,183	139,773	721,892	861,665
Lease Creditors (21.5)	93,472	210,895	304,367	77,108	179,865	256,973
Bank Overdrafts	3,792,429	-	3,792,429	3,474,402	-	3,474,402
	18,915,024	202,819,528	221,734,552	20,518,283	334,524,915	355,043,198

21.1 Bank Loans

21.1.1 The Board

Term Loans	Interest rate	As At 01.01.2014	Loans Obtained	Repayment	As At 31.12.2014	Repayable Within 1 Year	Repayable After 1 Year	
People's Bank (Rs. 5,000 Mn)	2010.06.22	10.25%	2,081,000	-	(834,000)	1,247,000	834,000	413,000
People's Bank (Rs. 4,110 Mn)	2013.04.02	10.25%	3,718,571	-	(587,143)	3,131,429	587,143	2,544,286
People's Bank (Rs. 17,650 Mn)	2013.01.30	10.25%	15,550,000	-	(2,520,000)	13,030,000	2,520,000	10,510,000
People's Bank (Rs. 17,000 Mn)	2013.01.08	12.00%	4,555,000	-	(4,555,000)	-	-	-
People's Bank (Rs. 18,000 Mn)	2013.07.15	10.25%	16,500,000	-	(3,600,000)	12,900,000	3,600,000	9,300,000
People's Bank (Rs. 2,000 Mn)	2013.12.31	10.25%	2,000,000	-	(504,000)	1,496,000	504,000	992,000
People's Bank (Rs. 3,000 Mn)	2014.03.28	10.25%	-	3,000,000	(2,512,500)	487,500	487,500	-
People's Bank (Rs. 2,000 Mn)	2014.04.21	10.25%	-	2,000,000	(333,600)	1,666,400	500,400	1,166,000
People's Bank (Rs. 10,000 Mn)	2014.07.02	10.25%	-	10,000,000	(1,042,500)	8,957,500	2,502,000	6,455,500
People's Bank (Rs. 2,000Mn)	2014.09.30	10.25%	-	2,000,000	(125,100)	1,874,900	500,400	1,374,500
NSB - (Rs 10,000 mn)	2014.12.31	10.25%	-	10,000,000	-	10,000,000	1,250,000	8,750,000
			44,404,571	27,000,000	(16,613,843)	54,790,729	13,285,443	41,505,286

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

21.1.2 Lanka Electricity Company (Pvt) Ltd

		As At 01.01.2014	Loans Obtained	Repayment 2014	As At 31.12.2014	Interest rate %	Repayment Period	Value of Installment
Borrowing Bank								
Asian Development Bank	Project 2	22,253	-	(22,253)	-	10.5%	20 Years	22,253
	Project 3	33,773	-	(33,773)	-	13.0%	15 Years	16,458
		56,026	-	(56,026)	-			

The above loans were given to the Government of Sri Lanka by Asian Development Bank and re-lent to Lanka Electricity Company (Private) Limited.

Lanka Electricity Company (Pvt) Ltd

	2014 Repayable Within 1 year	2014 Repayable After 1 year	2014 Total	2013 Repayable Within 1 year	2013 Repayable After 1 year	2013 Total
Bank Loans	-	-	-	56,026	-	56,026
Bank Overdraft	12,365	-	12,365	15,431	-	15,431
	12,365	-	12,365	71,457	-	71,457

21.1.3 LTL Holdings (Pvt) Ltd

Borrowing Bank	Interest rate	Maturity					Total
		On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	
DFCC- LTL Holdings (pvt) Ltd -USD 1,023,094	4.50%	-	4,497	22,485	38,226	-	65,208
HNB- Pawan Danavi (pvt) Ltd -Rs.666,724,274	AWDR -5%	-	34,553	100,292	470,348	-	605,193
NDB- Pawan Danavi (pvt) Ltd -Rs.455,488,705	AWPLR -5%	-	18,108	54,322	268,213	-	337,643
DFCC-Pawan Danavi (pvt) Ltd -Rs.400,000,000	AWDR-5%	-	15,387	45,958	223,384	-	284,729
Term Loan HNB USD 8MN	3Month LIBOR+5%	1,632	52,733	158,198	545,170	-	757,733
Sampath Bank Lakdanavi LTD EURO 13,820,237	2.5%	280	2,042,197	-	-	-	2,042,477
Janatha Bank Raj Lanka Power BDT 50,051,402	16%	-	84,207	-	-	-	84,207
Secured Bank Loan Raj Lanka	LIBOUR + 4.5%	-	102,171	241,959	1,290,448	754,688	2,389,266
		1,912	2,353,853	623,214	2,832,789	754,688	6,566,456

21.1.4 Sri Lanka Energies (Pvt) Ltd

	2014 Repayable Within 1 year	2014 Repayable After 1 year	2014 Total	2013 Repayable Within 1 year	2013 Repayable After 1 year	2013 Total
Loans from CEB	-	-	-	-	-	-
Bank Overdraft	347	-	347	-	-	-
	347	-	347	-	-	-



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

21.2 Loans From Treasury

The Board	Provider of funds	Interest Per annum (%)	2014	2013 Restated
Treasury Loan - CPC			-	50,500,000
Treasury Loans 2006			-	30,998,209
Upper Kotmale Hydro Power project	DST 2006	Not Finalized	-	38,619,099
Upper Kotmale Hydro Power project II	JICA / JBIC	10	3,914,115	1,835,858
Kelanitissa Diesel Storage Tank project	JICA / JBIC	Not Finalized	-	97,378
Greater Colombo Grid Substation Project	EXIM BANK	10	-	1,725,846
Colombo City Electricity Distribution project	KFW	10	-	6,893,294
Kerawalapitiya Kotugoda Transmission line Project	JICA / JBIC	10	-	2,982,016
Puttalam Coal Power project	JICA / JBIC	6	51,046,979	51,046,979
Puttalam Coal Power project -phase 11	EXIM BANK	6	98,610,459	89,596,656
New Laxapana & Wimalasurendra Rehabilitation project	EXIM BANK	10	336,555	6,950,242
Rehabilitation Ukuwela power Project	FRENCH	10	-	1,571,875
Energy Diversification Enhancement Project	JICA / JBIC	12	277,379	352,046
Old Laxapana Rehabilitation project	JICA / JBIC	10	-	4,555,412
Clean Energy Access Impro. Project (SLA I)	Uni Credit Bank	10	1,583,524	9,671,698
Clean Energy Access Impro. Project (SLA II)	ADB	10	124,180	1,044,067
Sustainable Power Support Project	ADB	10	3,185,542	3,784,071
Habarana Veyangoda Transmission Line project	ADB	10	44,316	125,841
Greater Colombo Trans & Distribution Loss Reduction	JICA	Not Finalized	329,497	-
Clean Energy Net work Efficiency Improvement Project	JICA	Not Finalized	23,298	-
			159,475,844	302,350,587
Amount Payable within one year			-	-
Amount Payable after one year			159,475,844	302,350,587

21.3 Loans from Related Party

The Board	As At 01.01.2014	Loans Obtained	Repayment	As At 31.12.2014	Repayable Within 1 Year	Repayable After 1 Year
Lanka Electricity Company (Pvt)Ltd	3,695,000	-	(1,430,000)	2,265,000	1,560,000	705,000
	3,695,000	-	(1,430,000)	2,265,000	1,560,000	705,000

One year grace period is given. Repayments Commenced from 01st August 2013.

21.4 Loans From Samurghi Authority

The Board	As At 01.01.2014	Loans Obtained	Repayment	As At 31.12.2014	Repayable Within 1 Year	Repayable After 1 Year
Term Loan for "Viduli Athwela" Programme	861,666	457,000	(212,482)	1,106,183	183,680	922,503
	861,666	457,000	(212,482)	1,106,183	183,680	922,503

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

21.5 Lease Creditor

21.5.1 The Board	2014 Repayable Within 1 year	2014 Repayable After 1 year	Total 2014	2013 Repayable Within 1 year	2013 Repayable After 1 year	Total 2013
Merchant Bank Of Sri Lanka						
Lease Creditor	149,978	258,156	408,134	122,028	257,838	379,866
Interest in Suspense	(56,506)	(47,261)	(103,767)	(44,920)	(77,973)	(122,893)
	93,472	210,895	304,367	77,108	179,865	256,973

21.5.2 Lanka Coal Company (Pvt) Ltd

	2014 Repayable Within 1 year	2014 Repayable After 1 year	Total 2014	2013 Repayable Within 1 year	2013 Repayable After 1 year	Total 2013
People's Leasing Company Ltd Lease Creditor	1,294	-	1,294	1,109	1,109	2,218
Interest in Suspense	(83)	-	(83)	(168)	(62)	(230)
	1,211	-	1,211	941	1,047	1,988

21.5.3 LTL Holdings (Pvt) Ltd

	2014 Repayable Within 1 year	2014 Repayable After 1 year	Total 2014	2013 Repayable Within 1 year	2013 Repayable After 1 year	Total 2013
Lease Creditor	8,925	31,986	40,911	-	-	-
Interest in Suspense	(4,134)	(7,310)	(11,444)	-	-	-
	4,791	24,676	29,467	-	-	-

Total (Group)

99,474	235,571	335,045	78,049	180,912	258,961
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22 CONSUMER DEPOSITS

	Group		Board	
	2014	2013	2014	2013
Balance as at Beginning of the year	9,721,662	8,899,444	9,721,662	8,899,444
Deposit Received during the year	930,361	1,065,433	930,361	1,065,433
Refunds Made during the year	(193,717)	(243,215)	(193,717)	(243,215)
Balance as at the end of the year	10,458,306	9,721,662	10,458,306	9,721,662



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

23. PROVISIONS AND OTHER DEFERRED LIABILITIES

	Group		Board	
	2014	2013	2014	2013
Retirement Benefits Obligation - Gratuity (23.1)	5,722,018	4,580,033	4,952,555	3,970,748
Pension Benefits (23.2)	1,588,956	(764,334)	1,588,956	(764,334)
Commutated Pension Fund Liability - Non Funded	30,068	29,769	30,068	29,769
	-	-	-	-
	-	-	-	-
	7,341,042	3,845,468	6,571,579	3,236,183

23.1 Retirement Benefits Obligation - Gratuity

	Group		Board	
	2014	2013	2014	2013
Balance as at 1 st January	4,580,034	4,190,420	3,970,748	3,660,104
Charge for the Year(23.1.1)	1,654,879	814,763	1,424,960	713,422
Transfer made during the Year	(512,895)	(425,150)	(443,153)	(402,778)
Balance as at 31 st December	5,722,018	4,580,033	4,952,555	3,970,748

23.1.1 Charge for the year

	Group		Board	
	2014	2013	2014	2013
Interest Cost	504,204	458,614	436,782	402,611
Current service Cost	326,508	243,478	280,165	212,016
Actuarial (gain)/ loss	824,167	112,671	708,013	98,795
	1,654,879	814,763	1,424,960	713,422

23.1.2 Retirement Benefits Obligation- Gratuity

The Board

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

The principal assumptions used are as follow

	2014	2013
Discount rate assumed (%) (per Annum)	11	11
Further salary increase (%) - once in three years	30	25
Retirement age	60	60

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

Lanka Electricity Company (Pvt) Ltd

Messrs. Actuarial and Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity of the company. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows,

	2014	2013
Discount rate assumed (%) (per Annum)	9	11
Salary Increase Rate (%) (per Annum)	8.5	8.5
Normal Retirement Age - Appointments upto 31 December 2006	65 years	65 years
- Appointments after 01 January 2007	55 years	55 years

LTL Holdings (Private) Limited

Messes Piyal S. Gunathilake and Associates Actuaries carried out an actuarial valuation of the defined benefit plan gratuity as at December 2014 and December 2013 for the respective plan years.

Principal Assumptions	2014	2013
Discount rate assumed (%) (per Annum)	8	12
Salary Increase Rate (%) (per Annum)	7	10
Staff Turnover (%) (per Annum)	5	6
Retirement Age	55 Years	55 Years

Lanka Coal Company (Pvt) Ltd

Principal Assumptions	2014	2013
Discount rate assumed (%) (per Annum)	11.5	10.61
Salary Increase Rate (%) (per Annum)	10	10
Staff Turnover (%) (per Annum)	-	9.1
Retirement Age	55 Years	55 Years

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

23.2 Pension Benefit

The Board operates defined benefit pension plan employee pensionable remuneration and length of service. The amount recognize in the Statement of Financial Position are determined as follows.

	2014	2013
Present Value of Obligations (23.2.1)	17,485,753	14,011,010
Fair Value of plan assets (23.2.2)	15,896,797	14,775,344
Deficit of funded plans	1,588,956	(764,334)
Contribution receivables	-	-
Persent Value of unfunded obligations	-	-
Liability / Assets in the Statement of Financial Position	1,588,956	(764,334)

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

At beginning of the year	14,011,010	12,972,125
Current Service Cost	425,482	365,793
Interest Cost	1,401,101	1,297,212
Actuarial Losses	2,486,352	15,494
Benefit Paid	(838,192)	(639,614)
At end of the year	17,485,753	14,011,010

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

At beginning of the year	14,775,345	13,044,959
Expected Return on Plan Assets	1,306,275	1,722,378
Actuarial Losses	11,963	18,611
Contribution Paid (Employee + Employer)	641,406	629,010
Benefit Paid	(838,192)	(639,614)
At end of the year	15,896,797	14,775,344

The amounts recognized in the income statement are as follows

Current service cost	425,482	365,793
Interest Cost	1,401,101	1,297,212
Expected return on plan assets	(1,306,275)	(1,722,378)
Recognized in income statement	520,308	(59,373)

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

The principal actuarial assumptions were as follows

Discount Rates	10%	10%
Expected return on plan assets	9%	10.79%
Future Salary Increases	30%	20%
Future Pension Increases	0%	0%
Retirement Age	60	60

Plan assets are comprised as follows

Fixed Deposits	8,878,681	10,822,664
Treasury Bonds	2,066,148	3,182,115
Treasury Bills	4,287,576	-
Other	664,392	770,565
Total	15,896,797	14,775,344

24. DEFERRED INCOME

	Group		Board	
	2014	2013	2014	2013
Consumer Contribution (24.1)	69,567,208	63,350,173	66,057,000	60,095,356
Government Grant (24.2)	241,341	247,828	235,438	247,829
	69,808,549	63,598,001	66,292,438	60,343,185
24.1 Consumer Contribution				
Balance at the beginning of the year	63,350,174	58,024,896	60,095,356	54,948,056
Consumer Contribution received During the year	9,010,327	7,857,346	8,468,616	7,412,565
Amount Amortised During the year	(2,793,293)	(2,532,069)	(2,506,972)	(2,265,265)
Balance at the end of the year	69,567,208	63,350,173	66,057,000	60,095,356
24.2 Government grant				
Balance at the beginning of the year	253,858	260,219	247,829	260,220
Amount Amortised during the year	(12,517)	(12,391)	(12,391)	(12,391)
Balance at the end of the year	241,341	247,828	235,438	247,829

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

25. DEFERRED TAXATION

	Group		Board	
	2014	2013	2014	2013
Balance at the beginning of the year	22,495,267	21,290,240	22,182,488	20,857,223
Deferred Tax Charged to Income Statement	(895,984)	1,207,593	(995,517)	1,325,265
Deferred Tax Adjusted to Equity	19,077	-	-	-
Balance at the end of the year	21,618,360	22,497,833	21,186,971	22,182,488

	Group		Board	
	2014	2013	2014	2013
Deferred Tax Liability				
Depreciation Allowances for Tax Purposes	49,944,788	50,381,887	49,237,221	49,762,764
Revaluation Reserve	54,166	-	-	-
Deferred Tax Asset				
Deferred Income on Consumer Contribution	(6,927,618)	(6,844,646)	(6,812,074)	(6,631,410)
Employment Retirement Benefits	(1,601,515)	(1,202,351)	(1,386,715)	(1,111,809)
Other provisions	(878,391)	(863,687)	(878,391)	(863,687)
Unutilized tax losses	(18,973,070)	(18,973,370)	(18,973,070)	(18,973,370)
	21,618,360	22,497,833	21,186,971	22,182,488

26. TRADE AND OTHER PAYABLES

	Group		Board	
	2014	2013	2014	2013
Trade Payables	30,237,845	6,692,891	29,374,547	8,070
Other Payables	3,349,136	41,537,409	3,018,021	37,828,359
Sundry Creditors Including Accrued Expenses	8,905,437	10,386,523	7,722,661	9,120,229
Deposits (26.1)	15,848,884	14,994,181	15,848,884	14,994,181
Loan Balance pending confirmation from ERD	4,170,088	4,211,610	4,170,088	4,211,610
	62,511,390	77,822,614	60,134,201	66,162,449

26.1 Deposits

Service mains deposits	12,131,748	11,645,963	12,131,748	11,645,963
Tender Deposits	291,848	254,161	291,848	254,161
Security Deposits	174,649	101,224	174,649	101,224
Other Deposits	3,250,639	2,992,833	3,250,639	2,992,833
	15,848,884	14,994,181	15,848,884	14,994,181

27. AMOUNTS DUE TO RELATED PARTIES

	Relationship	Group		Board	
		2014	2013	2014	2013
LTL Holdings (Pvt) Ltd	Subsidiary Company	-	-	2,643,164	3,421,255
AnteLeco Metering Co.(Pvt) Ltd	Subsidiary Company	-	-	29,325	43,800
Lanka Coal Company (Pvt) Ltd	Subsidiary Company	-	-	318,433	2,233,321
		-	-	2,990,922	5,698,376

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

28 CASH AND CASH EQUIVALENTS IN CASH FLOW STATEMENT

Components of Cash and Cash Equivalents

28.1 Favourable Cash & Cash Equivalents balance

	Group		Board	
	2014	2013	2014	2013
Cash & Bank Balances	3,234,680	3,661,445	1,543,366	1,982,958
Cash in Transit	-	166,272	-	-
Call Deposits	-	81,127	-	60,000
Current portion of other investments - LECO	1,181,998	3,218,901	-	-
	4,416,678	7,127,745	1,543,366	2,042,958
28.2 Unfavourable Cash & Cash Equivalent Balances		-		-
Bank Overdraft(21)	(6,280,453)	(3,563,906)	(3,792,429)	(3,474,402)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	(1,863,775)	3,563,839	(2,249,063)	(1,431,444)

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

29 PRIOR YEAR ADJUSTMENTS

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

29.1 Ceylon Electricity Board

The current loan balances has been converted to Equity based on a Policy decision taken by General Treasury. Therefore, the borrowing cost has been removed from the books in line with board decision.

Though the power generation of Upper Kothmale Hydro Power Project (UKHP) was commenced from April 2012 the project assets have been transferred in the year 2014. According to the accounting standard revenue to be recognised from the year 2012 with effect on commercial operation and the depreciation also be charged since then. Therefore, assets relevant to the UKHP projects restated from 2012.

29.2 LTL Holdings (Pvt) Ltd

The adjustments represents the recognition of interest in the joint venture(Heladhanavi Ltd) as at the 31 December 2012 and 2013. The initial investment is measured as the aggregate of the carrying amounts of the assets and liabilities that the Group had previously proportionately consolidated.

Adjustment made on Property, Plant and Equipment and inventories also include an adjustment of Rs 52,402,633 that represents the correction in respect of capitalizing an inventory item erroneously by a subsidiary in their financial statements.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

29.3.1 Impact to the prior year adjustment for the group as at 31 December 2013.

Statement of Financial Position

	2013 Before Restated	2013 CEB Adjustments	2013 LTL Adjustments	2013 After Restated
ASSETS				
Non-Current Assets				
Property, Plant & Equipment	695,377,914	(25,013,771)	(1,009,964)	669,354,179
Premium Paid on Leasehold Land	7,373	-	-	7,373
Intangible assets	19,256	-	-	19,256
Investments in Subsidiaries	-	-	-	-
Investment in Joint Venture	75,145	-	-	75,145
Finance Lease Recivables	-	-	-	-
Other Non Current Financial Assets	3,900,110	-	837,365	4,737,475
Investments of Insurance Reserve	5,250,300	-	-	5,250,300
Total Non-Current Assets	704,630,098	(25,013,771)	(172,599)	679,443,728
Non Current Assets held for sale	-	-	-	-
Current Assets				
Inventories	39,256,107	(4,303)	16,043	39,267,846
Trade and Other Receivables	62,787,632	(11,263,959)	(1,173,532)	50,350,141
Amounts Due from Related Parties	-	-	-	-
Finance Lease Recivables	-	-	-	-
Other Current Financial Assets	18,207,010	-	(318,755)	17,888,255
Tax Refund Due	366,256	-	(288,281)	77,976
Cash and Bank Balances	7,166,628	-	(38,883)	7,127,745
Total Current Assets	127,783,633	(11,268,262)	(1,803,408)	114,711,963
Total Assets	832,413,730	(36,282,033)	(1,976,007)	794,155,691
EQUITY AND LIABILITIES				
Capital and Equity				
Contributed Capital	121,611,564	96,265	-	121,707,829
Reserves	34,517,900	(1,261,261)	(154,467)	33,102,172
Retained Earnings / (Loss)	74,339,017	15,124,980	(63,527)	89,400,470
Equity Attributable to the Equity Holders of the Parent	230,468,481	13,959,984	(217,994)	244,210,471
Non Controlling Interest	17,095,856	-	(164,351)	16,931,505
Total Equity	247,564,337	13,959,984	(382,345)	261,141,976
Non - Current Liabilities and Deferred Income				
Interest Bearing Loans & Borrowings	367,860,747	(32,333,134)	-	335,527,613
Consumer Deposits	9,721,662	-	-	9,721,662
Provisions and Other Deferred Liabilities	3,845,873	-	(405)	3,845,468
Deferred Income	63,598,001	-	-	63,598,001
Deferred Taxation	40,232,524	(17,734,691)	-	22,497,833
Total Non - Current Liabilities and Deferred Income	485,258,808	(50,067,824)	(405)	435,190,577
Current Liabilities				
Trade and Other Payables	78,248,057	(179,502)	(245,941)	77,822,614
Dividend Payables	491,648	-	-	491,648
Amounts Due to Related Parties	-	-	-	-
Interest Bearing Loans & Borrowings	19,737,766	5,310	(1,345,271)	18,397,805
Income Tax Payable	1,113,114	-	(2,043)	1,111,071
Total Current Liabilities	99,590,585	(174,192)	(1,593,255)	97,823,138
Total Equity and Liabilities	832,413,730	(36,282,033)	(1,976,006)	794,155,691



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

29.3.2 Impact to the prior year adjustment for the group as at 31 December 2013.

Statement of Comprehensive Income

	2013 Before Restated	2013 CEB Adjustments	2013 LTL Adjustments	2013 Restated
Continuing Operation				
Revenue	203,289,681	-	(4,521,965)	198,767,716
Cost of Sales	(173,084,741)	1,416,840	4,227,812	(167,440,089)
Gross Profit / (Loss)	30,204,940	1,416,840	(294,153)	31,327,627
Other Income and Gain	6,876,585	-	-	6,876,585
Distribution Cost	(60,362)	-	-	(60,362)
Others	(332,648)	-	178,967	(153,681)
Administrative Expenses	(4,429,154)	-	1,000	(4,428,154)
Operating Profit / (Loss)	32,259,360	1,416,840	(114,186)	33,562,015
Finance Income	2,406,799	-	(10,084)	2,396,715
Finance Cost	(13,157,110)	2,211,720	116,159	(10,829,231)
Finance Cost-Net	(10,750,311)	2,211,720	106,075	(8,432,516)
Share of loss of Joint Venture	(8,975)	-	-	(8,975)
Profit / (loss) before Income Tax	21,500,075	3,628,560	(8,111)	25,120,524
Income Tax Expense	(590,409)	-	-	(590,409)
Deferred Tax Charge / (Reversal)	(5,629,743)	4,422,150	-	(1,207,593)
Profit / Loss for the year from continuing operation	15,279,923	8,050,710	(8,111)	23,322,522
Non Controlling Interest	(1,937,847)	-	5,146	(1,932,701)
Profit/(Loss) for the Year	13,342,076	8,050,710	(2,965)	21,389,821

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

29.3.3 Impact to the prior year adjustment for the group as at 31 December 2012.

Statement of Financial Position

	2012 Before Restated	2012 CEB Adjustments	2012 LTL Adjustments	2012 After Restated
ASSETS				
Non-Current Assets				
Property, Plant & Equipment	637,656,973	(1,261,263)	(1,126,438)	635,269,272
Premium Paid on Leasehold Land	5,903	-	-	5,903
Intangible assets	22,025	-	-	22,025
Investments in Subsidiaries	-	-	-	-
Investment in Joint Venture	84,121	-	-	84,121
Finance Lease Recivables	-	-	-	-
Other Non Current Financial Assets	4,864,344	-	807,980	5,672,324
Investments of Insurance Reserve	4,433,045	-	-	4,433,045
Total Non-Current Assets	647,066,411	(1,261,263)	(318,458)	645,486,690
Non Current Assets held for sale	-	-	-	-
Current Assets				
Inventories	32,597,217	-	(69,201)	32,528,016
Trade and Other Receivables	75,305,058	(6,142,007)	(1,538,924)	67,624,127
Amounts Due from Related Parties	-	-	-	-
Finance Lease Recivables	-	-	-	-
Other Current Financial Assets	14,186,296	-	(309,744)	13,876,552
Tax Refund Due	261,569	-	-	261,569
Cash and Bank Balances	5,717,455	-	(27,746)	5,689,709
Total Current Assets	128,067,595	(6,142,007)	(1,945,615)	119,979,973
Total Assets	775,134,006	(7,403,270)	(2,264,073)	765,466,663

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

29.3.3 Impact to the prior year adjustment for the group as at 31 December 2012.

Statement of Financial Position

	2012 Before Restated	2012 CEB Adjustments	2012 LTL Adjustments	2012 After Restated
EQUITY AND LIABILITIES				
Capital and Equity				
Contributed Capital	110,765,779	96,265	-	110,862,044
Reserves	32,259,936	(1,261,263)	(192,619)	30,806,054
Retained Earnings / (Loss)	65,424,008	7,074,268	-	72,498,276
Equity Attributable to the Equity Holders of the Parent	208,449,723	5,909,270	(192,619)	214,166,374
Non Controlling Interest	15,945,107	-	(181,612)	15,763,495
Total Equity	224,394,830	5,909,270	(374,231)	229,929,869
Non-Current Liabilities and Deferred Income				
Interest Bearing Loans & Borrowings	303,095,370	-	(214,896)	302,880,474
Consumer Deposits	8,899,445	-	-	8,899,445
Provisions and Other Deferred Liabilities	4,123,375	-	(260)	4,123,115
Deferred Income	58,285,116	-	-	58,285,116
Deferred Taxation	34,602,781	(13,312,540)	-	21,290,241
Total Non-Current Liabilities and Deferred Income	409,006,087	(13,312,540)	(215,156)	395,478,391
Current Liabilities				
Trade and Other Payables	91,914,118	-	(250,622)	91,663,496
Dividend Payables	19,322	-	-	19,322
Amounts Due to Related Parties	-	-	-	-
Interest Bearing Loans & Borrowings	42,993,281	-	(1,418,420)	41,574,861
Income Tax Payable	6,806,368	-	(5,644)	6,800,724
Total Current Liabilities	141,733,089	-	(1,674,686)	140,058,403
Total Equity and Liabilities	775,134,006	(7,403,270)	(2,264,073)	765,466,663

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

30 ASSETS PLEDGED

Ceylon Electricity Board
Sri Lanka Energies (Private) Limited

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

30.1 Lanka Electricity Company (Pvt) Limited

Following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included under
		2014	2013	
Fixed Deposits	Bank Overdraft facilities of People's Bank	45,500	45,500	} Current and Non Current Other Investments
Fixed Deposits	SMI Loan Schemes of People's Bank	117,347	94,143	
Fixed Deposits	Staff loan Schemes of SMIB Bank and HDFC Bank Facilities	797,585	631,762	

30.2 LTL Holdings (Pvt) Ltd

Following assets have been pledged as security for interest bearing borrowing and Letter of Credit Facilities of respective companies of the Group.

Nature of assets	Nature of Liability	Carrying Amount Pledged		Included under
		2014	2013	
Immovable Properties	First Mortgage for Loans & Borrowings	73,739	91,503	Property plant & Equipment
Lakdhanavi Ltd & its Jointly Controlled Entity				
Investment	Mortgage against the Bank Guarantees	477,304	434,370	Other Financial Assets
Short term Investment	Overdraft - Heladanavi	1,115,513	-	Other Financial Assets
Short term Investment	Overdraft - Raj Lanka	263,720	-	Other Financial Assets
Jointly Venture Company-Heladanavi Limited				
Land,Building,Plant & Machinery & Trade Receivables	Term Loan	1,549,408	1,549,408	Property plant & Equipment
Pawan Danavi (Private) Limited				
Wind power plant, Free Hold land and Lease Hold Land.	Primary Concurrent Mortgage Bond	1,413,900	1,413,900	Property Plant & Equipment
Ordinary shares 51% Held by LTL Holdings Pvt Ltd.	Primary Concurrent Mortgage Bond	485,000	485,000	Stated Capital
	Corporate Gurantee from LTL Holdings (Pvt) Ltd on behalf of company.	2,466,000	-	Property,Plant & Equipment

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

31 EVENTS OCCURRING AFTER THE STATEMENT OF THE FINANCIAL POSITION

There have been no material events occurring after the statement of financial position that require adjustments to or disclosure in the financial statements of the Group.

32 CONTINGENCIES

32.1 The Board

The contingent liability arising with regard to the litigation matters pending in the labour tribunal and other Courts including Court of appeal and Supreme Courts as at 31.12.2014, the CEB is defendant respondent. The contingent liability in the unlikely event that all these cases are adversely decided is estimated at Rs.167.5 Mn.

32.2 Lanka Electricity Company (Pvt) Limited

(a) The Company suspended paying turnover tax with effect from 01st July 2008. The turnover tax unpaid for the period 01st July 2008 to 31st December 2011 amounts to Rs. 273.7 Mn (2013 - 273.7 Mn). However, the written clearance has not yet been received by the company from the relevant tax authorities. No provision has been made in the financial statements in this regard.

(b) The company is a defendant respondent in 12 (2013 -13) lawsuits for which the maximum liability is estimated by the company at Rs.10.4 Mn (2013 - Rs.33.61 Mn) at the year end. Although there is no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity of the Company. Accordingly, no provision for any liability has been made in these financial statements in this regard.

32.3 LTL Holdings (Private) Limited

Legal Claim Contingencies

Heladhanavi Limited

Eligibility to apply for a Generation License

As per the section 9 (1) (C) of Sri Lanka Electricity Act No. 20 of 2009, a company incorporated under the Companies Act No. 7 of 2007 which generates electricity over and above generating capacity of 25 MW is eligible to apply for a generation License, provided that in the said company either the government or a Public corporation or a Company in which the Government holds more than 50% of the shares or a subsidiary of such a company, holds such No. of shares as may be determined by the Secretary of the Treasury, with the concurrence of the Minister-In-charge of the subject of Finance.

Heladhanavi Ltd ('Heladhanavi') too, which operated under the Generation License validly obtained on 26th September 2003, applied for a Generation License under the Sri Lanka Electricity Act No.20 of 2009. However, Heladhanavi was informed by Public Utility Commission of Sri Lanka (PUCSL) that the company does not fulfill the eligibility criteria to apply for a Generation License, in terms of the above section of the Sri Lanka Electricity Act No.20 of 2009. At the same time, it was learnt that the Government of Sri Lanka intends to amend the new Electricity Act to exempt the existing Independent Power Producers (including Heladhanavi) from this requirement.

However, Heladhanavi sought legal opinion in this regards and was informed that, Heladhanavi is entitled to seek legal remedies and indemnification under the 'Changes in Law' section of the Power Purchase Agreement and the Implementation Agreement.



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

33 CAPITAL COMMITMENTS

33.1 The Board

Approved by the Board, but not contracts placed

Contracted but not provided for

Total

2014	2013
-	44,294
-	2,216,267
-	2,260,561

33.2 Lanka Electricity Company (Pvt) Limited

The Company does not have material purchase commitments for acquisition of Property, Plant and Equipment incidental to the ordinary course of business as at 31st December 2014. (2013 - Nil).

33.3 LTL Holdings (Pvt) Ltd

Leases

Finance Lease commitments the Group as lessor is disclosed in Note 21.5

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

Letter of Credits

Parent/Subsidiary/Joint Venture Company	Bank	2014	2013
LTL Holdings (Pvt) Ltd	Hatton National Bank PLC	-	2,009
Lakdhanavi Ltd	Hatton National Bank PLC	-	32,904
Heladhanavi Ltd	Hatton National Bank PLC	126,928	4,530
LTL Galvanizers (Pvt) Ltd	Hatton National Bank PLC	-	5,249
Lanka Industrial Product Engineerig (Pvt) Ltd	Hatton National Bank PLC	-	4,740
LTL Transformers (Pvt) Ltd	Hatton National Bank PLC	-	6,867
LTL Transformers (Pvt) Ltd	Peoples Bank	41,410	50,237
		168,338	106,536

Guarantee

Parent/Subsidiary/Joint Venture Company	Bank	2014	2013
LTL Transformers (Private) Ltd	Hatton National Bank PLC	-	21,629
LTL Holdings (Private) Ltd	Hatton National Bank PLC	-	481,571
LTL Galvanizers (Private) Ltd	Hatton National Bank PLC	608,978	5,248
Lakdhanavi Ltd	Hatton National Bank PLC	-	513,656
LTL Transformers (Private) Ltd	People's Bank	857,545	7,091
LTL Holdings (Private) Ltd	Citi Bank	97,303	56,612
Lakdhanavi Ltd	Commercial Bank Ceylon PLC	477,286	430,444
Lakdhanavi Ltd	Citi Bank	-	71,989
Lakdhanavi Ltd (Heladhanavi Ltd)	Sampath Bank PLC	-	135,294
Lakdhanavi Ltd (Heladhanavi Ltd)	National Development Bank PLC	-	135,294
		2,041,112	1,858,828

LTL Holding (Private) Limited has provided a corporate guarantee of Rs 400,000,000 for a bank loan obtained by a subsidiary (2013: Rs 400,000,000/-)

Lakdhanavi Limited, subsidiary of the Group has issued two corporate guarantees to Sampath Bank and National Development Bank Rs, 150 mn each to facilitate the fuel purchasing of Heladhanavi Limited.

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

33.4 Operating Lease Commitments - Group as a lessee

LTL Holdings (Private) Limited

Nature

The company has entered into an operating lease agreement with Lanka Industrial Estate Limited for a period of 30 years commencing from 1st June 1998 to 31 May 2028

	2014	2013
Within One Year	12,230	12,230
After One year but not more than 5 years	36,689	48,919
	48,919	61,149

Lease rentals are renewed every five years ,therefore operating lease commitment stated only up to 30th June 2013 since lease rentals more than five years can not be determined.

LTL Holdings (Private) Limited

The Company has entered into a commercial lease on it's land & Premises in Bandaragama together with fixtures and fittings, with Ante LECO Metering Co. (Pvt) Ltd. This lease, which has a cancellable clause, has a remaining term of 9 years.

The lease includes a clause to enable upward revision of the rental charge based on the inflation rate prevailing at the end of Future minimum rentals receivable under cancellable operating lease as at 31st Dec are as follows.

	2014	2013
Within one year	4,500	4,500
After one year but not more than five years	18,000	18,000
More than five years	16,875	22,669
	39,375	45,169

The disclosed amount includes only the minimum lease payments, and the inflation adjustments specified in the agreement is not incorporated due to inability to forecast future inflation rates.

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

33.5 Other Commitments

Lakdhanavi Limited

The Company is liable pay to the government of the Democratic Socialist Republic of Sri Lanka, equivalent to the amount that dividends received from West Coast Power (Private) Limited, if any technical error in the construction of Kerawalapitiya Power project or any default made by WCPL in the repayment of the debt financing of the Kerawalapitiya power project.

(a) Power Purchase Agreement with Ceylon Electricity Board

If the company fails to supply Minimum Guaranteed Energy Amount (MGEA), which is 698,417,280 kWh per year, if there is a shortfall.

Shortfall	Amount of liquidated damages for each kWh of Shortfall
Exceeding 10% of MGEA up to 25% of MGEA	15% of Capacity Charges
Exceeding 25% of MGEA	25% of Capacity Charges

(b) Fuel Supply Agreement with Ceylon Petroleum Corporation

If the company is unable to accept fuel under supply schedule (subject to change) and/or comply with its obligations under this agreement and costs, expenses, damages & losses incurred as direct & exclusive result of such failure or inability should be paid by the company within 30 days. However company's liability under this agreement is limited to a maximum of US \$ 500,000 per annum.

According to the clause 3.5 (C) of fuel supply agreement, company has established a letter of credit in favor of Ceylon Petroleum Corporation at following Banks,

National Development Bank	300,000
Sampath Bank	300,000

Heladhanavi Ltd

(c) Operations & Maintenance Agreement with Lakdhanavi Limited

According to this agreement, the fixed fee payable after the final completion date is US \$ 625,000 per annum paid in equal monthly installments.

The company is liable to pay Lakdhanavi Limited an additional sum of US \$ 2,000,000 for each remaining year of the term or pro rata for part of term upon the early termination of this agreement. A variable fee, depends on the Net Energy output generated.

(d) Fuel Transport Agreement with LTL Projects (Pvt) Limited

The company has entered in to a contract during the period with LTL Projects (Pvt) Ltd for the transportation of fuel. According to the arrangement, the company need to pay a fixed charge of US \$ 10,500 per month from the date of commencement of power generation in the plant.

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

34 Related Party Disclosures

34.1 The Board

34.1.1 Directors Interest in Contracts

Mr. W.B. Ganegala was bearing the office of Chairman, CEB from 01.03.2013 to 13.01.2015. He also served as a director in the director boards of Lanka Electricity Company (Pvt) Ltd., Lanka Transformers (Pvt) Ltd., Lanka Coal Company (Pvt) Ltd., Sri Lanka Energies (Pvt) Ltd. which are subsidiaries of CEB and Trincomalee Power Co.Ltd, which is a joint venture of CEB.

Prof. K.K.C.K. Parera served as Vice Chairman of CEB from 20.03.2014 to 09.01.2015 .

Mr. K. I D P Kularathne was appointed as Working Director of CEB on 01.03.2013 to 12.01.2015. He also served as a director in the director board of Sri Lanka Energies (Pvt) Ltd.

Mr. W.D. Jayasinghe served as a member of the director board of CEB from 13.08.2013 to 22.06.2014 and Mr. Wirithamulla and Ms. M.T.I.V. Amarasekare were also appointed as members to the director board of CEB on 01.03.2013 to 09.01.2015 and 10.05.2013 to 23.01.2015 respectively.

Mr. R.A.A.K. Ranawaka, Secretary Ministry of Local Government and Provincial Councils appointed as a member to the director board of CEB on 06.03.2013 to 23.01.2015 and Mr. T.D.S.P. Parera served as a member of the director board of CEB on 02.07.2014 to 23.01.2015.

34.1.2 The Board carried out following transactions with following related companies.

	2014	2013
a) Sales of Goods & Services		
Electricity Sales Heavy Supply LECO	24,825,526	25,663,119
b) Purchase of Goods & Services		
LTL Transformers Ltd	644,946	588,532
LTL Galvanizers (Pvt)Ltd	157,616	42,044
ANTE LECO Metering Co (Pvt)Ltd	399,712	377,473
Nividu (Pvt) Ltd	-	134,642
Nividu Assupinella (Pvt) Ltd	-	195,877
Lanka Coal Company (Pvt) Ltd	17,859,091	10,677,327

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

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

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

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

	Nature of Transaction	2014	2013
Ceylon Petroleum Corporation	Purchase of Fuel	46,581,657	29,425,498
Department of Public Enterprises	Obtain Project Loans	18,808,911	25,094,618
Peoples Bank	Obtain Bank Loans	17,000,000	37,000,000
National Savings Bank	Obtain Bank Loans	10,000,000	-

34.1.4 Transaction with Key Management Personnel

Key management personnel comprise the Directors of the Board.

(i) Loans to Directors

No loans have been given to the Directors of the Board.

(ii) Key Management Personnel Remuneration

During the year under review, Rs 2,244,000/- (2013 - Rs 2,270,000/-) incurred on behalf of key management personnel of the Board.

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

34.2 LTL Holdings (Private) Limited

Details of significant related party disclosures are as follows ;

34.2.1 Transaction with the parent and related entities

Nature of Transaction	Name of the Company and Relationship					
	CEB Parent		LTL ESOT Other related		LTL ESOT LTD Significant influence over the entity	
	2014	2013	2014	2013	2014	2013
As at 1st January	449,333	1,653,822	(477,648)	(55)	-	54,000
Sale of goods/Services	14,110,069	2,366,406	-	-	-	-
Opening receivables of Heladhanavi Ltd.	3,435,647	-	-	-	-	-
Dividend Declared	(315,000)	(1,259,748)	(136,908)	(678,008)	(135,050)	(593,892)
EPC Sales	55,699	820,929	-	-	-	-
Advances set off	(8,943)	25,637	-	-	-	-
Dividend Paid	-	1,259,748	-	200,360	-	539,892
Receipts during the year	(14,956,671)	(4,417,462)	477,648	55	-	-
Balance As At 31st December	2,770,134	449,332	(136,908)	(477,648)	(135,050)	-

The Parent

Ceylon Electricity Board Owns 63% (2013 - 63%) of ordinary shares of LTL Holding (Pvt) Ltd

The Entity With Significant influence over the Company

LTL Employees Shares Ownership Trust Limited owns 27% (2013 - 27%) of the ordinary shares in LTL Holding (Pvt) Ltd There has to power to participate in the financial and operating policy decisions of the entity.

Other Related entity

LTL Employees Share Ownship Trust owns 10% (2013 - 10%) of the ordinary shares in LTL Holding (Pvt) Ltd.



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

34.2.2 Transactions with the Government of Sri Lanka and its related entities

Since the Government of Sri Lanka Directly controls the Group's parent, the Group has considered the government of Sri Lanka and other government related entities which are controlled, jointly controlled or significantly influenced by the government of Sri Lanka as Related Parties according to LKAS 24, " Related party Disclosures".

The Group enters transactions, arrangements and agreements with the Government of Sri Lanka and its other related entities and significant transactions have been reported as follows,

	Nature of the transaction	2014	2013
Ceylon Petroleum Corporation	Purchase of fuel	4,310,589	3,894,113
Peoples Bank	Investments	1,716,586	1,759,877
Bank of Ceylon	Investments	3,280,055	3,096,305
Hatton Natinal Bank	Investments	3,044,003	3,328,937

Further, transactions as detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities:

Payment of statutory rates, taxes and duties to Department of Inland Revenue and Sri Lanka Customs

Payment for utilities mainly comprising of telephone, electricity and water.

Payment for employment retirement benefit- EPF and ETF.

Payment for insurance premiums to Sri Lanka Insurance Corporation.

34.2.3 Transaction with Key Management Personnel of the Company or parent

The Key Management Personnels (KMPs) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Such key management personnel of the company are the members of its Board of Directors, that of its parent, and Chief Executive Officer, Independent transactions with Key Management Personnel and transactions with the close family members (CFMs) of the KMPs, if any, also been taken into consideration in the following disclosure.

a) Key Management personnel Compensation

	2014	2013
Short- term employee benefits	38,615	33,000
Post - Employment benefits	3,981	4,775
	<u>42,596</u>	<u>37,775</u>

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

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

34.3 Lanka Electricity Company (Pvt) Limited

Details of significant related party disclosures are as follows;

34.3.1 The company carried out following transactions with following related companies ;

	Parent Company Ceylon Electricity Board		Other Major Share Holders /Treasury		Subsidiaries & Other Related Companies	
	2014	2013	2014	2013	2014	2013
Balance as at 01 st January	(1,202,326)	1,909,314	56,027	132,593	99,310	121,296
Purchase of Electricity	(20,050,127)	(20,520,953)	-	-	-	-
Payment for Electricity	23,817,792	17,695,919	-	-	-	-
ADB Loan Repayment	-	(575,000)	(56,027)	(76,566)	-	-
Interest on Borrowings	-	-	5,351	15,329	-	-
Accrued Expenses	(307,288)	(1,011,606)	-	-	-	-
Interest Payment	-	-	(5,351)	(15,329)	-	-
Dividend Declared	-	-	(28,054)	-	-	-
Dividend paid	-	-	28,054	-	-	-
Sale of Goods	-	-	-	-	211,737	189,184
Purchase of Goods	24,462	-	-	-	(248,599)	(211,170)
Loan Capital Instalments Receipt	(1,560,000)	-	-	-	-	-
Loans given to CEB	-	1,300,000	-	-	-	-
Loan interest Receivable	389,545	-	-	-	-	-
Loan interest Received	(359,933)	-	-	-	-	-
Balance as at 31 st December	752,125	(1,202,326)	-	56,027	62,448	99,310

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2014

(All amounts in Sri Lanka Rupees Thousands)

34.3.2 Transactions with the Government of Sri Lanka And its related entities

Since the Government of Sri Lanka Directly controls the Group's parent, the Group has considered the government of Sri Lanka and other government related entities which are controlled, jointly controlled or significantly influenced by the government of Sri Lanka as Related Parties according to LKAS 24, " Related party Disclosures".

The Group enters transactions, arrangements and agreements with the Government of Sri Lanka and its other related entities and significant transaction have been reported as follows,

	Nature of the transaction	2014	2013
Administrative Borrowing by Government Treasury	Loans and Receivables	570,000	570,000
Peoples Bank	Deposits	162,847	151,046
State Mortgage and investment bank	Investment for loans given to employees	55,521	54,580

Further, transaction as detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities:

Maintaining bank accounts and entering in to Banking transactions with Bank of Ceylon and Peoples Bank

Payments of statutory rates,taxes.

Payment for employment retirement benefit-EPF and ETF

Payment for utilities mainly comprising of telephone,electricity and water

Payments for Motor Vehicle insurance premiums to Sri Lanka Insurance Corporation

34.3.3 Transactions with the Key Management Personnel of the Company or its parent

The Company has defined, the Key Management Personnel of the Company are the members of its Board of Directors and that of its parent and the Divisional Heads including General Manager .

Key Management Personnel Compensation	2014	2013
Directors Fees and Short term Benefits	1,316	536
Remuneration of other Key Management Personnel	-	-
Total Compensation pay to Key Management Personnel	1,316	536

AUDITOR GENERAL'S REPORT



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මගේ අංකය
எனது இல. } EH/A/CEB/FA/2014

ඔබේ අංකය
உமது இல. } Your No.

දිනය
திகதி } 20th April 2016

The Chairman

Ceylon Electricity Board

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE CEYLON ELECTRICITY BOARD AND THE CONSOLIDATED FINANCIAL STATEMENTS OF THE BOARD AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014 IN TERMS OF SECTION 14(2)(c) OF THE FINANCE ACT, NO. 38 OF 1971

The audit of financial statements of the Ceylon Electricity Board (CEB) and the consolidated financial statements of the Board (CEB) and its subsidiaries for the year ended 31 December 2014 comprising the statements of financial positions as at 31 December 2014 and the statements of comprehensive income, statements of changes in equity and statements of cash flow for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No 38 of 1971 and Section 49(4) of the Ceylon Electricity Board Act, No.17 of 1969 as amended by Act, No.31 of 1969. My comments and observations which I consider should be published with the Annual Report of the Board in terms of Section 14(2) (c) of the Finance Act appear in this report. The financial statements of the Subsidiaries were audited by the firms of Chartered Accountants in public practice appointed by the Board of Directors of the respective Subsidiaries. A detailed report in terms of Section 13(7) (a) of the Finance Act will be issued to the Chairman of the Board in due course.

1.2 Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards (LKAS/IFRS) and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Standards of Supreme Audit Institutions (ISSAI 1000 -1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Board's preparation and fair presentation of the financial statements in order to design audit procedures that are

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව. - இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. - No. 306/72, Polduwa Road, Battaramulla, Sri Lanka

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appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board 's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Sub-sections (3) and(4) of Section 13 of the Finance Act, No.38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

1.4 Basis for Qualified Opinion

My opinion is qualified based on the matters described in paragraph 2.2 of this report.

2. Financial Statements

2.1 Qualified Opinions

a) Qualified Opinion - Board

In my opinion, except for the effects of the matters described in paragraph 2.3 of this report, the financial statements give a true and fair view of the financial position of the Ceylon Electricity Board as at 31 December 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

b) Qualified Opinion - Group

In my opinion, except for the effects of the matters described in paragraphs 2.2 and 2.3 of this report, the consolidated financial statements give a true and fair view of the financial position of the Ceylon Electricity Board (CEB) and its Subsidiaries as at 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on the Group Financial Statements

The audited financial statements of the Subsidiaries of the Board had been taken for the preparations of the consolidated financial statements. The names of such Subsidiaries and the ownership of the Board are shown below.

<u>Name of Subsidiaries</u>	<u>Ownership Percentage</u>
LTL Holdings (Pvt) Ltd	63
Lanka Coal Company (Pvt) Ltd Lanka	60
Electricity Company (Pvt) Ltd Lanka	55.2
Energies (Pvt) Ltd	100

The following matters are observed in this connection.

- (a) The auditors of the LTL Holdings (Pvt) Ltd. had emphasized the matter on going concern of the Heladanavi Limited, a Subsidiary of LTL Holdings (Pvt) Ltd, in its audited financial statements for the year 2014.
- (b) The audited financial statements of the Lanka Coal Company (Pvt) Limited for the year ended 31 December 2014 had been furnished to audit only on 28 December 2015 with a delay of 09 months. The auditors had emphasized the following matters.
 - (i) Trade and other payable balances aggregating Rs. 502.9 million could not be verified in audit due to absence of sufficient documentary evidence.

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- (ii) The accuracy, recoverability and completeness of trade and other receivable balance of Rs. 809.7 million and tax receivable of Rs. 16.9 million had not been assured in audit due to absence of sufficient documentary evidence. Further, it was not able to assure whether the appropriate actions had been taken by the Company in respect of Intimation Letters sent by the Department of Inland Revenue on the additional assessments of Rs. 152.5 million.
- (iii) Accuracy of the income tax liability as at 01 January 2014 amounting to Rs. 63 million had not been ascertained in audit since the opening balance does not agree with the balance as per Department of Inland Revenue.

2.3 Comments on the Financial Statements of the Board (CEB)

2.3.1 Sri Lanka Accounting Standards (LKAS/SLFRS) and Accounting Policies

The following observations are made.

- (a) LKAS 01, Presentation of Financial Statements and LKAS 16, Property, Plant and Equipment - The Board had applied the standard rates for valuing its capital and maintenance jobs instead of being applied the actual rates. As a results the net material price variance, labour rate variance and overhead variance aggregating Rs. 5,923,454,349 had been taken into account in ascertaining the financial result of the year under review in contrary to the provisions in the above Standards. Moreover, the following items in the financial statements had been too either understated or overstated due to valuing the capital and maintenance jobs of the Board by applying standard rates instead of actual rates.

Details are shown below.

<u>Item of Account</u>	<u>Amount Overstated</u>	<u>Amount Understated</u>
	<u>Rs. million</u>	<u>Rs. million</u>
Profit for the year and Equity at the end of the year under review	561	-
Property, Plant and Equipment	4,324	7.2

- (b) LKAS 08, Accounting Policies, Changes in Accounting Estimate and errors - Accrued telecommunication expenditure overestimated in the year 2011 by Rs. 9.4 million had been posted to the income of the year under review without restating in the retained earning balance retrospectively as specified in the Standard.
- (c) LKAS 19, Employee Benefits - Even though the Board should be invested the provision for gratuity to meet the future obligations arising on the payment of gratuity benefits, the Board had not maintained adequate investments in this connection.

In addition to that, the current service cost, interest cost and return on investments in relation to pension expenses recognized in the statement of comprehensive income of the year 2014 had been understated by Rs. 641,107,797 as per the computation done by audit.

- (d) LKAS 20, Accounting for Government Grants and Disclosure of Government Assistance - The foreign aid and the capital grants received by the Board for power generation, transmission and distribution programmes including rural electrification programmes had been treated as contributed capital for a longer period even though certain such grants had not been considered by the General Treasury as capital contribution. Further, according to the financial statements of the Government of Democratic Socialist Republic of Sri Lanka for the year 2014 prepared by the General Treasury, the total capital contributions to the Board was Rs. 258 billion. However, it had been shown in the financial statements of the Board as Rs. 289 billion. Action had not been taken to reconcile the difference of Rs. 31 billion.



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- (e) LKAS 39, Financial Instruments, Recognition and Measurement - Using of standard prices for ascertaining the amount payable to suppliers in Region 02 and 03 was not complied with the provision in the Standard. As a result, the current liability of the Board as at 31 December 2014 had been overstated by Rs. 88.2 million.

2.3.2 Accounting Deficiencies

The following accounting deficiencies were observed in audit.

- (a) According to the financial statements, amount receivable from than Ministry of Power and Energy in respect of lighting for special occasions as at 31 December 2014 was a credit balance of Rs.9,394,437, while the actual amount receivable as per the computation done by audit based on the available information, it was Rs. 1,065,998. Hence, the other debtors shown in the financial statements had been understated by Rs. 10,460,435.
- (b) The value of property, plant and equipment (PPE) which transfers among the individual Divisions should be zero in the financial statements of the Board. However, un-reconciled differences of Rs. 296,060,351 were observed with regard to the transfers in, transfers out and work-in-progress transferred to other Divisions during the year 2014. As a result, the accuracy and the reliability of the property plant and equipment shown in the financial statements and the reconciliation statement of inter divisional current account as at 31 December 2014 could not be ensured in audit.
- (c) The overhead recoveries and labour rate variance amounting to Rs. 1,782,778,237 and Rs. 1,093,769,100 respectively had not been taken into account in ascertaining the cash flows from operating activities of the year under review and as such the cash generated from operating activities shown in the statement of cash flows had been overstated by Rs. 2,876,547,337.
- (d) The value of stocks aggregating Rs. 33.3 million which identified as damaged stocks at the verification had not been adjusted in the accounts due to inconsistency of policies applied at the verifications and therefore the assets and the equity had been overstated by similar amount.
- (e) The operation of Puttalam Coal Power Plant stage II and III had been commissioned in March and September respectively of the year under review. However, the total cost of Rs.115,068.23 million incurred thereon had still been remained in the work -in-progress without being capitalized.

Similarly, 178 electrification jobs completed as at 31 December 2014 at a cost of Rs.131 million had not been brought to account as property, plant and equipment of the Board and as a result, the value of property, plant and equipment shown in the financial statements and depreciation made thereon had been understated while overstating the value of work in-progress by that amount.

- (f) Further, the cost incurred on the following rehabilitation projects belonging to Generation Division and already commenced their operations had been shown as work-in-progress as at 31 December 2014 instead of being capitalized. Details are shown below.

Name of Project	Value Rs.	Date of Completion
Wimalasurendra and New Laxapana Rehabilitation Project	8,217,944,865	20 August 2014
Old Laxapana Rehabilitation Project	4,704,222,351	03 April 2014
	12,922,167,216	

- (g) The jetty and port at Lakvijaya power plant which had economical useful life times of 100 years and 30 years respectively. Nevertheless, the Board had considered these as single assets and provided depreciations thereon in the financial statements accordingly.

Similarly, according to the Board the economical useful life time of Supervisory Control Data Acquisition (SCADA) and DFR Systems under the above power plant was 15 years. However, the economical useful time of the plant (Thermal) was 25 years.

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Due to above lapses, the depreciation for the year under review and the currying amount of the PPE as at 31 December 2014 had been overstated and understated by Rs.58,721,367 and Rs. 176,134,102 respectively.

- (h) Action had not been taken to physically verify and brought to account the value of equipment and spare parts at the stores of Lak Vijaya Power Station (LVPS). However, it was observed that a portion of those items denominated in foreign currency converted into Rupee value at the rate prevailed as at 31 December 2014 was Rs. 115 million.
- (i) A sum of Rs. 753.6 million charged as interest by the Ceylon Petroleum Corporation (CPC) on the outstanding balance with the agreement of the CEB with effective from 20 April 2013 had not been brought to accounts. In addition, a sum of Rs. 1,467,800 payable to CPC had been omitted from the accounts.
- j) A receivable balance remained unrecovered for more than three years as at 31 December 2014 from AES Kelanitissa Power Plant amounting to Rs. 1,368.9 million had erroneously been accounted as receivable from CPC.
- (k) According to the stock verification report furnished by a firm of Chartered Accountants in public practice in respect of verification of year end stock balance, there was a stock shortage of Rs.100.1 million in the Heavy Maintenance Stores at Walachchene and subsequently it was adjusted to the stocks shown in the financial statements for the year under review. However, it was revealed that the stock shortage reported by the audit report was incorrect. Hence, the stocks shown in the financial statements as at 31 December 2014 had been understated by similar amount.

2.3.3 Accounts Receivable and Payable

The following observations are made.

- (a) Trade and other receivable balance of the Distribution Region O 1, 02, 03 and 04 amounting to Rs. 1,787.4 million, Rs. 206 million, Rs. 182.7 million and Rs. 23 million respectively shown in the financial statements as at 31 December 2014 had remained outstanding for more than 3 years without being recovered.
- (b) The Board had not taken proper action to recover the bulk supply debtor balance of Rs.440.6 million and ordinary supply debtor balances aggregating Rs. 1,492 million which was outstanding for more than 2 years as at 31 December 2014.
- (c) Creditors' balance of the Transmission Division had included the payable balance of Rs. 7 million to the Ceylon Petroleum Corporation (CPC) which had been outstanding over a period of more than 05 years as at 31 December 2014. Further this amount had been paid by the CPC to the CEB for shifting of 132 kv Transmission Line running through Sapugasakanda on 26 May 1997. The job had not been completed even as at 31 December 2014 and no action had been taken to settle this amount.
- (d) Sums aggregating Rs. 911.4 million made for buildup the access road to the West Coast Power Plant, opening ceremony of West Coast Power Plant and tariff adjustment paid to mini hydro developers under Sustainable Energy Authority (SEA) had remained outstanding for more than five years as at 31 December 2014 without taking any recovery action.
- (e) Proper actions had not been taken with regard to Rs. 12.9 million due from the LECO for more than five years. Further, follow-up actions had not been taken by the Board to recover the finalized accounts balance of Rs. 7.6 million and Rs.13.6 million recorded as "Abeyance" which was remained outstanding for more than five years in Region 02.
- (f) A sum of Rs. 18.9 million included in the sundry debtors of the Deputy General Manager (WPS O1) office as "issues" was abnormal in their nature.

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2.3.4 Lack of Evidence for Audit

The following observations are made in this connection.

- (a) Title deeds for 12 lands valued at Rs.38 million owned by the Uva Provincial Office were not made available for audit.
- (b) It was observed that 08 motor vehicles valued at Rs. 14,238,758 included under the assets were not physically existed at the Board.

2.5 Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

The following instances of non-compliance were observed in audit.

- (a) Ceylon Electricity Board Act, No. 17 of 1969
 - (i) **Section 47 (l)(b)** - According to the provisions in this section the Board may establish and maintain a Sinking Fund with the General Treasury for the repayment of loans taken by the Board. Accordingly a Loan Redemption Reserve had been established and shown in the financial statements but it had not been updated since the year 2000. The balance in that reserve account as at 31 December 2014 was Rs. 17,447 million.
 - (ii) **Section 47(2)(a)** - Although the Board should establish and maintain a Depreciation Reserve with the General Treasury to cover the depreciation amount of the movable and immovable property of the Board, the Board had established a Depreciation Reserve in its financial statements by transferring Rs. 1 million per annum up to 31 December 2000 in contrary to that requirement, and thereafter, no movement had been taken place. A sum of Rs. 23 million being accumulated balance on that date had been carried forward in the annual financial statements continuously without any review.
 - (iii) **Section 47(2)(b)** - The Board may establish and maintain a General Reserve with the General Treasury for the purpose of financing its capital works from revenue moneys, ensuring the financial stability of the Board, and for such other purposes as the Board may from time to time determine. However, in contrary to that requirement the Board had established an Other Capital Reserve in its financial statements and it had not been updated since the year 2000. The balance of that Reserve Account as at 31 December 2014 was Rs. 165 .45 million.
- (b) In contrary to the provisions in Section 46 of the above Act and Section 11 (a) and (b) of Part II of the Finance Act, No. 38 of 1971, the Board had invested its funds amounting to Rs. 5,654 million as at 31 December 2014 in the Insurance Escrow Fund based on a contribution of 0.1 per cent of the total value of the gross fixed assets at the end of each year since 1989.

3 Financial Review

3.1 Financial Results

According to the Board and Group financial statements presented, the operations of the Board and the Group during the year under review had resulted in a pre-tax net loss of Rs. 12,446 million and Rs. 6,223 million respectively as compared with the corresponding pre-tax net profit of Rs. 22,265 million and Rs. 25,121 million respectively for the preceding year, thus showing a deterioration of Rs. 34,711 million and Rs. 31,344 million respectively in the financial results of the year under review.

The decrease of hydro power generation in 2014 by 2,372 GWh or 34 per cent as compared with 6,906 GWh generated in 2013 due to low water level in hydro reservoirs and thereby increase of expenditure in purchasing the Thermal and Coal power generation from Independent Power Producers and Lanka Coal Company (Pvt) Ltd. by Rs.37, 997 million and Rs. 6,354 million respectively to meet the increased demand of 459 GWh, were the main reasons attributed for the above deteriorations.

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3.2 Analytical Financial Review

(a) Financial Position

According to the information made available, the following table gives the highlights of the financial position as at the end of the year under review and the previous year.

Item	As at 31 December		Variance Percentage
	2014 Rs. Million	2013 Rs. million	
Non-current Assets	693,166	656,000	6
Current Assets	76,494	93,435	(18)
Total Assets	769,660	749,435	3
Current Liabilities	82,309	92,698	(11)
Working Capital	(5,815)	737	(889)
Total Capital Employed	687,351	656,737	5
Non-current Liabilities	307,329	430,008	(29)
Equity	380,022	226,729	68

Accordingly, the total assets of the year under review as compared with the previous year had increased by 3 per cent. Meanwhile, the net current assets had become a negative figure of Rs.5,815 million in 2014 as compared with the positive figure of Rs. 737 million in the previous year which represented 889 per cent decrease. The main reason for the decrease of current assets was not because of the improvement of debt recovery process but because of the recovery of mobilization advance.

Thirty two per cent or Rs. 220 billion of the total capital employed by the Board as at 31 December 2014 had been financed through borrowings whereas the previous year borrowing portion was 54 per cent.

(b) Total Comprehensive Profit/(Loss) Analysis

Even in a situation where there is enough hydro power generation, incurring fixed cost is unavoidable in terms of conditions in the power purchase agreements and as a result, the Board is not in a position to achieve one of its most important objective of supplying a power unit at lower cost to the general public. The unit cost of the year under review was Rs. 19.97 as compared with that of Rs. 16.94 in the year 2013 and sold at Rs. 18.50 per unit. Accordingly the operating loss calculated for the year under review is as follows.

Category	Profit/(Loss)	Contribution to the Profit/(Loss)
	Rs. million	Percentage
Domestic	(16,140)	(111)
Religious	(809)	(06)
General Purpose	17,687	121
Industrial	(11,295)	(77)
Government	(135)	(1)
Hotels	60	0
Street Lighting	(2,152)	(15)
Sales to LECO	(1,820)	(12)
Total Comprehensive Loss	(14,604)	100

Accordingly, the tariffs on general purpose and hotel categories were the highest positive contributor against the loss of the Board. The tariffs on domestic and industrial categories were the highest negative contributor to sustain the loss in those categories and their total contribution was 188 per cent. Sales to LECO had also shown an unfavorable contribution to the loss of the Board and it contributed 12 per cent to the loss.



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4 Operating Review

4.1 Performance

(a) Power Generation and Direct Cost

The Power Generation, and summary of direct costs incurred for the generation of electricity and power purchases during the year under review as compared with the previous year is shown in the following tables.

(i) Power Generation

Source	Power Generation during the year		Increase/(Decrease)	
	2014	2013	GWh	Percentage
Hydro	4,534	6,906	(2,372)	(34)
Thermal	4,305	3,260	1,045	32
Coal	3,202	1,469	1,733	118
Non-conventional Renewable Energy	315	263	52	20
Total	12,356	11,898	458	4

(ii) Direct Cost incurred for Generation and Power Purchase

Item	Direct cost incurred in			
	2014	2013	2014	2013
Fuel	46,582	22	29,425	18
Power Purchase	101,149	48	80,308	48
Coal	17,031	8	10,677	6
Operation and Maintenance	24,913	12	26,196	16
Depreciation	21,174	10	20,319	12
Total	210,849	100	166,925	100

The following observations are observed in this connection

- It was revealed that 78 per cent and 72 per cent of the total operational cost of the year 2014 and 2013 respectively was directly related to power purchases and generation.
- Even though the direct cost had increased by 26 per cent during the year under review, the power generation was increased only by 4 per cent as compared with the previous year.

(b) Profit/(Loss) per Unit of Electricity

The following table shows the average profit/(loss) from selling one electricity unit during past five years and it was revealed that the current year had recorded a loss of Rs. 1.47 per unit as against the profit of Rs. 2.22 per unit in the previous year.

Year	Average Selling Price per kwh	Average Cost per kwh	Gain/(Loss) per Unit
	Rs.	Rs.	Rs.
2014	18.50	19.97	(1.47)
2013	17.93	15.71	2.22
2012	15.66	21.50	(5.84)
2011	13.22	15.59	(2.37)
2010	13.16	13.02	0.14
2009	13.13	14.71	(1.58)

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4.2 Operating Inefficiencies

4.2.1 Operations of Lak Vijaya Power Station

The following weaknesses were observed in this connection

- (i) The Lak Vijaya Power Station had not maintained stock registers by showing coal stock levels, i.e. re-order level, maximum stock level, minimum stock level, re-order quantity etc. Further, the accuracy and reliability of the books and records maintained for coal handling could not be ensured due to following lapses.
 - No reliable intake measuring of coal
 - No reliable input calibration of coal to the plant
 - Unloading from the ship is neither monitored by Lanka Coal Company (pvt) Ltd. (LCC) nor CEB
 - Store keeper is just doing the recording activity rather than stock controlling as dominated by the Engineers.
- (ii) It was revealed that, 181,016 MT of coal used during the first nine months of the year under review had not been taken into the stock records.
- (iii) The existing storage capacity of coal yard of Lakvijaya Power Station is 738,720 MT. As the average monthly coal consumption is 195,000 MT, the stock yard is adequate to store only 3.788 months requirement. However, in the monsoon period during April to September (6 month) in every year, coal cannot be unloaded due to the adverse weather and sea condition and therefore, sufficient storage capacity to store total coal requirement for the period is not available.
- (iv) The coal stock as at 31 December 2014 had been physically verified by a private company and according to the report issued by that company; the verification team had identified an excess coal of 32,323 Metric Tons worth Rs. 375.5 million. However, said excess had not been brought to accounts due to lapses in coal handling.
- (v) A difference of Rs. 2,144 million was observed between the coal issued to the plant for power generation and the coal should have been contained in the electricity generation during the year 2014 according to the computation done by audit.

4.2.2 Deficiencies in Procurement of Coal

The following deficiencies were observed.

- (a) Gross Calorific Value (GCV) of coal received on three shipments was lower than the Standard Values of the plant and therefore, the report issued by the quality inspector of the supplier at the loading port was inaccurate and it was further observed that the said inspector had blacklisted by an Indian Court.
- (b) The CEB had to incur a loss of Rs. 345,168,000 and additional cost of Rs. 507.6 million from firing the low GCV coal stock of 143,932 MT and for supplement of the yield energy shortage of 25 MW from alternative energy sources due to consumption of low GVC values coal.
- (c) Even though LCC and Ceylon Shipping Corporation (CSC) had agreed to supply short delivery of 29,896 MT of coal relating to shipment o. 16 and 17 within 6 months, from the date of short delivery on 04 April 2012 they had failed to do so. The value of the short delivery was Rs. 654.2 million.

Further, the CEB had not taken any action to recover that over payment made to them even by 31 December 2014 and the estimated opportunity cost of the capital tied-up based on the overdraft interest was Rs. 228.9 million.



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- (d) In case the GCV of coal is less than the plant recommended value, the General Manager had to be obtained an opinion from the consultant or the manufacturer on using them, as the plant is within the defect liability period. However, obtaining of such opinion from respective personnel was not observed in audit. Further, the CEB had not taken any action to recover the losses sustained by the Board from the parties involved to arrive wrong decisions as instructed by the Attorney General by his letter dated 21 December 2012, even as at the end of July 2015.
- (e) As a result of making incorrect decisions on the price adjustments of two bidders by the Procurement Appeal Board and Standard Cabinet Appointed Procurement Committee, a wrong supplier was selected for the supply of coal and as such an additional cost of Rs.263.5 million had to be incurred by the Board thereon.
- (f) According to the agreement entered into between the CEB and LCC, the cost of weight determination shall be for the LCC account. A private company was selected by the LCC for the determination of coal weight. But it is questionable about the independency of such company as the selection had been done by the LCC. However, all expenses of the LCC relating to the coal handling get reimbursed from the CEB. In the meantime, the certificate for the weight determination is not sent to the CEB as direct confirmation.
- (g) Strategies or technique are being used in the international context to measure the coal stock had not been followed or introduced by the CEB to physically verify the coal stocks either at the coal yard or at the shipment. As a result of accepting the weight measured by Ceylon Shipping Corporation and independent survey agent in both loading and unloading ports, the accuracy and the transparency of the measurements made could not be reliably accepted in audit. Further, it was observed in audit that the weigh measuring equipment (Weight Bridge) was inaccurate and the Board had not taken actions to repair them or take alternative method to measure the accuracy of coal weight. Hence, there were considerable differences between the invoiced and unloaded quantities. Therefore, the accuracy of coal stock both quantity and value is in doubt due to taking the invoiced quantities to stock records of the Board,
- (h) Normally, the CEB is paying the value of letter of credits to the LCC base on the commercial invoices produced for the procurement of coal and in most instances their value is higher than the actual invoice amounts. Further, the LCC takes considerable longer period for settling the overpaid amounts. For instance, the number of days taken for settling the overpaid amount for shipment No. 43 and 44 was 196 and 171 days respectively. The opportunity cost of the capital tied-up computed for the unsettled over payment based on the overdraft interest rate of 14 per cent per annum was Rs. 6. 7 million.
- (i) The estimated coal requirement for the period from 10 September 2014 to 29 April 2015 was 2,170,000 MT. Nevertheless, the LCC had supplied only 1,859,738 MT, thus the shortage coal quantity was 310,262 MT. Therefore, the plant could not operate in full capacity and generate maximum electricity. As such, 807,974,993 kWh equal to 113 running days had been lost to the Board and incremental unit cost due to not dispatching through Lakvijaya Power Station is 18 Rs/kwh. Therefore, the total loss was Rs. 14,543.5 million.
- (j) According to Guideline 4.2 of the NPA Circular of 25 January 2006 and the National Budget Circular No. 128 of 24 March 2006, a proper Procurement Plan needs to be prepared and got approved annually. However, such Procurement Plan had not been prepared in order to ensure the smooth operations and financial functions of the Board.
- (k) The Lanka Coal Company had failed to furnish the details such as a list of bids received, bid opening minutes, technical evaluation reports, procurement committee reports etc. for audit, in relation to the bid No. 03, 04 and 05 for the procurement of Rs.15,697,500,000 worth coal which had been accounted in the financial statement of the Board under cost of sale to ensure the proper functioning of procurement process.

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4.2.3 Security Deposits for Electricity Bulk Supply

The following deficiencies were observed in this connection.

- (a) According to audit test checks, it was revealed that the security deposits to the value of Rs. 45.7 million in relation to 123 electricity bulk consumers in Deputy General Manager's Office (Western Province South) had not been obtained to mitigate the credit risk of the bulk consumers. The balance outstanding from those consumers as at 31 December 2014 was Rs. 89.1 million.
- (b) The value of current security deposits maintained by 568 bulk consumers in Deputy General Manager's Office (Western Province South-1) had been lesser by Rs. 848.4 million than the value which should have been maintained according to the current policy. The amount outstanding from those consumers as at 31 December 2014 exceeding the security deposits was Rs. 413.5 million.
- (c) A sum of Rs. 3.2 million outstanding from 15 bulk consumers whose accounts had already been recognized as non performing (irrecoverable) would most probably be a loss to the Board due to insufficient security deposits.

4.3 Management Inefficiencies

The following observations are made.

- (a) According to paragraph 7.2 of the Public Enterprises Circular No. PED/12 of 02 June 2003 all public enterprises should have their own Systems/Manuals covering all major operations, regularly revised and updated. However, the Board had not revised and updated its procedure manuals prepared somewhere in 1987.
- (b) A sum of USD 6,460 equivalent to Rs. 839,800 had been over paid by the Board to officers who had gone for foreign training during the year 2014 and it had not been recovered even as at 14 September 2015.
- (c) The Board had not taken any action to dispose the stock valued at Rs. 8,632,412 identified as damaged at DGM Office in Eastern Province over a period of more than four years as at 31 December 2014.
- (d) Hundred and eighteen electrification jobs to the value of Rs. 125,248,220 had been remained in WIP position over a period of more than 05 years without taking suitable actions to complete them in an efficient manner.
- (e) The matter in relation to short delivery of Rs. 9,159,247 worth fuel supplied by the CPC had not been-sort out even as at 31 December 2014.
- (f) A sum of Rs. 103,491,574 paid to Local Authorities and Divisional Secretariats in relation to mitigate the dispute of the fishermen at Norichhole for laying transmission line through Puttlam Lagoon as advances had been recognized in the accounts as work in - progress with the intention of capitalizing. But, no evidence or source documents were provided to audit to ensure the reasonability, transparency and the accountability of these expenses. Out of that, a sum of Rs. 18,391,574 given to such organizations had been remained idling in the Bank Current Accounts for more than 06 months as at 25 June 2015 without being used for the purposed they were granted. Hence, the real requirement of such payments was doubt to audit.
- (g) A sum of Rs.1,324.9 million had been withdrawn from the investment of insurance reserve for the replacement of damaged assets belonging to the Board due to civil war in the year 2003 and 2009. Even though, the cost incurred for the replacement of such assets was Rs. 1,261.2 million, no action had been taken to re-invest the over withdrawn amount of Rs. 63.7 million even up to 31 December 2014. Further, the price variance included in the cost incurred for the replaced assets had not been separately recognized for the purpose of re-investing the actual over withdrawn amount.

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(h) The total demurrages paid by the CEB during the year under review due to inefficiencies in jetty operations relating to coal shipments was Rs. 27.4 million and a sum of Rs. 182 million had been further paid as advance for demurrages as per the request made by the Lanka Coal Company (Pvt) Limited without being assessed the actual amounts to be paid. In the meantime, the amount due for the same period as per the calculations made by the audit was Rs. 47.8 million. It was further observed that proper action had not been taken to mitigate such type of losses.

4.4 Idle Assets

The following idle assets were observed in audit.

- (a) The barges and tugboats purchased by the Board valued at Rs.1,005,333,192 for the purpose of coal handling in 2009 had remained idle for over a period of more than five years as at 31 December 2014 and it had been decided to sell them in 2014. However, no action had been taken in this connection even up to 31 December 2014.
- (b) Five bowsers procured by the Board for Rs.36.5 million by utilizing foreign loan obtained for phase I of the Puttalam Coal Power Project in 2009 had not been utilized for the intended purpose and remained idle even without being taken into the asset register to date.

4.5 Irregular Payments

The following observations are made.

- (a) The Board had paid the PAYE tax on behalf of its employees in contrary to the Cabinet Decision taken on 13 December 2007 to shift the PAYE tax liability to employees since the next salary revision which should have been effected since 2009. The PAYE tax paid by the Board since the year 2010 to 31 December 2014 was Rs.1,407 million.
- (b) Thirty nine different staff allowances had been paid from time to time to the staff of the Board on the approval of the Board of Directors without obtaining the approval of the Cabinet of Ministers as specified in the Public Enterprises Circular No 95 of 04 June 1994. At the Audit test checks revealed that such allowances amounting to Rs. 849 million had been paid in the year 2014 as compared with Rs. 642 million so paid in 2013.
- (c) The construction activities of the proposed building called "Vidulakpaya" for the Head Office of the CEB had been abandoned with immediate effect on the decision taken by the Board of Directors on 07 October 2014. However, the reasons for abandoned of the construction neither included in that Board Decision nor made available to audit. The construction cost up to the date of abandoned was Rs. 380 million and the total cost incurred for that was not made available to audit.

4.6 Unidentified Losses

The following observations are made.

- (a) Two tugs boats, three barges, and one line boat belongs to Lak Vijaya Power Station, had been parked in Trincomalee and Colombo Ports since 2009 as they are not suit for coal unloading operations. However, CEB purchased those lightering equipment from the foreign loan obtained for the Coal Power Project with the recommendation of the Project Director, CEB representative, and under the supervision of the line Ministry. Due to incorrect decisions of those officials, the CEB had to incur a loss of Rs. 1,250.1 million as details given below.

Description	Amount Rs.
Cost of purchase	1,074,244,082
Expenditure relating to lightering equipment(Maintenance) Expenses reimbursed to Ceylon Shipping Corporation for Anchorage	55,600,510
	120,265,270
Total	1,250,109,862

AUDITOR GENERAL'S REPORT Contd...

- (b) The value of misplaced property of the Heavy Maintenance Stores at Walachchene belonging to the Board including a water motor stolen by a Security Guard of a private security firm employed in that store was Rs. 1,610,203.
- (c) The value of insulators procured under Iranian Loan for Rural Electrification Project which had been rejected by the quality inspectors due to inferior quality was Rs.6,387,630. Only the action that had been taken by the Board for that missprocurement was to transfer them to warehouse at Kotugoda.
- (d) The reasons for the diesel shortage to the value of Rs. 85,670,920 identified at the physical verification of the year 2014 were not made available to audit. Further, that shortage had not been investigated.

4.7 Matters in Contentious Nature

The following observations are made.

- (a) It was observed in audit that the CEB had maintained the position in accordance with the Ceylon Electricity Board Act No. 17 of 1969 as amended by Act No.31 of 1969, that the Treasury Circulars and Public Administration Circulars issued by the Government from time to time to maintain uniform procedures and practices in relation to Finance and Administration in all public sector organizations including Public Corporations and Boards are not applicable to them if the Board of Directors of the CEB had not allowed to adopt as the administrative rules of the CEB. Few such instances are given below.
 - (i) In contrary to the Public Administration Circular No.15/90 of 09 March 1990 and Public Enterprises Circular No. PED/12 of 02 June 2003, the Board had recruited non-skilled and semi-skilled staff annually as clerks, cashiers, storekeepers, typists, drivers, office aides, labourers etc. without calling for Island-wide applications from qualified candidates through newspaper advertisements, Gazette notifications etc. as specified in circular instructions. There were 333 employees who had been recruited in that manner during the year under review. As a result, the Board has lost the opportunity to recruit the most competent persons to the relevant posts.
 - (ii) Instead of granting vehicle loans at 10 per cent to 14 per cent interest as per the Public Enterprises Circular No. 130 of 08 March 1998, the Board had granted it at 4.2 per cent interest. Further, it was observed that the staff loans have been paid without any control even the Board faces severe liquidity problems.
- (b) The shortfall observed between the Insurance Reserve Fund balance and Investment of Insurance Reserve Fund as at 31 December 2014 amounting to Rs.4,099 million had not been invested as per the self-insurance policy of the Board. There was no proper financial management was in operation in the Board to implement such statutory requirements.
- (c) Even though the Board had sold electricity to LECO and purchasing fuel from Ceylon Petroleum Corporation for several years, there are no sales and purchase agreements entered between those two parties in order to ensure the smooth operation of the individual institutions.
- (d) Any action taken for the following matters as reported in my previous years audit report was not observed in the year 2014 as well.
 - Front cab was replaced with similar unit (24 vehicles)
 - A 2T used crane was fixed locally (2 vehicles)
 - Original cab was replaced with used cab(2 vehicles)
 - Original front cab & rear tray were replaced with used different model cab and tray (1 vehicles)
 - Front cab and rear tray were replaced with used units (1 vehicle)
 - A crane was fitted locally (1 vehicle)

AUDITOR GENERAL'S REPORT Contd...

Further, there is no proper updated vehicle database for both CEB owned and hired vehicles. Hence, the reasonability of incurring Rs. 216,773,402 in 2014 for vehicle maintenance could not be ensured in audit.

- (e) Even though the CEB has 50 per cent ownership of the Trincomalee Power Company Ltd, a Joint Venture Company, only one directorship out of three had been allocated thereto. Hence, the possibility of making decisions in favour of other partners is very high.

4.8 Human Resource Management

The following observations are made.

- (a) Scheme of Recruitment (SOR) of the Board had not been updated for a longer period.
- (b) Three thousand six hundred and fifty five employees had been outsourced as at 31 December 2014 by superseding the latest cadre approved by the Board in 2012. The outsourced personnel were 20 per cent of the total staff strength of the Board.
- (c) The following posts in the approved cadre had been in vacant by 31 December 2014 and most of those vacancies had been filled on contract and outsource basis.

Category	Number of Vacant Posts	Filled by Contract Basis / Manpower
Executive	367	09
Middle Level Technical Service	164	29
Clerical and Allied Categories	509	1,174
Office Employee Categories	47	179
Drivers	28	535
Skilled Technical Service	647	805
Semi - Skilled Technical Service	1,690	213
Other Skilled Grade	34	8
Total	3,486	3,843

- (d) The approved cadre for Unskilled Field Service had been exceeded by 1356.
- (e) Seniority is the only factor considered for promotions and no succession plan was made available. Promotions to key posts are also granted for a very shorter period even less than half a year which reflected a bad practice in the Board and therefore, it was observed that the promotion is benefited to the employee but not to the entity.
- (f) The Key post in the HR Division is DGM (Personnel) but required HR qualifications and experience for that post had not been specified in the Scheme of Recruitment (SOR) keeping the posts open to other services, especially, for electrical engineers. Hence, the existing SOR could not be considered as a completed and accurate one.
- (g) The post namely Chief Engineer (HR Policy) in the Personnel Management Section in the Board has been created reflecting mismatch between the two individual professions.
- (h) According to the existing SOR, 50 per cent of the total cadre of Human Resource Officer Service is filled from externally and that percentage is planned to increase year by year gradually up to 85 per cent. However, it was not observed a clear promotion path for those externally recruited employees in the promotion scheme as two engineers covered the head functions in the Division over a longer period of the Board's history and posts above the class 4 in that Section have been opened to the services other than the field of HR.

AUDITOR GENERAL'S REPORT Contd...

- (i) Experience required for direct recruitment of Human Resource Manager (HRM) and Human Resource Officer (HRO) is 06 years in the field of HR in an organization having more than 100 employees which inadequate as compared with the staff strength need to be handled in this organization.

5. Accountability and Good Governance

5.1 Budgetary Control

Significant variances were observed between the budgeted and the actuals, thus indicating that the budget had not made use of as an effective instrument of management control.

6 Systems and Controls

Deficiencies in systems and controls observed during the course of audit will be brought to the notice of the Chairman of the Board by my detailed report that will be issued in the terms of Section 13 (7) (a) of the Finance Act. Special attention is needed in respect of the following areas of control.

- (a) Assets Management
- (b) Receivables and Payables
- (c) Inventory Control and Stock Management
- (d) Human Recourses Management
- (e) Accounting and Financial Management
- (f) Investments and Control over Subsidiaries
- (g) Project Management and Control
- (h) Budgeting
- (j) Staff Loans
- (k) Power Purchase Management.



H. M. Gamini Wijesinghe
Auditor General

REPLIES TO REPORT OF THE AUDITOR GENERAL

REPLIES TO THE REPORT OF THE AUDITOR GENERAL ON THE CONSOLIDATED FINANCIAL STATEMENTS OF THE CEYLON ELECTRICITY BOARD AND ITS SUBSIDIARIES FOR THE YEAR ENDED 31 DECEMBER 2014 IN TERMS OF SECTION 14(2)(c) OF THE FINANCE ACT NO. 38 OF 1971

1.2 Management's Responsibility for the Financial Statements

Informative

1.3 Auditor's Responsibility

Informative

1.4 Basis for Qualified Opinion

Informative

2. Financial Statements

2.1. Qualified Opinions

(a) Qualified Opinion – Board

Informative

(b) Qualified Opinion - Group

Informative

2.2. Comments on the Group Financial Statements

(a) Going concern issue of Heladhanavi Limited

In accordance with the power purchase agreement (PPA) dated 9th May 2009 entered between Ceylon Electricity Board (CEB) and Heladhanavi Ltd (a subsidiary of LTL Holdings), the operation of the 100MW Heladhanavi Power Plants was terminated on 08th December 2014.

According to SLFRS 05, property plant and equipment of Heladhanavi Ltd also have been classified under current assets. Please refer note 2.1 in page No. 10 and note 4 in page No.32 of audited financial statements of LTL Holdings (PVT) Ltd as at 31st December 2014.

(b) The audited financial statements of Lanka Coal Company (Pvt) Limited for the year ended 31 December 2014 had been furnished to audit on 2015-12-28 with a delay of 09 months including following matters

- i. Trade & Other Payable balance of Rs.502.9 Mn. could not be verified
- ii. The accuracy, recoverability & completeness of Trade & Other Receivable balances
- iii. The accuracy of Income Tax Receivable Liability of Ts.63 Mn

These matters have been communicated to the Chairman LCC by the Chairman CEB via his letter No.CEB/FM/AFM(Corp)/Acct(Con.)/FA2015 dated 2016-05-03 in order to rectify the same in the year 2015 accounts.

2.3. Comments on the Financial Statements of the Board (CEB)

2.3.1. Sri Lanka Accounting Standards (LKAS/SLFRS) and Accounting Policies

(a) LKAS 01 & LKAS 16 - The Board uses the standard rates for valuing of its capital and maintenance jobs instead of actual rates

The balances relating to material price variance, labor rate variance and overhead variance as at 31.12.2014 in the accounts of CEB is as follows:

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

Division	Balance Rs. (A+B+C)	Material Price Variance (A)	Labour Rate Variance (B)	Overhead Recovery (C)
DD 01	2,115,813,779	1,286,851,960	216,693,727	612,268,092
DD 02	1,678,857,756	893,457,883	379,246,763	406,153,110
DD 03	1,246,747,541	601,620,275	279,388,779	365,738,487
DD 04	882,035,273	393,597,931	190,719,788	297,717,554
Total	5,923,454,349	3,175,528,049	1,066,049,056	1,681,877,244
% from total balance		54	18	28

The material price variance

LKAS 02 permits to use standard cost method for the valuation of inventories, if the results approximate to the cost. CEB uses standard prices for valuing inventory as per the management decision to avoid complexity and to maintain uniformity for costing of jobs.

Labor Rate variance

It is the policy of CEB to account the labor at a standard rate for capital jobs which is calculated based on the existing salary scales. Therefore it does not represent a significant variance with the actual rates as above. Therefore, the existing difference (18%) is derived mainly due to quantity (no. of hours) estimated for jobs.

Overhead variance

Overhead cost for individual jobs is also recognized using the standard rates and it is also very much appropriate for CEB due to the large number of capital and non-capital jobs carried out by the CEB annually.

(b) LKAS 08 – Over estimated telecommunication expenditure Rs.9.4 Mn had been posted to the Income Statement without entered into the Retained Earnings

In accordance with LKAS 08 the revision of an estimate does not relate to prior period and is not a correction of an error.

The previous year (2011) telecommunication accruals amount of Rs. 9,569,079.33 was provided but expenses was Rs. 69,896.39. The amount over provision of Rs. 9,499,182.94 had been accounted as a decrease of current year (2014) relevant expenses based on the judgment of materiality.

(c) LKAS 19 - Employee Benefits

As per LKAS 19, an enterprise may establish planned assets in line with planned liabilities to mitigate the risk. However, CEB management has not taken any policy decision to invest externally and LKAS 19 even does not recognize it as a mandatory requirement.

According to our records the current service cost, interest cost and return on investment in relation to pension expenses recognized in the statement of comprehensive income of the year 2014 had been correctly stated and therefore no any understatements.

(d) LKAS 20 – Accounting for Government Grant and Disclosure of Government Assistance

As per the letter No.PE/Capital/2014/1 dated 30.09.2015 sent by the Director General of Department of Public Enterprises, it was informed that the Rs.31 Bn related to the provision for rural electrification projects has been provided as a grant to CEB and it has been recorded in the books of Treasury also.



REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

(e) LKAS 39 – Financial Instruments, Recognition and Measurement

Necessary actions have been taken to rectify the existing weaknesses in the accounts of 2015.

2.3.2. Accounting Deficiencies

(a) The other debtors shown in the financial statements had been understated by Rs. 10,460,435

According to the books of CEB, the receivable balance on security lamps for MPs was Rs. 9,394,437.00 and the same balance was reflected in the Financial Statements of Ministry of Power and Energy as a payable.

Therefore this amount is related to MPs security lamps and it is a receivable balance in our book and not a credit balance. Therefore no understatement of receivable has been recorded.

(b) Un-reconciled differences among the transfers in, transfers out and work-in- progress (WIP) transferred to other Divisions during the year 2014

It is agreed that the PPE transfers between individual divisions to be zero at the point of CEB as a whole as stated in the query.

However due to the prevailing practice of recording such transfers reflected a balance instead of being zero. Further it should be noted at the year end there is no transit other than the Rs 2,130,069 which is an unclear balance outstanding for a long period. Accordingly, it is confirmed that all the PPE transfers during the period were recorded correctly.

WIP transfers reflected completed jobs transfers to PPE as well as the transfers to the other division. For an example the projects which are completed need to be transferred to the Generation, Transmission or Distribution Division by Project Division. The summarized schedule of the difference and reason for the same as follows.

Division	Inter Transfer		Difference (Rs)
	In (Rs)	Out (Rs)	
DD 1	271,436	-	271,436
Generation	3,974,764,663	-	3,974,764,663
Transmission	2,501,769	-	2,501,769
Projects	20,218,860	3,967,041,202	(3,946,822,342)
Project Adjustment with Transmission	265,367,414	-	265,367,414
Head Quarters	227,391	249,980	(22,589)
Total	4,263,351,533	3,967,291,182	296,060,351

Distribution Division 01- transfer in amount of Rs 271,436/-

Transfer in amount of Rs 271,436 /- in DD 01 includes Air Condition jobs received from Asset Management Division. It was treated as transfer out of Non- Capital WIP in accounts of the Asset Management Division and not the transfer out of the PPE.

Head quarters Division - transfer out amount of Rs 249,980/-

Amount of Rs 249,980 /- appeared as transfer out of Headquarters Division includes two software purchase and transfer to Distribution Division 04. In the DD 04, this has been recorded under line of 'Direct purchases' and not under the line of 'Transfer in'.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

Headquarters Division - transfer in amount of Rs 227,391/-

Transfer in amount of Rs 227,391/-in Headquarters Division includes air condition jobs received from Asset Management Division. It was treated as transfer out of Non- Capital WIP in accounts of the Asset Management Division.

Generation Division - transfer in amount of Rs 3,974,764,663/-

Transfer in amount of Rs 3,974,764,663/-in Generation Division includes asset transfer from Uppper Kothmale Hydro Power Plant Project (Project Division) amounting Rs 3,967,041,202/- The difference of Rs 7,723,461 included in WIP transfer out of Project Division.

Transmission Division - transfer in amount of Rs 2,501,769/-

The breakup of transfer in amount of Transmission Division as follows

Division	Amount
Management	1,301,869.00
Distribution Division 03	6,600.00
Distribution Division 04	1,193,300.00
	<u>2,501,769.00</u>

Transfer in amount of Rs 1,301,869/- includes air condition jobs received from Asset Management Division. It was Non-Capital WIP out in accounts of the Asset Management Division.

Transfer in amount of Rs 6,600/-includes part of substation and switchyard from Distribution Division 03 .It was treated as a WIP transfer out of DD 03.

Amount of Rs 1,193,300/- appeared as 'Transfer in' includes machinery received from Distribution Division 04, whereas it was recorded as an 'inventory out' in the ledger of DD 04.

Project Division - transfer in amount of Rs 20,218,860/-

Transfer in amount of Rs 20,218,860/- includes assets transfer among the Projects in the project division .Such as Broadlands Hydro Power Transfer Projects, Trincomalee Coal Power Projects. Each projects transfer out have been done through WIP where as it has been recorded in the transfer in line of the PPE schedule of Project Division.

Transmission Division - transfer in amount of Rs 265,367,414/-

Transfer in amount of Rs 265,367,414/- includes assets transfer from the Project Division and it was treated as a adjustment in the accounts of Project Division.

(c) Some items had not been taken into account in ascertaining the cash flows of the year

Item	Amount Rs.
Overhead Recoveries	1,782,778,237
Labour Rate Variance	1,093,769,100

Overhead Recoveries – Rs.1,782,778,237

Overhead recovery is the portion of the overhead cost absorbed to the capital job and Cost Recovery jobs (CR jobs). The reason for the absorption is to allocate part of the administrative and other overhead cost incurred

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

to carry out the respective jobs of the division to the assets being capitalized. The cost is absorbed based on estimated labour hours for the particular job using standard rate established in CEB for Overhead absorption in every year.

The total costs on CR jobs including overhead cost are recorded from the customer and hence the overhead portion of CR jobs is realized in cash and no adjustment is required to be made in the cash flow statement. The overhead portion of CEB own capital jobs is not realized through cash which is considered as non-cash adjustment. Hence, action will be taken to check the possibility of segregating the overhead recovery amount between CR jobs and CEB own capital jobs to adjust the same to the cash flow statement in future.

Labour Rate Variance – Rs.1,093,769,100

The portion of the labour rate variance that should be adjusted to maintenance jobs, WIP and PPE cannot be identified separately and hence such adjustment has not been made in the cash flow statement.

(d) Damaged Stocks of Rs.33.3 Mn.

The items identified by the auditors have not been recognized as damaged stock during the stock verification of year 2014. Hence, provisions have not been made.

(e) Rs.115,068.23 Mn. incurred after the commissioning of Puttalam Coal Power Plant Stage II & III still in the WIP

In order to be par with LKAS 16 for assets componentization, a committee has been appointed by the Finance Manager to determine a policy for the assets componentization related to PCPP which includes the identification of life times and the costs of such components in order to transfer PCPP II and III.

Once the componentization methodology and the policy finalized, the total assets will be accounted in the books of the Generation Division.

(f) Rehabilitation cost of Wimalasurendra, New Laxapana and Old Laxapana projects in the work-in-progress without being capitalized

All these rehabilitation projects will be capitalized in the year 2015.

(g) Having different economic useful life times for Jetty and port at Lakvijaya Power Plant (100 year and 30 years respectively)

In order to be par with LKAS 16 for assets componentization, Finance Manager, CEB has appointed a committee comprising the finance officers from Generation, Transmission and Project divisions for the preparation of a guideline to establish the componentization of a coal power plant and recommendation for transfer of completed assets of Lakvijaya power station.

Once the outcome report is received from the above committee, necessary action will be taken accordingly.

(h) A large number of equipment and spare parts available at the stores of LVPS had not been valued and taken into the books of accounts.

As the LVPS is at its initial stage of operation, due to the unfamiliarity of spares received as a part of plant from the Original Equipment Manufacturer (OEM) and the lack of experience are identified as main causes for this matter.

However, the spare parts indicated have been identified and listed. A formal physical stock verification will be carried out shortly.

(i) Under estimated CPC outstanding balance

As per the decision taken at the meeting chaired by Secretary to the Treasury on 30th September 2013, it was decided to pay interest on overdue invoice value (beyond the credit period) with effect from 20th April 2013.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

However, the delay interest payment of Rs. 753,610,829 is related to fuel purchases before 20th April 2013 by CEB. Therefore, CEB is not liable to pay that delay interest to CPC.

(j) A receivable balance from AES Kelanitissa Power Plant had erroneously been accounted as receivable from CPC.

This entry has already been corrected in January 2015.

(k) Stock shortage of the Heavy Maintenance Stores at Walacchene

This shortage was due to non-issue of GRN's and requisitions as at verification date. This shortage was checked and later it was rectified by issuing GRN's and requisitions.

2.3.3 Accounts Receivable & Payable

(a) Trade and other receivable balances remained outstanding for more than 3 years without being recovered (Rs.2,199 Mn.)

Out of the total other receivable balance mentioned in the Auditor's Report, Rs 1,545 Mn is a mobilization advance given under RE 8 project which will be set off against progress payment as per the instruction given by the Secretary to the MOPE by his letter No.PE/DEV/01/04/2008 VIII dated 04.11.2014 addressed to General Manager CEB.

Another Rs 188 Mn is relating to the value of transformers which were removed from existing distribution lines and record temporarily until repairs are done or disposed. However, it is found this accounting treatment needs to be reviewed further. Therefore, Finance Manager has requested relevant parties to revisit this treatment and take necessary actions accordingly.

In addition, necessary action is being taken continuously to monitor and collect long outstanding Government and private institution trade and other debtor balances.

(b) No proper action to recover long outstanding bulk and ordinary supply debtor balances

All the distribution divisions take appropriate actions as a part of their normal business process in order to recover the outstanding debts.

Most of the balances remain outstanding for a long period due to disputes with the consumers which include surcharges, interests, etc. Actions such as remind letters, red notices, initiating legal actions and disconnection orders have been taken with the support of Mediatory Boards and legal branch where appropriate.

Further, as per the age analysis of trade debtors as at 31st December 2014 more than two years debtors represent only 4% from the total trade debtor balance and 85% represents the balance less than 3 months.

(c) Creditors' balance of CPC is outstanding more than 05 years

Rs.7,000,000/- has been paid by Ceylon Petroleum Corporation for shifting of a Transmission Line. However, the job had not been carried out as CPC did not want it to be done. Therefore, CPC has to forward that original PIV copy to get the amount refunded. Until then, the balance will be appeared as a creditor in the accounts.

(d) Sum aggregating Rs.911.4 Mn. made in connection with West Coast Power Plant and Mini Hydro Developers under Sustainable Energy Authority (SEA) had remained outstanding for more than 5 years

A payment has been made to Ministry of Power & Energy for the transaction in connection with opening

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

ceremony expenses of West Coast Power Plant (Kerawalapitiya) combined power plant. These expenses need to be reimbursed by the Ministry.

A reminding letter has been sent on 1st October 2013 & reply has not been received and new reminder was sent on 8th October 2015.

At the time of formulating the cost based for Renewable Energy, it was decided that CEB should bear only the portion equivalent to 90% of avoided cost.

It was further agreed that full amount based on tariff should be paid by CEB and the amount in excess of 90% of avoided cost to be reimbursed by Sustainable Energy Authority to CEB. CEB had been informing SEA monthly amount to be reimbursed. This amount receivable was amounting to RS.897,025,999/= as at 31/12/2010.

A reminding letter has been sent on 1st October 2013 & reply has not been received and new reminder was sent on 08th October 2015, and also a decision was taken to withhold the payment to SEA for purchasing energy generation until the payment is settled.

(e) Long outstanding balance from LECO for more than 05 years

A Committee has been appointed by the Chairman of DCC to study the details of long outstanding balances with LECO and necessary action will be taken once the report of the committee is received.

(f) Abnormal nature of sundry debtors as "issues" under DGM (WPS 01)

When one cost center issues goods to another cost center as internal transfers, the receiving end raises a GRN. However, until the Accountant receives the hard copy of GRN, the particular issue remains un-reconciled in the stock ledger and the issuing party temporarily records it as a receivable and it has been cleared subsequently.

2.3.4 Lack of Evidence for Audit

(a) Title deeds for Rs. 38 million worth of 12 lands owned by the Uva Provincial Office were not made available to audit

As per the letter no: DGM (AM & C)/Land survey/2014 dated 13/03/2015 arrangements have been taken to identify the lands owned by CEB, and the details were sent to DGM (AM&C) by letter no: DGM (Uva)/HRO/EA/E4/Lands dated 03/03/2015 in order to take further action for preparation of survey plans.

Therefore, necessary action will be taken accordingly.

(b) It was observed that 8 motor vehicles valued at Rs. 14,238,758 had been included under the assets, but physically not existed at the Board

These vehicles have been released to the MOPE. The action already has been taken to find out the details of such vehicles and follow up action is being taken to trace the vehicles and will be corrected in future.

2.5. Non-compliance with Laws, Rules, Regulations and Management Decisions etc.

(a) Ceylon Electricity Board Act No. 17 of 1969

(i) Section 47 (1)(b) – A Loan Redemption Reserve

The appropriation for loan redemption reserve has not been made since year 2000 due to continuous operational losses suffered by CEB during the period. The decision to allocate appropriate funds for the said reserve will depend on the cash flow situation of CEB. However Section 47(1) (b) does not specify any annual contribution and it is permitted to the Board to determine the annual contribution.

A Board paper submitted in this regard was referred to the Audit Committee. At the Board meeting held on

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

2015-05-25, it was confirmed the minutes of the meeting of Audit and Management Committee Meeting held on 2014-12-15.

(ii) **Section 47(2)(a) - the Board had established a Depreciation Reserve but no movement had been taken place after year 2000**

This reserve also has not been updated as result of the continuous losses incurred by CEB. According to the Section 47(2) (a) Depreciation Reserve has been established by allocating funds out of the profits earned up to year 2000. However, this has not been invested outside.

A Board paper submitted in this regard was referred to the Audit Committee. At the Board meeting held on 2015-05-25, it was confirmed the minutes of the meeting of Audit and Management Committee Meeting held on 2014-12-15.

(iii) **Section 47(2)(b) - The Board had established an Other Capital Reserve but not updated since the year 2000**

The provision for this reserve has also not been made since the year 2000 as a result of negative cash flow situation and continuous loss incurred by the CEB.

A Board paper submitted in this regard was referred to the Audit Committee. At the Board meeting held on 2015-05-25, it was confirmed the minutes of the meeting of Audit and Management Committee Meeting held on 2014-12-15.

(b) Inadequate investment in Insurance Escrow Fund

The insurance escrow fund was formed with funds which are immediately required for the purpose of indemnifying a loss that may occur at any given time. Board has decided to invest in low risk financial institution as per the negotiation had with the World Bank in 1987. Since this Insurance Escrow Fund is operate at the Peoples' Bank.

A Board paper submitted in this regard was referred to the Audit Committee. The Audit Committee report dated 2014-12-15 has considered the recommendation of the Board paper and it was agreed to maintain the relevant reserves as mentioned in the Board paper.

3. Financial Review

3.1. Financial Results

Informative

3.2. Analytical Financial Review

(a) Financial Position

Informative

(b) Total Comprehensive Profit/(Loss) Analysis

Informative

4. Operating Review

4.1. Performance

(a) Power Generation and Direct Cost

Informative



REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

(b) Profit/(Loss) per Unit of Electricity

Informative

4.2. Operating Inefficiencies

4.2.1. Operations of Lak Vijaya Power Station

i. The Lak Vijaya Power Station (LVPS) had not maintained stock registers to show coal stock levels

In a coal power station, coal requirement cannot be sent before the combustion process as the amount of consumption varies with a number of system parameters which are time variant. So the requisition of coal is done weekly after consuming those.

- Coal quantity at the port of loading is calculated using a draft survey of the shipping vessels by an independent surveyor. It is an accepted method of measuring of coal quantity in the industry.
- Unloading from the ship is continuously monitored by the CEB staff at the jetty.
- There is a coal requisition process in LVPS and operation Engineer requests the weekly coal requirement of LVPS from the store keeper (SK) through a requisition and the SK issues the order. According to the requisition SK updates the stock level and instructions are given to all relevant parties to maintain the system correctly.

ii. 181,016 MT of coal used during first 9 months had not been taken to stock records

There seems to be a calculation error as both the figures indicated in the query is based on the same data and hence those shall be equal.

iii. Sufficient storage capacity to store total coal requirement is not available

Already LVPS has identified the required extra area of the coal storage yard size. According to the available details and with the coal yard extension up to 1.21 MMT will be sufficient to store coal for off season from mid-April to mid-September. Initial steps with regard to the Coal stockyard expansion work have already been taken.

iv. Excess coal inventory

The result of the coal stock physical verification as at December 31, 2014 has been conducted during coal receiving period when the stock pile was very large. Hence the accuracy of this survey could have been affected. Therefore another physical stock verification was carried out as at June 18, 2015 and the results were only 0.9 % higher than the book value (Allowable deviation is ± 5 %). The Coal stock is calculated using the draft survey of the shipping vessels by international independent surveying authority.

v. Difference of Rs.2,144 Mn. between the coal issued and the coal should have been contained in the electricity generated

In the query net energy exported has been used for calculations whereas this has to be corrected for gross generation.

Further, the value taken is only a design value. Coal consumption to produce a kWh is highly dependent on the properties of the coal. Mainly calorific values, humidity of coal affect the coal consumption.

In addition, last year the plants were run on under capacity due to requirements of the power system which is also a reason for the increase consumption of coal than the design value.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

4.2.2. Deficiencies in Procurement of Coal

(a) Gross Calorific Value (GCV) of coal of 3 shipments was lower than the standard value of the plant

As per the agreement with coal supplier when a substantial deviation was revealed with regard to the quality analysis of coal between two reports of loading and discharging ports umpire sample of loading port is sent to a testing authority nominated by CEB.

Accordingly, umpire sample of 18th, 19th and 20th vessels were sent to a quality surveyor nominated by CEB and from their test reports it revealed that the quality of coal supplied were within the acceptable range. The GCV values as per the Umpire sample testing reports of load ports are 6069, 5931 and 6069 respectively and all are within the acceptable range. LCC was unaware of black listing mentioned in the audit report granted by Indian courts.

(b) The CEB had to incur a loss of Rs.345 Mn due to use of low GCV coal & Additional cost of Rs.507.6 Mn. due to use of alternative energy sources to fulfill shortage of electricity generation arose from low GCV coal usage

The Loss of additional coal consumption is only an estimation which is done by LVPS in the case of three shipments with low GCV coal. Also it was estimated the cost of selecting an alternative plant to cater the energy that could not supplied by LVPS.

The above mentioned three shipments were identified as low GCV coal according to the unloading port coal sample analysis. In the loading port test report GCV of these three shipments were within the acceptable range.

Normally when taking samples, each sample shall be divided into two parts, with one such part to be used for the analysis of the sample by the test facility. The remaining part shall be available as a reference sample. Therefore as the unloading port coal sample analysis certificate indicated a low GCV, the reference samples at the loading port was analyzed to verify the result as per the agreement. The reference sample analysis was done an independent testing authority nominated by Ceylon Electricity Board (CEB). The reference sample analysis have shown value within the acceptable range and the price adjustments were done in accordance with the Contract Agreement for supply of coal between CEB and LCC.

(c) Short delivery and over payment for shipments No. 16 and 17

The supplier was willing to supply the balance quantity as well as to pay back the overdrawn money on LCs provided that LCC allow them to supply the two other shipments which had to be supplied under the agreement.

However, CEB was not prepared to accept any more shipments from this supplier. LCC was directed to refer the matter to the Attorney General for legal advice and accordingly action was taken to seek legal advice. Several proposals forwarded by LCC for amicable settlement of the dispute were turned down.

The following actions have been taken in this regard thereafter.

- AG requested to obtain assistance of CID to verify the authenticity of test report said to be issued by an independent testing authority by the name of Sucofindo relating to shipments (16,17,18) which has been appeared with news article in Sunday Leader news paper. Accordingly, request was submitted to CID and investigations were carried out by them. However, no report has been given to LCC so far.
- AG requested to submit a report from experts to support the loss said to be suffered by CEB as a result of using inferior quality of coal supplied by this supplier. Accordingly, a committee was appointed by CEB to investigate into that and firm evidence to support CEB's claim could not be established.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

- It was suggested to send a fact finding team to Indonesia to find out the authenticity of Sucofindo test report. No such team has been visited Indonesia up to now. Meanwhile in response to a request made by CSCL Sri Lankan Embassy in Indonesia has forwarded a letter from Ministry of Finance of Indonesia confirming that Sucofindo test report had not been submitted to Indonesian customs at the time of submission to export declaration.
- An investigation was carried out by Special Investigation Unit of Police Headquarters and a case has been filed against the LCC Directors who served in the Board at that time.
- Secretary, Min. of Power and Renewable Energy instructed CSCL officers to make arrangements to submit a Joint Cabinet Memorandum with Min. of Ports and Shipping to obtain approval for negotiated settlement with the supplier.

(d) Not obtaining opinion from consultants and not taking action to recover the losses

It was identified as low GCV coal according to the unloading port coal sample analysis. In the loading port test report GCV of these shipments were within the acceptable range.

Normally when taking samples, each sample shall be divided into two parts, with one such part to be used for the analysis of the sample by the test facility. The remaining part shall be available as a reference sample. Therefore as the unloading port coal sample analysis certificate indicated a low GCV, the reference samples at the loading port was analyzed to verify the result as per the agreement.

The reference sample analysis was done an independent testing authority nominated by Ceylon Electricity Board (CEB). The reference sample analysis have shown value within the acceptable range and the price adjustments were done in accordance with the Contract Agreement for supply of coal between CEB and LCC.

(e) Wrong supplier had been selected and the additional cost incurred

The approval of Cabinet appointed procurement committee is based on the recommendation of Procurement Appeal Board made to the cabinet of ministers.

(f) The certificate of the weight is not sent to the CEB as direct confirmation

Weight determination is carried out by qualified professionals appointed by the independent surveyor and all certificates have been forwarded to CEB by LCC. The copies of such documents are made available at LCC for any verification by the Auditors.

(g) Strategy or technique used in the international context to measure the coal stock had not been followed or introduced by the CEB

Coal yard stock pile verification is done once a year by a certified surveyor. Also coal shipments have been surveyed by an independent testing authority.

(h) CEB makes overpayments and LCC takes considerably longer period for settling the overpaid amounts

The dates given in the table relating to loss calculation seem to be incorrect. The actual dates are as follows.

	Shipment 43	Shipment 44
LC Bill settlement date	10-03-2014	28-03-2014
Overdrawn amount refunded to LCC by NRIPL	04-08-2014	04-08-2014
LCC paid back to CEB	07-08-2014	07-08-2014

From the above facts it reveals that although there was an undue delay in refunding the over drawn money from NRIPL no delay has been occurred on the part of LCC.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

(i) Shortage of coal supply and related losses

The following facts contributed for short supply of coal to LVPS.

1. Delay in awarding tenders
2. Delays due to adverse weather conditions at ports of loading and port of discharging
3. Vessel sailing delays due to rough sea conditions
4. Coal discharging equipment failures of vessels.
5. Cranes and conveyor belt failures at the jetty.

(j) Proper procurement plan had not been prepared by LCC and the CEB

The thermal coal requirement (e.g:2015/2016) is informed to the Lanka Coal Company (LCC) by Additional General Manager (Generation) on monthly basis. Based on the CEB requirement the LCC make orders with the coal supplier.

(k) The LCC had failed to furnish the details to ensure the proper functioning of procurement process

The entire procurement process of coal is done under the guidance of SCAPC and all documents listed could be obtained either from LCC or MOPE.

4.2.3. Keeping Security Deposits by Electricity Bulk Suppliers

(a) Not obtained security deposits of 123 electricity bulk

During the sample audit, the availability of security deposits had been checked using the age analysis report in billing system in which certain security deposit payments have not yet been duly updated.

Necessary action has been taken to send payment request letters to customers who have not paid the required security deposits.

(b) Inadequate current security deposit value maintained by 568 bulk consumers

Action will be initiated to review the bulk supply deposits of consumers and to inform them to enhance security deposit to suit for their contract demand.

(c) Due to insufficient level of security deposits of 15 bulk consumers whose accounts had already been recognized as finalized (irrecoverable) would most probably be a loss to the Board

Legal Unit of CEB has been informed to take legal action against 09 accounts below.

	Area	Account No.	Balance
01	Ratmalana	2170000062	45,845.42
02		2170000127	42,947.59
03		2170000453	72,985.12
04		2170000658	1,973,804.15
05		2170001174	12,109.34
06		2170001530	150,525.67
07		2170001808	2,819.02
08	Kalutara	4470000213	33,164.41
09		4470000825	683,814.37

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

Action has been initiated to recover the balances from security deposit of following customers.

	Area	Account No.	Balance
01	Ratmalana	2170000070	6,000.00
02	Dehiwala	3870001313	4,903.86
03		3870001062	126,910.39
04	Kalutara	4470000302	42,464.10
05		4470001252	29,635.03
06		4470000922	7,243.32

4.3. Management Inefficiencies

(a) The Board had not revised and updated its procedural manuals

Sections of manuals which need revisions are being updated continuously through circular as and when necessary. The transfer manual which needed a major overhaul has now been re-drafted and issued among the trade unions for their comments/suggestions.

Further, a separate branch has been established under Deputy General Manager to review all the functional strategy and process developments. This was set up under Additional General Manager (Corporate Strategy).

(b) Over payment to officers who had gone for foreign training and it had not been recovered

Combined allowances relating to foreign training had been paid to CEB employees, except for Chairman and General Manager, under category II as per Circular No. MOFP/01/2010/01 dated 11.10.2010 after receiving instructions to this effect from secretary to the Treasury on 05.09.2014.

(c) No action to dispose the damaged stocks at DGM Office of Eastern Province over a period more than four years as at 31 December 2014

A committee has been appointed to identify the stocks to be dispose and necessary action will be taken once the report of the committee is received.

(d) Hundred and eighteen electrification jobs in WIP position over period of more than 05 years

Division	No.of jobs	Value Rs.
DD 02	3	4,714,160
DD 03	115	120,534,060
Total	118	125,248,220

According to the audit report three jobs were identified in DD 02 as more than 5 years outstanding in WPN. Details of these jobs were handed over to commercial engineer WPN to expedite the process of completion.

The highlighted amounts for DD3 in the audit query related to WPS II. Committee has been appointed on 08th September 2015 to clear the long outstanding balances in work in progress at construction branch WPS II. Expect to clear the balance remain in the work in progress accounts once we receive the recommendation of the committee after the careful examination of the list of WIP balances.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

(e) The matter in relation to short delivery of fuel supplied by the CPC had not been sort out even as at 31 December 2014

At a meeting chaired by Secretary Ministry of Power & Energy on 29th July 2015, it was decided to grant 0.25 % discount on volume basis. A Board Memo has already being submitted on 19th October 2015 and once the Board approval is granted the relevant entries will be passed.

(f) No evidence for the payments made to Local Authorities and Divisional Secretariats in relation to mitigate the dispute of the fishermen at Norochchole

The program of infrastructure development, improvement to common facilities and livelihood development of fishermen in the area (Both Puttalam side of Puttalam lagoon and Narakkally side of Puttalam Lagoon) was initiated to reduce number of fishermen objecting (to at least to a level of 20%) and to win the support of majority (at least 50%) of fishermen to the project.

For this purposes, the following government institutes were appointed as project implementing agencies with the approval of the Board and secretary to the Ministry of power & energy.

Ref No.	Project Implementing Agencies	Amount Allocated
01	Divisional Secretary - Puttalam	6,000,000
02	Divisional Secretary - Kalpitiya	14,000,000
03	Urban Council – Puttalam	110,000,000
04	Pradesiya Saba - Kalpitiya	75,000,000

Rs.83,100,000.00 has been released to Urban council Puttalam to implement the project proposals forward by them. Urban Council – Puttalam was authorized to select beneficiaries in a manner to achieve the objective of the program. (i.e. win the support of majority of fishermen and reduce the objecting fishermen to a level of 20%) in the fastest possible time. Effort by the Puttalam urban council to mitigate objection was successful and construction of the 220kv transmission line across Puttalam lagoon was completed in November 2014. As a result all 3 machines (3 * 300MW) at LVPS were put into operations and avoided a possible loses in the range of 100 million Rupees per day.

The funds release to project implementing agencies was to cover their expenses. As the project implementing agency they were authorized for all procurement of goods and services. All source documents related to these expenses shall be maintained by them.

It is a requirement by DS –Puttalam and DS – Kalpitiya to receive full amount of approved estimated amount in their account prior to awarding construction contract. Therefore, we had to pay Rs. 5,000,000 to DS – Puttalam and Rs.5,819,574 to DS – Kalpitiya for them to start approved development works.

Rs. 7,500,000 was paid to the Pradeshiya Saba – Kalpitiya for them to commence initial work (social survey, estimation work, administrative expenses) and to convince the local fishermen that the promised by CEB to upgrade their living facilities would be upheld. As a result, objections by fishermen minimized and project activities could be completed with lesser resistance from fishermen. Benefits from early completion of the line are much higher than any financial lost due to bank interest.

The expenditure reports mention were submitted by the implementing agency (Puttalam Urban Council) and the source documents are being maintained by them.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

(g) Difference between the amount withdrawn from the investment of insurance reserve and the cost of replaced assets

A sum of Rs. 1,324,945,404.00 has been recommended to restore the assets damaged due to the war in Northern Province. But actual funds withdrawn from the Insurance Fund to restore those damage assets was as follows.

Year of withdrawn	Amount
2009	626,801,059.18
2010	634,462,018.94
	<u>1,261,263,078.12</u>

Therefore, the amount withdrawn is equal to the cost of assets replaced.

(h) Demurrages due to inefficiencies in jetty operations

The demurrages are due to weather delays, bunching of ships, jetty delays, vessels crane break down and the main contributor is the weather delays. Actions have already been taken to improve the jetty operations based on the past experience and this process will be continued further to improve the system.

Since the coal operation is a new experience to CEB, there were no clear definitions provided for such activities. In order to minimize these weaknesses subsequently a committee has been appointed and that committee report is available from 10th June 2015 onwards and it includes guideline to calculate the demurrages. Therefore, those guidelines will be followed in the accounts of 2015.

Further, the demurrages advanced payment was made on 21st May 2015. Once the final payment is finalised necessary accounting entries will be made.

4.4. Idle assets

(a) Barges and tugboats purchased in 2009 had remained idle for over 5 years

The Generation division have made arrangements to sell one tug boat and three barges (A tender is in progress for the sale of 03 barges and 01 tug boat) .The valuation reports of remaining tug boat and line boat has not still submitted by the valuation department to CEB.

(b) Five bowsers under phase I of the Puttalam Coal Power Project had not been utilized in the power plant and remained idle even without taking into the asset register to date

The five bowsers mentioned as 'idle assets' were provided for fly ash transportation, by the PCPP tender. But, according to the tender for fly ash selling, transportation of the fly ash should be facilitated by the buyer and also these bowsers are not adequate to transport daily fly ash quantity to the buyers' location.

Therefore, the above mentioned bowsers are not used to transport fly ash. But there is a plan of converting few bowsers to water bowsers and then will be used for the fire fighting activities in the coal yard and the balance will be used for ash transport when required.

The bowsers had been received under Phase II and presently it is under the Project cost (Capital Work-in-Progress) in Project Division's books. Once the asset is transferred to the Generation division the relevant accounting entries will be made.

4.5. Irregular Payments

(a) The PAYE tax paid by CEB

The PAYE Tax liability of CEB employees has been borne by the CEB since its employees were made liable for PAYE Tax. This was informed to the Ministry of P & E and Salaries and Cadre Commission in several times and discussions were held with Trade Unions. However no consensus was reached. Further it is

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

now a violation of the collective agreement to change the agreed remuneration and would create further legal repercussions.

(b) 39 different staff allowances paid without obtaining the approval of the Cabinet

Cabinet approval has been received on 2008.04.09 for the payment of Allowances to the CEB employees as per the recommendations of the salaries and cadre Commission.

(c) The construction activities of "Vidulakpaya"

The construction activities of the proposed building called "Vidulakpaya" have not been stopped by the Board decision taken on October 07, 2014. The Board had advised to seek the possibilities of alternate uses of this proposed building.

The contract awarded for construction of substructure for a sum of Rs. 304,574,338.00 (without VAT) had been completed.

As per progress, 06 interim payments had been made, total amounting to Rs. 288,302,712.07 (including VAT). All the documents of 06 payments are available at Project Office for reference.

Taking over Certificate on practical completion has been issued to the contractor.

Defect Liability Period commenced from February 27, 2015.

4.6. Unidentified Losses

(a) Two tugs boats, three barges, and one line boat belongs to LVPS not used since 2009

The Generation division have made arrangements to sell one tug boat and three barges (A tender is in progress for the sale of 03 barges and 01 tug boat). The valuation reports of remaining tug boat and line boat has not still submitted by the valuation department to CEB.

(b) Misplaced property of the Heavy Maintenance Stores at Walachchene

The cost of the misplaced water motor has been already recovered from the respective person with 25% board charges from his salary from October 2014 to March 2015 period.

(c) Inferior quality materials returned to warehouse at Kotugoda

The materials (Tension Insulators) received under RE 08 project which are found to be defective within warranty period will be replaced by the contractor as per the scope of the project and contractor has already taken actions to replace the Tension Insulators which have been returned from field due to quality issues.

(d) The reasons for the diesel shortage were not made available to audit

The purchased diesel from CPC is unloaded to an underground sump in LVPS and it is done under the supervision of Operations division and the Store Keeper. This diesel is only used by three boilers of three units and the auxiliary boiler through pipeline system.

After analyzing the main control room diesel stock data based on the flow meter reading and the cardex diesel stock data, there is a difference of 236,017 litre which is almost the shortage for the year 2014 and this shortage is due to issue notes not been updated in the cardex.

This analysis will be carried out for the 2010 and 2013 and corrective action will be taken.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

4.7. Matters in Contentious Nature

(a) The Board of Directors of the CEB had not allowed to adopt Circulars issued by the Government from time to time to maintain uniform procedures and practices in relation to Finance and Administration as the administrative rules of the CEB.

The Ceylon Electricity Board is a statutory body established by its own statute by the CEB Act No. 17 of 1969 as amended by Act No. 31 of 1969.

As a matter of policy CEB follows most of the Treasury and Public Administration circulars issued to Public Corporations and Boards. In certain instances, CEB adopts the guidelines stipulated in the Treasury Circulars as well as Public Administration Circulars on the matters related with the CEB activities by obtaining necessary approvals of the Board of Directors, as appropriate.

(i) The Board had recruited non-skilled and semi-skilled staff annually without calling for Island-wide applications from qualified candidates

According to the Recruitment and Promotion Scheme of CEB, vacancies of Executives and Middle Level Technical Grades need to be filled by external and internal candidates on percentage basis. Applications for external candidates for executive grades such as Engineers, Accountants, and MLTS grades such as Electrical Superintendents were called by advertising in National Newspapers.

Applications for all other categories were obtained through the lists provided by the Ministry of Power & Energy approved by the Board of CEB. For certain non-executive grades applicants who fulfill the qualifications in the Recruitment & Promotion Scheme are required to sit for a competitive examinations conducted by a Government Organization on behalf of CEB. Those who ranked highest at competitive examination, depending on the number of vacancies candidates are selected after an interview to ascertain the varieties of their qualifications. This entire recruitment procedure is very similar to criteria introduced by the Public Administration Circular 15/90.

(ii) Vehicle loans at 4.2 per cent interest and staff loans have been paid without any control even the Board faces severe liquidity problems

Vehicle loans for CEB employees were granted as per terms and conditions laid down in the Establishment Code at concessionary rate of interest with the approval of the Board.

Further, staff loans have been granted to the employees based on the Board approved norms only.

(b) The shortfall observed between the Insurance Reserve Fund balance and Investment of Insurance Reserve Fund had not been invested as per the self-insurance policy of the Board.

The shortfall of Rs 4,099 million between Insurance Reserve Fund and the Insurance Reserve investment was due to non investment in the Insurance Fund. The prevailed adverse liquidity position and continuous losses for past few years caused to not investing the fund, but with the improvement of liquidity position, action will be taken to bridge this gap by investing in the fund. Therefore this is not due to improper financial management.

(c) There are no sales and purchase agreements entered with CPC and LECO.

The initiation has been taken to enter into a Power Purchase Agreement between the Transmission division of CEB and the LECO. However, still it is in the process and could not be finalized yet.

(d) Action taken for vehicles replaced and fixed locally

CEB maintains Fixed Assets Registers for each division. The information related to CEB own vehicles are available under Motor Vehicles of PPE. When hiring vehicles, CEB does not get the ownership. Therefore information related to hired vehicles is not available in PPE ledger. However, divisions/branches maintain separate records of hiring vehicles for information purposes.

REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

Since the total cost of passenger hiring vehicles including fuel, drivers, salaries and other costs are less than maintaining CEB own vehicle fleet. Therefore, a policy decision was taken to hire vehicles specially for passenger transport with the approval of relevant head of the division.

(e) Only one directorship for CEB out of three in Trincomalee Power Company

Informative

4.8. Human Recourse Management

(a) Scheme of Recruitment (SOR) of the Board had not been updated for a longer period

Final version of the Scheme of Recruitment & Promotion is being now prepared by a committee and will be submitted to the Board in due course.

(b) Three thousand six hundred and fifty five employees had been outsourced as at 31 December 2014 by superseding the latest carder approved by the Board in 2012. The outsourced personnel was 20 per cent of the total staff strength of the Board

The presently outsourced component of 3655 is much less than the outsource personnel requirement approved by the Board which is equal to 4759. [Ref. Personnel Plan 2012]

(c) The following posts in the approved cadre had been in vacant by and most of those vacancies had been filled on contract and outsource basis

As per the approved Personnel Plan 2012, CEB has decided to outsource its personnel requirements as follows.

Category	Number of Vacant Posts	Filled by Contract Basis / Manpower
Executive	367	09
Middle Level Technical Service	164	29
Clerical and Allied Categories	509	1174
Office Employee Categories	47	179
Drivers	28	535
Skilled Technical Service	647	805
Semi - Skilled Technical Service	1690	213
Other Skilled Grade	34	8
Total	3486	3843

25% of Clerical requirement

60% of Unskilled service requirement

50% of Data Entry Operator, Driver, Billman & Office Employee requirement

30% of K.K.S. requirement

100% of Typist, Consumer Service Aide, Telephone Operator & Receptionist requirement

Accordingly, there is a provision for 4759 persons under outsource category. But the number of persons employed in this category is 3843, which is again less than the identified requirement.

Vacancies of the permanent cadre are being filled in a progressive manner.

(d) The approved cadre for Unskilled Field Service had been exceeded by 1,356

As per the Scheme of Recruitment & Promotion, recruitments were only to the Unskilled Field Service and Semi Skilled, Skilled are avenues of promotion to the unskilled employees. Therefore, Vacancies created as a result of retirements, resignations etc. in Skilled & Semi Skilled categories were filled by unskilled recruitments considering the operational requirement of the CEB as it has aging population of employees in these categories. Accordingly there are no excess personnel in amalgamated cadre of above categories as at 31.12.2014.



REPLIES TO REPORT OF THE AUDITOR GENERAL Contd...

(e) Seniority is the only factor considered for promotions and no succession plan was made available

Promotions and Recruitments were done when posts fell vacant, according to the criteria set up in the Recruitment & Promotion Scheme of CEB.

(f) The Key post in the HR Division

CEB has clearly identified the required qualification for the post of DGM (P) and posting have been done accordingly. Existing Scheme of Recruitment & Promotion is under preview, and will be published shortly.

(g) The post namely Chief Engineer (HR Policy) in the Personnel Management Section in the Board has been created reflecting mismatch

CE (Policy) has a specifically identified scope of duties. This post is not a linking post between two individual professionals and hence there is no mismatch. It is known fact this unit & position is so important and useful to progressive work of CEB.

(h) According to the existing SOR, 50 per cent of the total cadre of HRO Service is filled from externally and that percentage is planned to increase year by year gradually up to 85 per cent

Existing Scheme of Recruitment & Promotion is under preview.

(i) Experience required for direct recruitment of HRM and HRO

Existing Scheme of Recruitment & Promotion is under preview.

5. Accountability and Good Governance

5.1. Budgetary Control

The annual budget is prepared based on the estimated figures derived using a trend analysis of actual figures. Therefore, in the year 2014 the budgeted operating expenditure does not show a significant variance.

However, Capital expenditure shows a significant variance compared to budget due to various reasons arose during the period of completion such as environmental concerns, technical difficulties, third party commitments, etc.

Every month CEB Finance Division prepares a report which compares the actual operating results comparing with the approved budget of that year and forwards it to the Board of Directors.

In addition, a Performance Review Report is reviewed by the Corporate Management Team (CMT) every month which carries both operating and capital actual expenditure against the approved budget.

Therefore, the Board of Directors and the management of CEB are aware of the actual results against the budget and it would help future decisions on operating and capital expenditure.

6. Systems and Controls

Informative



Chairman

Ceylon Electricity Board



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