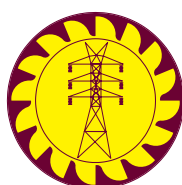


2015

ANNUAL REPORT



Towards a
Future with
Sustainable,
Affordable,
Greener
Energy . . .



CEYLON ELECTRICITY BOARD



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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:



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

OUR ENVIRONMENTAL POLICY



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



HIGHLIGHTS OF THE YEAR

Introduction of Time of day Tariff for Domestic Consumers

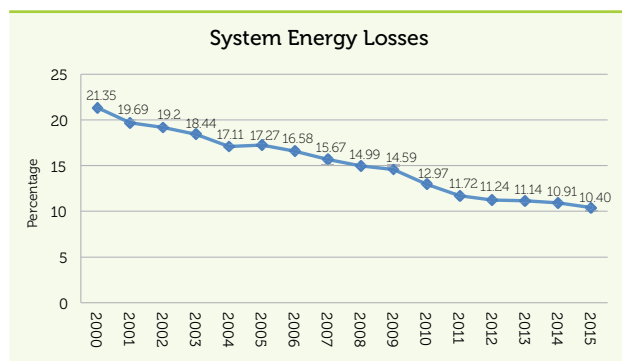
Electricity Tariffs based on Time of Use for Domestic consumers who are connected with 3-phase/30 A & above is implemented with effect from 15th September 2015.

Electrification of Households

By the end of the year, 98.5% of the households in the country had been provided with electricity. The average per capita electricity consumption which was at 535 units (kWh/person) at the beginning of the year had reached 562 units by the end of the year recording an increase of 27 units.

System Energy Losses

The system energy losses which have been gradually decreasing since 2000 stood at 10.4% by the end of the year.



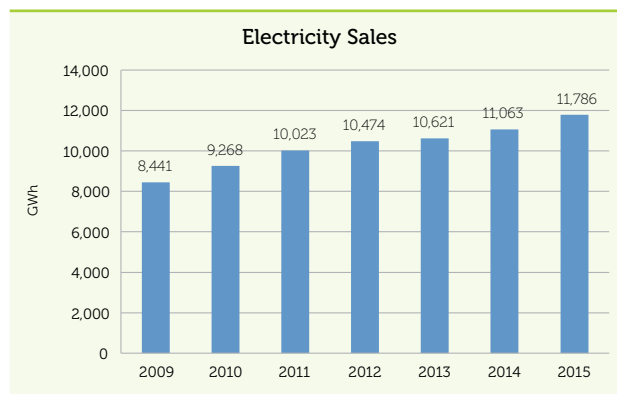
Consumer Growth

The total number of consumers stood at 5,648,130 by the end of the year indicating an annual growth rate of 4.3%. The numbers of consumers coming under different types of categories are given below:

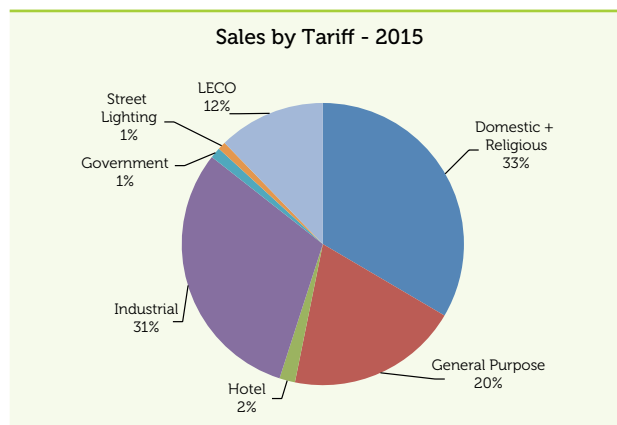
Category	Number of Customers as at 31/12/2014	Number of Customers as at 31/12/2015
Domestic	4,768,229	4,966,395
Religious	33,175	34,710
General Purpose	559,401	588,063
Industrial	54,577	56,681
Hotel	462	489
Government	1,686	1,792
Total	5,417,530	5,648,130

The number of new electricity connections provided during the year was 230,600 indicating in an average addition of 19,217 new customers per month.

Electricity Sales



The total electricity sales (including Sales to LECO) during the year increased from 11,063 GWh in the preceding year to 11,786 GWh resulting in a rate of increase of 6.5%. The average daily consumption of electricity in the year was 32.3 GWh as against 30.3 GWh in the previous year.



The highest energy consumption was by the consumers in the category 'Domestic and Religious Purpose' accounting for about 33.5% of the total consumption. This was followed by the industrial sector which accounted for 30.6% of the total consumption. The electricity consumption by consumers in the general purpose category was however only 19.7% of the total consumption indicating an annual growth of 5.9%.

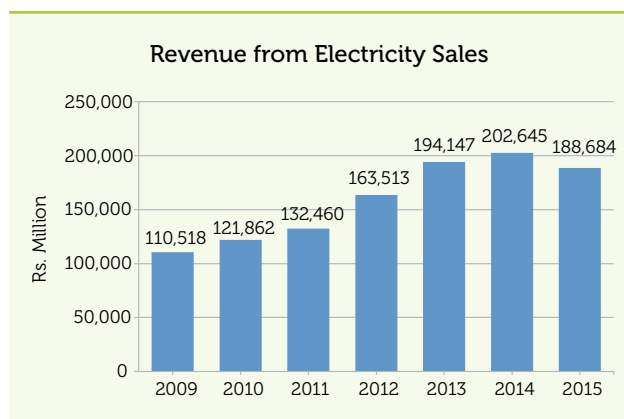
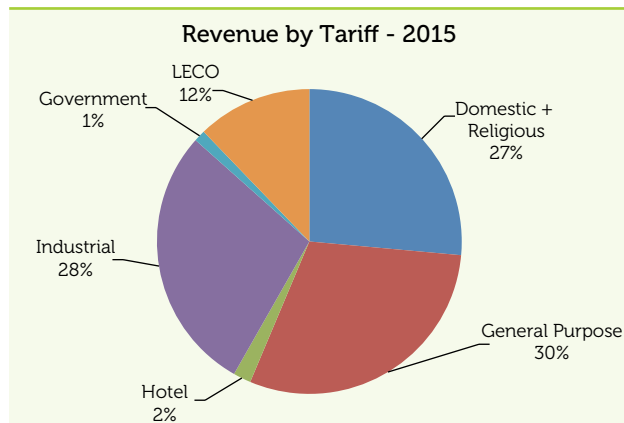
Revenue

The total annual revenue from electricity sales which stood at Rs. 202,645 million in 2014 decreased to Rs.188,684 million during the year 2015. This was a



HIGHLIGHTS OF THE YEAR Contd...

decreased of 6.9% compared to last year mainly due to reduction in tariff made in the latter part in of 2014.

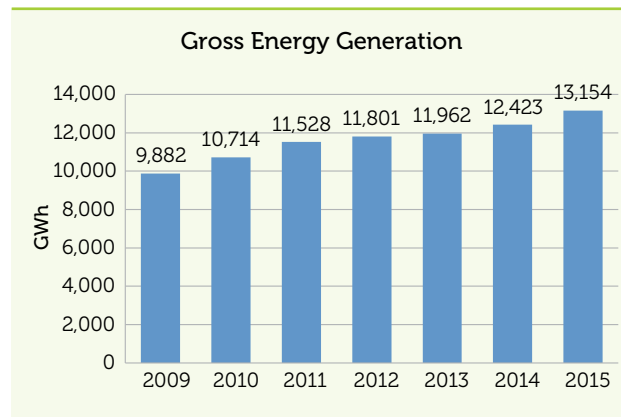


The highest revenue was from the general purpose customers followed by industrial purpose customers. The contribution to the total revenue from the customers coming under the category 'Domestic Sector with Religious Purpose' was 26.7%.

Total Energy Storage

At the beginning of the year, the total hydro storage stood at 1181 GWh and this was 93.8% of the total storage as compared to 52.4% in the preceding year. The inflow during the first five months was considerable compared to year 2014. Hydro storage gradually decreased to 881.9 GWh on 11th May and reservoirs recorded the lowest storage of 559 GWh on 2015-09-03. During the final quarter of the year there was very high inflow to reservoirs. End of year storage was 1093 GWh.

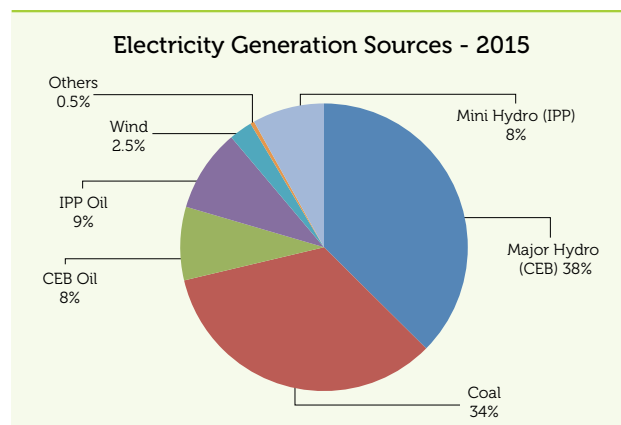
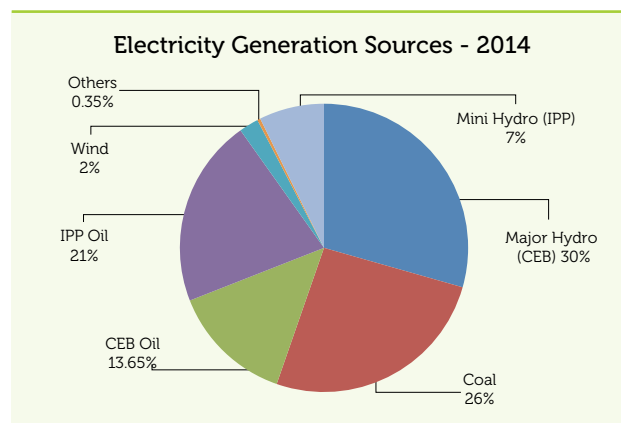
Gross Energy Generation



By the end of the year, the total gross electricity generation had increased by 5.9%, i.e. from 12,423 GWh in 2014 to 13,154 GWh in 2015.

Electricity Generation Sources

Due to high water levels of the reservoirs during the year, the hydro power plants including mini hydro plants could contribute only 46% to the total power generation in the year. This was an increase of 31.6% from what they contributed in the year 2014.

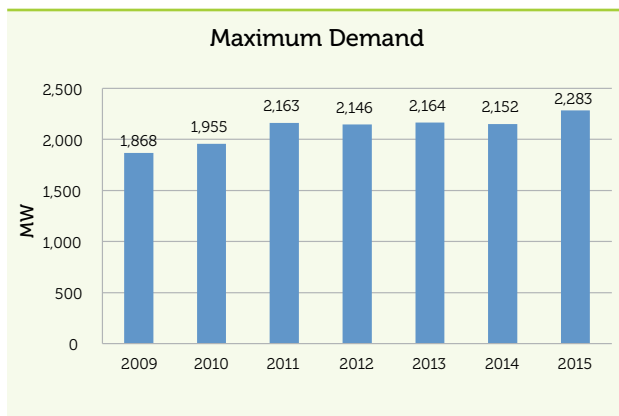
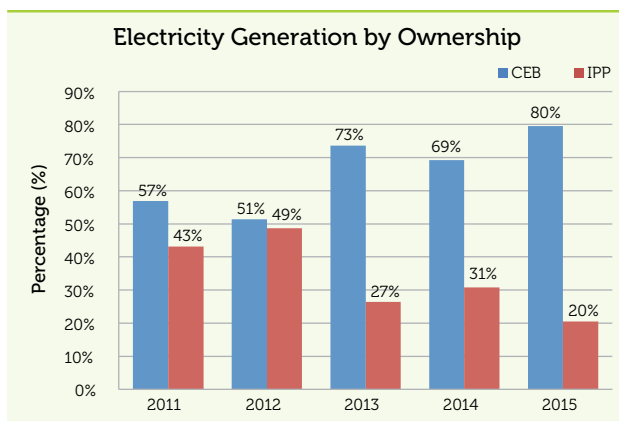


HIGHLIGHTS OF THE YEAR Contd...

The thermal power stations contributed 51% to the total net generated power in 2015 as against 61% in the preceding year.

Electricity Generation by Ownership

It is noted that the Independent Power Producers (Mini hydro and Thermal) has generated electricity 20% of the annual total generation in the year 2015 as against 31% in the preceding year (2014).



Maximum Demand

The Maximum Demand reached 2,283.4 MW in the year 2015 which was a 131.7 MW or a 6.1% increase from 2,151.7 MW in the year 2014.

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. D. A. S. Wijayapala (from January 20, 2015)
Mr. W. B. Ganegala (up to January 13, 2015)

Vice Chairman

Mr. W. A. G. Wanasekera (from October 30, 2015)
Mr. B. N. I. F. A. Wickramasuriya (from January 20, 2015 to October 29, 2015)
Prof. K. K. C. K. Perera (up to January 09, 2015)

Member / Working Director

Mr. W. R. G. S. Bandara (from November 12, 2015)
Mr. N. K. G. Gunatileke (from January 23, 2015 to October 29, 2015)
Mr. K. I. D. P. Kularatne (up to January 12, 2015)

Member representing the General Treasury

Mr. R. Semasighe (from January 23, 2015)
Ms. M. T. I. V. Amarasekera (up to January 23, 2015)

Members

Ms. J. Kariyawasam (from January 23, 2015)
Mr. T. M. K. B. Tennakoon (from October 30, 2015)
Mr. S. D. A. B. Boralessa (from November 16, 2015)
Mr. N. K. G. Gunatileke (from January 23, 2015 to October 29, 2015)
Mr. T. D. S. P. Perera (Up to January 23, 2015 and from February 9, 2015 to October 14, 2015)
Mr. W. M. P. G. Wickramasinghe (May 21, 2015 to October 22, 2015)
Mr. J. Dadallage (from January 23, 2015 to May 21, 2015)
Mr. S. S. Miyanawala (from January 23, 2015 to February 9, 2015)
Mr. R. A. A. K. Ranawaka (up to January 23, 2015)
Mr. S. Wirithamulla (up to January 9, 2015)

Secretary to the Board

Ms. D. W. Kumbalathara

General Manager

Mr. M C Wickramasekera (From January 21, 2015)
Mr. W J L S Fernando (up to January 20, 2015)

Auditors

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



CORPORATE INFORMATION Contd...

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 Management

Additional General Manager (Generation)

Mr. A. K. Samarasinghe (from January 21, 2015)
Mr. M. C. Wickramasekara (up to January 20, 2015)

Additional General Manager (Transmission)

Mr. W. I. Dasanayake (from December 23, 2015)
Mr. G. S. P. Mendis (up to November 05, 2015)

Additional General Manager (Distribution Division 1)

Mrs. Y. M. Samarasinghe

Additional General Manager (Distribution Division 2)

Mr. K. K. A. C. Samarasinghe (from December 23, 2015)
Mr. D. C. J. Seram (up to December 22, 2015)

Additional General Manager (Distribution Division 3)

Mrs. B. P. N. Mendis

Additional General Manager (Distribution Division 4)

Mr. P. C. C. Perera (from August 05, 2015)
Mr. M. G. Thilakaratne (up to August 04, 2015)

Additional General Manager (Asset Management)

Mr. S. D. W. Gunawardena (from August 15, 2015)
Mr. C. P. W. Akarawita (up to August 14, 2015)

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

HYDRO POWER*

1,684 MW

TOTAL INSTALLED CAPACITY

5,969 GWh

TOTAL ENERGY GENERATED
THROUGH HYDRO SOURCES

THERMAL POWER*

2,015 MW

TOTAL INSTALLED CAPACITY

6,719 GWh

TOTAL ENERGY GENERATED
THROUGH THERMAL SOURCES

SOLAR, BIOMASS & WIND POWER*

148 MW

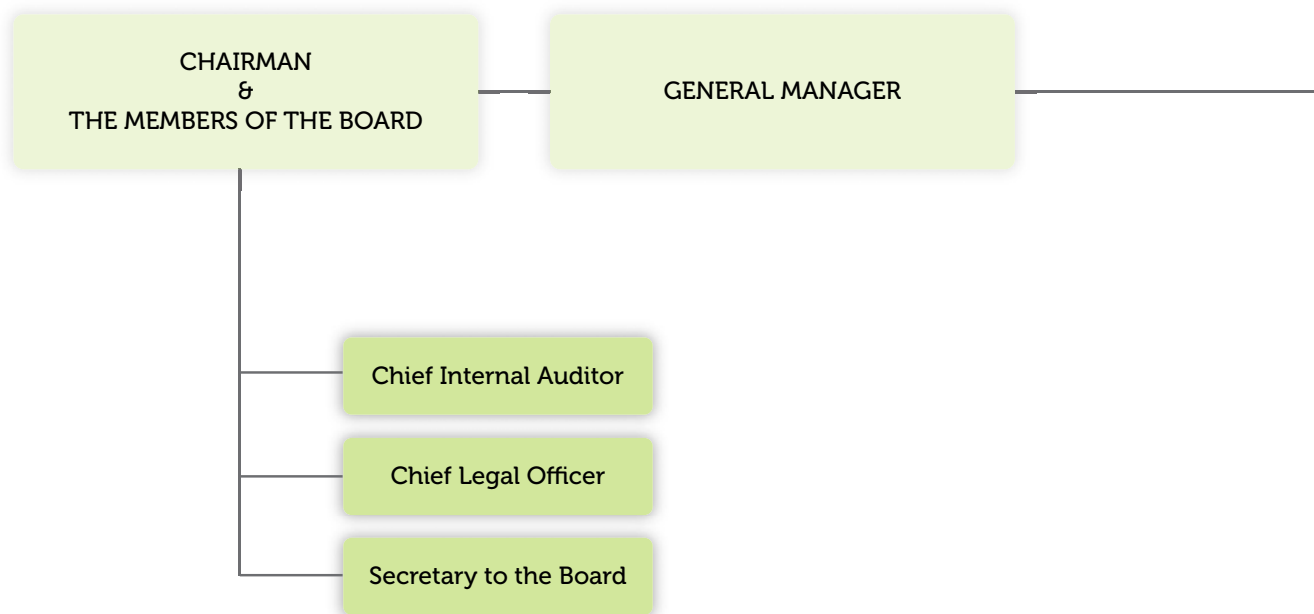
TOTAL INSTALLED CAPACITY

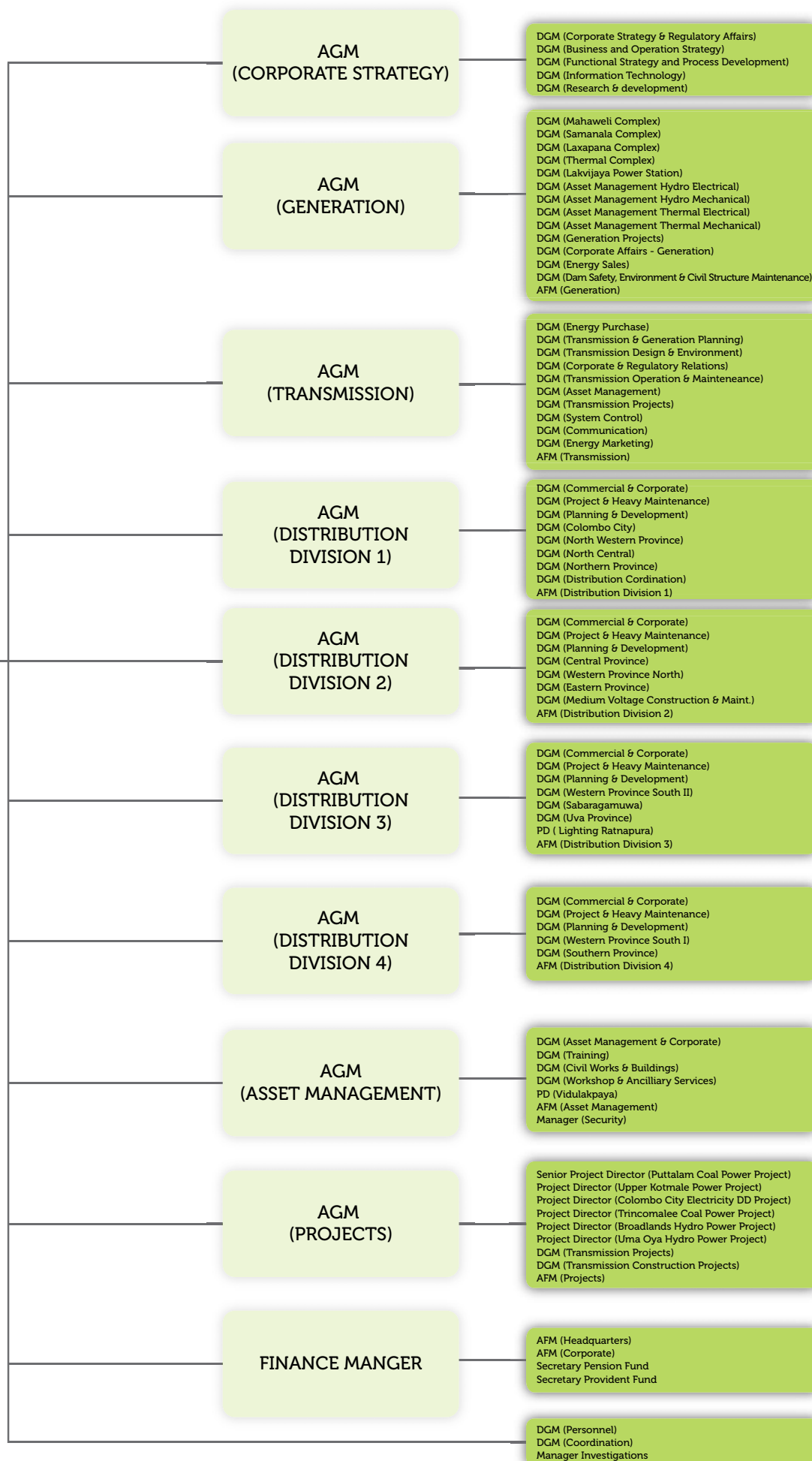
402 GWh

TOTAL ENERGY GENERATED
THROUGH SOLAR, BIOMASS & WIND

*Includes capacity & generation total of CEB and IPP

ORGANIZATION CHART 2015









MANAGEMENT REVIEWS

Chairman's Review

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General Manager's Review

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CHAIRMAN'S REVIEW



It gives me pleasure to present you with a review of the progress made by the Ceylon Electricity Board (CEB) during the year 2015, a year of multiple successes. With the peoples' revolution made through the ballot on 8th January 2015, New era of 'Good Governance' dawned under the leadership of President His Excellency Maithripala Sirisena and Prime Minister Hon. Ranil Wickramasinghe. This progress is made initially under the guidance of Hon. Patali Champika Ranawaka who was the Minister in charge of Power and Energy during the period from January to September 2015 and Hon. Ranjith Siyambalapitiya who took over the reins of the Ministry of Power and Renewable Energy in September 2015.

The demand for electricity is on the increase in Sri Lanka and the average per capita electricity consumption has increased by 5% by the end of the year 2015 from what it was at the end of the year 2014. By end of 2015, approximately 98.5% of the households in Sri Lanka have been provided with electricity, a remarkable achievement when compared with the current situation in the other

countries in the South Asian region. The government is determined to raise this to 100 percent in the near future. The total number of consumers fed through the national grid has increased by 4.3% during the year 2015.

However, by mid-2015, around three hundred thousand households did not have electricity due to the financial difficulties they face in wiring their houses and making payment for the service connection.

To achieve its aim of reaching 100% electrification, a National Electrification Campaign named "Ratama Eliyai, Adura Duralai" (A brighter country – banishing darkness) was launched in the latter part of 2015 under the leadership of Hon. Ranjith Siyambalapitiya Minister of Power and Renewable Energy and Hon. Ajith P. Perera Deputy Minister of Power & Renewable Energy. With the financial assistance received from the Asian Development Bank as well as using CEB's own funds, each household that did not have electricity was offered a loan up to Rs. 45,000/= with no requirement for an initial payment and guarantors. The loan was to be recovered in monthly instalments over

CHAIRMAN'S REVIEW Contd...

a period of six years. Interested households could obtain the relevant application forms from the nearest Area Engineers' Office or the nearest Customer Service Centre of the CEB to obtain their electricity connection in a very short time.

In keeping with the pledge made by the President at the presidential campaign to absorb all man-power based employees to mainstream employment, CEB conducted a massive recruitment programme during the year and appointment letters were awarded to absorb 2363 casual employees to permanent cadre.

With a total installed capacity of 3,847 comprising of 1,377 MW hydro, 604 MW thermal oil, 900 MW Coal, 3 MW wind, 963 MW IPP, the CEB was in a position to sell 11,786 GWh to achieve a profit of Rs. 20,954 Million by the end of the year. However, the 2015 revenue from electricity sales as compared to the preceding year decreased by 6.9% due to the tariff reduction introduced in the latter part of 2014.

With the blessings of the weather gods, there was a surge in hydro power generation during the first five months of the year making it possible for the CEB to be less dependent on its own as well as thermal power generated by private power generators and this helped the CEB to manage its cash flow without any borrowings from outside. The reduced dependence on thermal power which relied on oil and coal imports also had a positive impact on the country's balance of trade and exchange rates.

In line with the new Governments policy, power stations in the Mahaweli Complex were opened to the general public to enable them to familiarize themselves with the country's hydro power generation. Our records indicate that more than 30,000 members of the public had visited these power stations during the year and the majority of the visitors are school children.

During 2015, the CEB organized an Inter-School Quiz Programme in both Sinhala and Tamil, through Sri Lanka Broadcasting Corporation, in order to improve the knowledge among school children on Electricity, Energy Efficiency and Safety.

The CEB website already available in Sinhala, Tamil and English was revamped during the year to make it more user friendly. To enable transparency, steps were taken to post all information on CEB procurements on the website when tenders were invited through paper advertisements. This allowed prospective bidders to download all relevant documents from the web without making any payment.

The Green Village to promote efficient use of energy was inaugurated in June 2015 in Kurunegala. Electricity consumers in this Green Village were provided with LED bulbs which are more energy efficient than the other

types of commonly available bulbs, on an interest free loan recoverable in twelve monthly instalments.

I am grateful to our funding agencies, including the Asian Development Bank (ADB) and Japan International Corporation Agency (JICA) for continuing to provide us with financial assistance in implementing our much needed transmission projects. During the year, with funds provided by the ADB, rehabilitation work was carried out at the Polpitiya (Samanala) Power Station, old and new Laxapana Power stations, Wimalasurendra Power Station and the Castlereigh Dam to meet the increasing electricity demand in the country with a more reliable service. The work on the grid substations at Maho, Naula, Kurunagale, Polonnaruwa, Monaragala and Galle and their associated transmission lines was completed and the work on Broadlands Hydro Power project, Uma Oya Hydro Power Project and Moragolla Hydro Power project continued uninterrupted during the year.

During the year 2015, CEB could complete the preliminary work on the 100 MW Mannar wind power project, the installation and construction work of the 230V, 60kW wind-solar hybrid micro-grid system in the Eluvathivu Island and the demand side management Street Lighting Project at Homagama.

The CEB's Call Centre was modernized with state of the art communication infrastructure and a Private Automatic Branch Exchange (PABX) which had an Interactive Voice Response System that made it more efficient and effective for our valued customers.

In August 2015, the CEB submitted to the Public Utilities Commission of Sri Lanka its long term Generation Expansion Plan for the period 2015-2034. It predicted the energy demand to grow at an annual rate of 6.24% during the first five years with an annual growth rate of 5.32% in the peak-demand.

All these achievements of CEB, I have highlighted would not have been possible if not for the guidance provided by the Board of Directors and the dedication and enthusiasm of the staff numbering around 19,000. The collective commitment displayed by the staff and their determined efforts irrespective of their ranks and positions, under the leadership of the General Manager were indeed commendable. I owe my gratitude to all of them.



W. D. A. S. Wijayapala
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 2015.

Year 2015 was a prosperous year for CEB as the net profit for the year ended 31st December 2015 with Rs. 20,954 Million as against the re-stated net Loss of Rs.17,285 million recorded for the year 2014, which can be considered as a substantial improvement in the financial performance. At the outset let me express my sincere gratitude for each and everyone in CEB who tirelessly worked for the organization and the country at large, without which such success is never possible. My gratitude should also go to Hon. Minister and Hon. Deputy Minister of Power & Renewable Energy and Secretary, Ministry of Power & Renewable Energy and his staff at the ministry for guiding and advising and the excellent cooperation given to us to work as one unit without differences.

Proper Power Generation Mix is also a dominant factor of CEB's profitability and financial viability. All these years, CEB was highly dependent on hydro power generation and consequently thermal oil power sources played a significant role in the generation mix when hydro power conditions are weakened, increasing the direct generation costs which were burdened by fuel cost. With the commissioning of second and the third units of the Lakvijaya coal power plant in the latter part of year 2014, the past generation mix changed, undoubtedly assisting the CEB in stabilizing its cost of generation.

When the generation mix for year 2015 is analyzed, the coal generation stood at 34% from the total generation and the hydro contribution with mini hydro (8%) was at 46%. Accordingly, CEB was able to record a profit as the dependency on hydro power sources was relaxed and thermal oil generation was reduced to 17%. The balance 3% was contributed by the wind and other Non-Conventional

GENERAL MANAGER'S REVIEW Contd...

Renewable Energy (NCRE). In financial terms, it was a drop of 35% in direct generation cost when compared to year 2014. The favorable transformation of the generation mix, consequently brought down the cost of sales by 21%. In 2015, the cost of sales was recorded at Rs.168,308 million whereas in 2014 it was Rs.213,646 million.

The generation mix reduced the average cost of generation per kWh to Rs.10.24 in 2015 as against Rs. 14.81 in the previous year. We were fortunate to record 31% increase in hydro generation and 39% increase in coal generation during 2015 compared to that in 2014 which unwind the dependency on fossil fuel thermal power sources.

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 98.5% electrification level. During the year number of consumers increased by 230,600 making the total number of consumers as at end of the year as 5,648,130. 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.

In revenue terms, with the 98.5% electrification level by end of year 2015, Electricity sales units increased to 11,786 GWh showing a considerable growth rate of 6.5% against previous year. Nevertheless, with the revision to the tariff structure in the latter part of year 2014, which transferred the benefit of reduced cost structure to the general public with the operations of coal power plant, the average selling price was reduced to Rs. 16.00/ kWh from Rs. 19.00/ kWh on average. The corresponding rupee value of the sales was recorded as Rs. 188,684 Million for the year 2015 which indicated a decrease of Rs. 13,961 Million and a percentage drop of 7% from its value in the year 2014; in spite of the above decline in revenue the profitability was increased. The collection in 2015 nearly exceeds the sales value recording an annual sales collection of Rs.189 billion.

During the year, the total length of the low voltage lines was increased by 6,361 km. A total of 1,449 new distribution substations were added to the system. The total route length of 132 kV overhead transmission lines by the end of the year stood at 2,261 km. It was an increase of 55 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 Kurunegala, Polonnaruwa, Monaragala, Galle (new) 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 69.

CEB's policy of timely rehabilitating its valuable ageing assets richly paid dividends. Old Laxapana Stage I, the oldest surviving power plant in the CEB system, was upgraded to 3 x 9.5 MW after the refurbishment of 3x 8.33MW units which were commissioned in 1950. The additional power Generation after the capacity improvement in 2015 was 20.16 GWh. New Laxapana Unit 1 and Unit 2 were upgraded to 2 x 58 MW after the rehabilitation of 2x 50MW units which were commissioned in September 1974. The additional power generation of 15.72 GWh achieved after the capacity improvement in 2015. Rehabilitation of Wimalasurendra Power station Unit 1 & Unit 2 (2 x 25 MW) which were originally commissioned in 1964 were also completed during the year.

Remote operation of the Upper Kotmale Power station from Kotmale was facilitated during the year. Maintenance Management System (MMS) was introduced in several power stations to make their operations more efficient. Hydro Meteorological Information Systems were installed at major dams at Castlereigh, Maussakelle, Norton, Canyon, Laxapana, Samanawewa and Kukule Ganga to obtain metrological information in their surrounding areas.

The studies related to acquiring of Barge Mounted Power Plant by CEB was carried out and submitted to Board in March 2015 and Barge Power Plant was acquired by the CEB with the approval of the Board. This 60 MW power plant consisting of 15MW generating sets powered by two stroke low speed diesel engines has been operating since 3rd December 2015 on base load or intermediate load depending on the power system requirement and its generating cost is one of the lowest among the thermal power plants in Sri Lanka.

Many efforts to introduce IT into all areas of the CEB was vigorously promoted. Requirement of well tailored EMS system was well recognized and actions were initiated to procure a system. 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.

Kiosk for bill payment was installed for the first time at the Dehiwala Area office through which electricity consumers from any part of the country could pay their electricity bills in cash.



GENERAL MANAGER'S REVIEW Contd...

In 2015, the CEB acquired a new corporate identity by displaying an attractive corporate color scheme in all of its official correspondence with outside parties and by painting all of its buildings with that color scheme. The new design had the existing corporate colours in the form of a "Sine wave", the fundamental shape of the alternating current electrical voltage waveform.

It was the first year in recent history, where the CEB was able to self-suffice in cash flow management, with no external borrowings from banks to finance working capital requirements.

With the improved liquidity position through the profit generated in the year was utilized to curtail the main creditor balances which contributed to further strengthen the CEB balance sheet at the end of year 2015.

At the beginning of the year, the CEB owed Rs. 2,221 million to CPC and during the year payments totaling to Rs.20,229 million were made to CPC reducing the unsettled amount as at the end of the year to Rs.1,963 million. At the beginning of the year the payments due to Independent Power Producers (IPP) stood at Rs. 13,919 million and these were brought down to Rs.4,288 million by the end of the year with a total settlement of Rs. 50,924 million. The bank overdraft was only Rs.233 million by the end of year under review when the approved over draft limit was Rs.800 million.

The total long term borrowings decreased from Rs.202,819 Million (as at end of 2014) to Rs. 198,342 Million at the end of year 2015.

In March 2015, the cabinet approval was granted to convert all outstanding loan balances of projects to equity which is yet to be finalized which greatly eased the organization and well supported its efforts to be "financially independent".

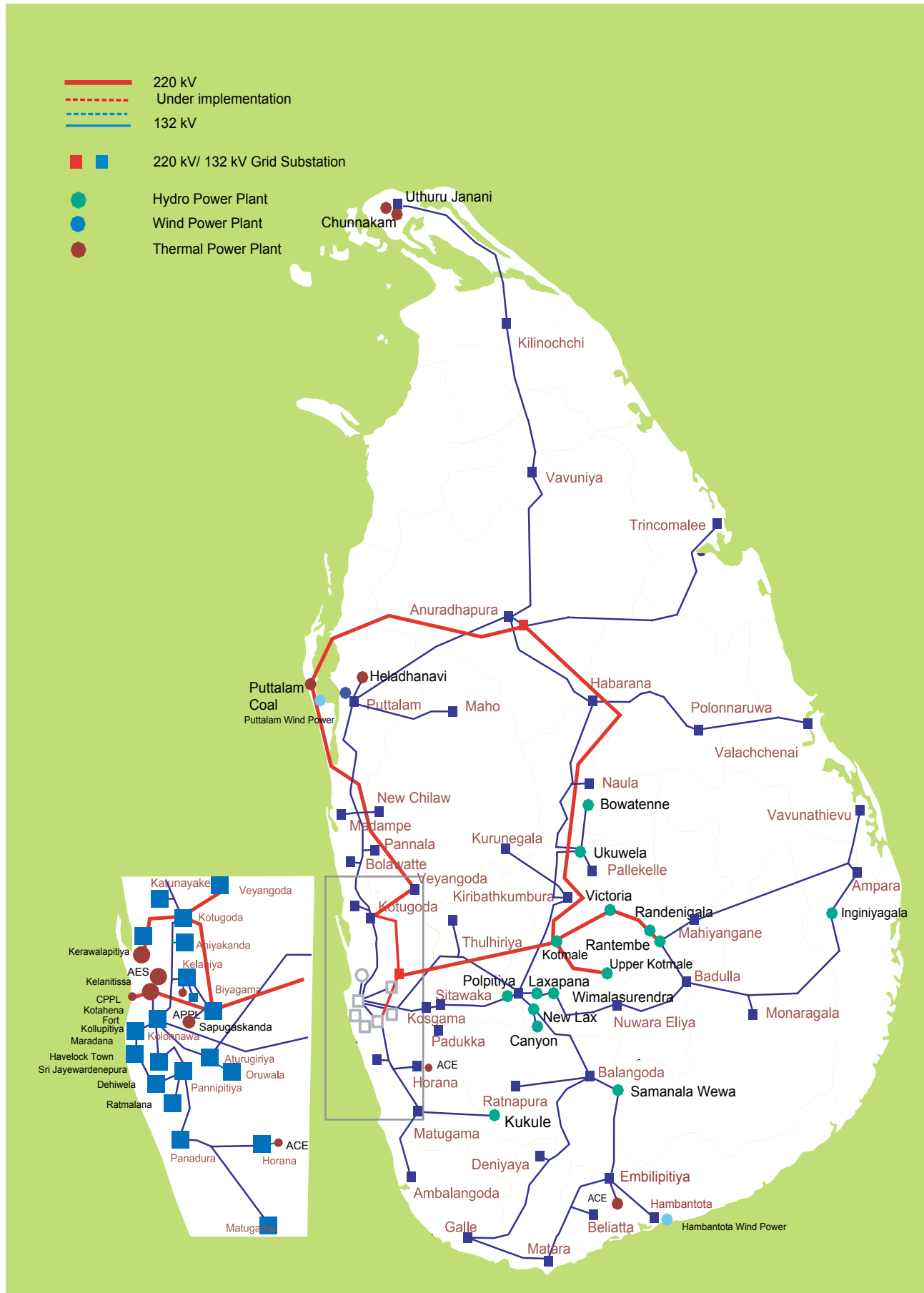
According to the balance sheet, the total fixed assets of the CEB including the work in progress stood at Rs. 694,754 million by the end of the year. This amounted to 89% of the total assets of the CEB. A considerable amount of annual depreciation totaling to Rs.27,260 million was included in the accounting profit of Rs.20,954 million reported in the financial statements of the year 2015. The return on net fixed assets was 3% on positive note which indicates efficient use of the asset base.

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 again to all of them.



M. C. Wickramasekera
General Manager

CEB TRANSMISSION NETWORK





OPERATIONAL REVIEW



GENERATION DIVISION

GENERATION DIVISION

The Generation Division is responsible for operation, maintenance and rehabilitation of all power plants owned by Ceylon Electricity Board. This consist of 17 Hydro Power Plants (installed capacity of 1,377MW), 07 oil-fired Thermal Power Plants (installed capacity of 604MW), one Coal-fired Power Plant (installed capacity of 900MW) and 3MW Wind Power Plant. CEB also operates few power plants in the surrounding islands of Jaffna Peninsula. Total installed Capacity of CEB-owned Power Plants by the end of the year was 2,884MW.

Under the Additional General Manager (Generation), thirteen Deputy General Managers and one Additional Finance Manager have been assigned to carry out the different functions of the Generation Division. It has five Generation Complexes, viz: Mahaweli, Laxapana, Thermal, Samanala and Coal; and nine other Branches. Their performances during the year under review were as follows:

Generation Projects Branch

The Generation Projects Branch is responsible for planning and implementation of plant rehabilitation projects and handling of all foreign purchases of goods and services. They were involved in two main projects during the period in addition to the other works.

Rehabilitation of Polpitiya (Samanala) Power Station

The project was commenced on 28th February 2015. Objective of this Project is to increase the capacity of the power station by 15MW (2 x 7.5MW) and improve the weighted average efficiency by 3%. Once the project is completed within year 2017, the capacity of the power station is expected to be 90MW (2 x 45MW) from 75MW (2 x 37.5MW) at present.

Construction of a Monument

Basic design and site survey have been completed for construction of a monument at Generation Headquarters premises to display the first Generator/Turbine installed in CEB along with a bust of Eng. D.G Wimalasurendara. Preparation of bidding documents is in progress. This project is expected to be completed within year 2016.

During the year 2015, 379 orders have been placed to procure spares and services from manufacturers abroad for maintenance of Power Plants, valuing more than Rs 5,190 million.

Dam Safety, Environment and Civil Structures Maintenance Branch

Dam Safety, Environment and Civil Structures Maintenance (DS, E & CSM) Branch is responsible for Maintenance and Continuous monitoring of Dams, Reservoirs, Power Station Tunnels and other related structures contributing to generation of electricity. During the year 2015, DS, E & CSM Branch handled, commenced and completed following major construction and maintenance work worth more than Rs. 310 Million.

LakVijaya Power Station housing complex at Victoria Estate, Norochcholai

- Dormitories for Engineers with 20 air conditioned rooms and other facilities were completed and handed over to Lakvijaya Power Station and Dormitories for Superintendents are under construction total cost of Rs. 228 Million.
- Construction of a new water supply system with a Ground Sump, Pump Houses and an Overhead Water Tank (The total cost is Rs. 46 Million). Work is in progress.

Construction of two numbers of two storied Pre-Fabricated Dormitories with 98 Rooms (the cost of Rs. 224 Million). Work is in progress.



Engineers' Dormitories for Phase II of LVPS

Constructions at Uthuru Janani Power Station at Chunnakam

- Two Dormitories for Engineers and Superintendents were constructed for Uthuru

GENERATION DIVISION Contd...

Janani Power Station at Chunnakam (the total cost of Rs. 29 Million). Completed and handed over.

- Construction of a new water supply system with a Ground Sump, Pump Houses and an Overhead Water Tank (total cost of the work is Rs. 5.0 Million). Work is in progress.



Dormitories for Uthuru Janani Power Station

Remedial works of Castlereagh Dam

Castlereagh Dam was upgraded by installing monitoring instruments, Rehabilitation of outlet structures and providing data transmission system. Total cost of the above was Rs. 78 Million.



Hydro Meteorological Information System at Castlereagh

Establishment of Hydro Meteorological Information System (HMIS).

Seven HMIS stations were established with highly sophisticated instruments to measure Metrological Information near major Dams at Castlereagh, Maussakelle, Norton, Canyon, Laxapana, Samanalawewa and Kukule Ganga.

Energy Sales Branch

Energy Sales Branch is entrusted with the activities associated on the regulatory matters as per the

conditions set out in the Generation License issued to CEB. This includes the preparation of Capacity and Energy charges for each CEB Power Plants on bi-annual basis and the issuance of transaction notes to Transmission Licensee for the electricity transferred to the Transmission Licensee on monthly basis.

Capacity and energy charges applicable for year 2016 have been computed based on the yearly budget for CEB power plants for the year 2016.

Energy data collection for the three tariff periods [Peak (18:30 – 22:30 hrs), Day (05:30 – 18:30 hrs) and Off Peak (22:30 – 05:30 hrs)] had been commenced and the data base has been established on trail basis. Development of web based system for uploading these vital data is in progress with the assistance of the IT branch and expected to be completed in early 2016.

Corporate Affairs Branch

The Corporate Affairs Branch is responsible for Human Resources Management and Development; and planning of staff categories. The total staff strength of the Generation Division was 2486 persons. To build up the efficiency and productiveness of work force, the branch conducts continuous professional development programs and workshops to enhance the knowledge, skills and attitudes of the employees. Upon achieving required knowledge, skills and attitudes, attractive promotional schemes, the salary scales and annual increment system has been setup to enhance aspiration of the staff. During the year under review, the branch has arranged to provide job specific training to 676 employees of the division.

Asset Management Hydro/Thermal Branches

Condition monitoring of generating plants and equipment were carried out by these branches in order to prevent unexpected service failures and catastrophes by introduction of advanced condition monitoring techniques.

Asset Management Hydro Electrical & Hydro Mechanical Branches

Some of the conspicuous tasks undertaken by these Branches during 2015 include;



GENERATION DIVISION Contd...

- Design, procurement, installation, protection & control modifications and commissioning of Synchronizing Circuit Breakers for generators at Ukuwela Power Station(PS).
- Design and Testing of numerical governor for Kotmale Power Station
- Design, installation and commissioning of new numerical protection systems for Kotmale (Unit No: 02) and Victoria (Unit No: 03) power stations
- Testing and Commissioning of new stator winding at Kukule Ganga Power Station.
- Condition assessment of generator at Bowatenna PS to confirm its suitability for next 5 year running,
- Technical assistance to Polpitiya Rehabilitation and Moragolla Hydro Power Project.
- Technical assistance to major overhaul of Unit no 2 of Canyon PS, Restoration of Isolated Phase Bus (IPB) failure at Kukulganga PS and Major Repair Work at Bowatenna PS



Inspection of Turbine Parts during Major Overhaul of Unit no 2 of Canyon PS



Inspection and Repair Work of Turbine Parts during Major Repair Work at Bowatenna PS

- Technical assistance to Penstock defect rectification of Old Laxapana Power Station, Remedial actions for Bearing heating problem at Samanalawewa PS Unit No:02



Penstock Defect Rectification Work at Old Laxapana PS



Inspection of Bearing Parts during Remedial Work of Samanala Wewa PS

- Technical assistance to modification work of Moment Transfer Devices of Rotor, Refurbishment work of Turbine in Unit 3 at Kotmale PS, Repair work of spiral casing at Victoria PS and remedial work for failure of thrust bearing cooler in Unit no. 2 of Ukuwela PS.
- Condition assessment and planning of major overhaul of Unit 01 of Randenigala PS, major overhaul of Inginiyagala PS, repair work of Polpitiya penstock guard valve and Castlereagh needle valve
- Purchased ultrasonic flaw detector with accessories as a condition monitoring tool for steel structures and as a quality inspection means in welding processes
- Performed condition assessment investigation on mechanical instruments and structures at Samanala wewa dam site

Asset Management Thermal Electrical & Thermal Mechanical Branches

Condition Monitoring of all Thermal Power Stations were carried out on regular basis and attended resolving many vibration and technical problems. Following Major works carried out during the year.

GENERATION DIVISION Contd...

- Advised and resolved major vibration and misalignment problems at Lakvijaya Power Station pumps, motors and fans. Initial status and measurements of Lakvijaya Power Station Unit no. 1 before dismantling for major overhaul (A - Grade Maintenance) were taken and technical assistance given from time to time on Steam Turbine and Boiler overhaul. Turbine sand blasting was carried out under the direct advice and supervision of this branch.
- Cam failures of two engines at Sapugaskanda Power Station were repaired locally as an urgent measure to make them available to avoid prolong non availability due to delay in arrival of expert for 2-3 months.
- Advised and resolved technical issues of Kelanithissa Power Station Frame 5 Gas turbine two units which were not in operation for a long period and were made to operate in Synch-con mode operation.

Plans were set to establish a Testing Laboratory to test lubricating oil, material composition of metals, pressure, temperature, velocity etc. of liquid media and data recorders to perform in house testing for problem route course analysis, performance evaluation and condition monitoring, including procurement of advance multi-channel vibration measurement instrument to perform precise balancing of large size rotating equipment.

Laxapana Complex

The total installed capacity of Laxapana Power Complex is 354.5 MW and it comprises of four Hydro Generating Stations including the very first

major Hydro Power Station named Old Laxapana Generating Station. These Power Stations are situated in cascade in two contributory streams of Kelani River. Wimalasurendra and Old Laxapana plants being fed by Kehelgamu Oya; Canyon and New Laxapana Plants being fed by Maskeliya Oya, while Samanala Power Station is finally utilizes the waters of both the streams. The total power generation of the Laxapana Complex for the year 2015 was 1,448.2 GWh which is 11.06% of the total generation.

Old Laxapana Power Station

Old Laxapana Stage I was upgraded to 3 x 9.5 MW after the refurbishment of 3x 8.33MW units which were commissioned in October 1950. The additional power Generation after the capacity improvement in 2015 is 20.16 GWh.

Old Laxapana Stage II has two units 2x 12.5 MW which were commissioned in 1958. Replacement of Penstock guard valves and painting of inner and outer surfaces of both penstocks were completed in 2015.

New Laxapana Power Station

New Laxapana Unit 1 and Unit 2 were upgraded to 2 x 58 MW after the rehabilitation of 2x 50MW units which were commissioned in September 1974. The additional power generation of 15.72 GWh achieved after the capacity improvement in 2015.

Wimalasurendra Power Station

Wimalasurendra Unit 1 & Unit 2 (2 x 25 MW) were rehabilitated which were originally commissioned in 1964.

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	28.5	194.8	98.25	78.01	0.60
Old Laxapana Stage II	25	120.2	86.48	54.89	4.87
New Laxapana	116	476.4	98.88	46.88	0.55
Wimalasurendra	50	131.4	99.64	30.00	0.37
Samanala (Polpitiya)	75	388.5	97.72	59.13	1.13
Canyon	60	136.9	99.86	26.05	0.13
Total	354.5	1,448.2			



GENERATION DIVISION Contd...

Samanala (Polpitiya) Power Station

The Rehabilitation, the tunnel inspection, tunnel cleaning and remaining works of penstock guard valves scheduled to be commenced in 2016. Replacement of Generator Breaker and Auxiliary Transformers of both units were completed.

Canyon Power Station

Major overhaul work of Unit No:2 was completed.



Generator Work during Major overhaul of Unit 2 of Canyon PS

Mahaweli Complex

The total installed capacity of Mahaweli Complex is 815.2 MW and it comprises of eight Hydro Generating Stations. These Power Stations are situated in cascade in Mahaweli River.

It was observed that year 2015 was one of the best years for Mahaweli complex in terms of electricity generation. Power stations in Mahaweli complex have generated 53.6% of the total CEB hydro generation and it is 20.19% of the total generation of the country in 2015. Victoria, Randenigala, Rantembe, Bowatenna, Upper Kotmale power stations surpassed their annual planned generation targets and Kotmale power station almost achieved the target. Apart from the significant rainfall experienced at catchment areas, especially during the latter part of the year, key factors contributing for this success were the dedication of the staff and operating of the plants at higher water levels of respective reservoirs throughout the year.

Some of the activities carried out in Power Stations of Mahaweli complex during the year are described below.

Stator Winding Repair of the Generator at Bowatenna Power Station

The Stator Winding repair of the Generator at Bowatenna power station was successfully carried out from August to October 2015. Guide Vane Gate Ring and Servomotors were repaired and serviced using new bearing liners and seals during the same outage.

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	795.2	99.21	43.23	1.15
Kothmale	201	480.4	96.64	27.28	6.76
Upper Kothmale	150	487.9	99.88	37.13	0.40
Randenigala	122	434.2	99.80	40.63	0.47
Rantembe	49	212.7	99.83	49.55	0.28
Ukuwela	40	154.9	95.69	44.20	7.93
Bowatenna	40	64.4	98.51	18.39	3.10
Nillambe	3.2	12.2	99.66	42.00	0.74
Total	815.2	2,641.9			

GENERATION DIVISION Contd...



Gate Ring Repair



Lifting of the Generator Rotor

Under Water Inspection of Surge Chamber, Adjacent Tunnel & Penstock of Ukuwela PS

Unit No. 01 Guide Bearing was severely damaged on 2015-03-17 due to a stone came through the tunnel and hit the turbine. Hence, under water inspection using the new state of the art technology was carried out to see the status of the tunnel and any leftover stones nearby to the surge chamber.

Installation of New Generator Circuit Breakers (GCB) at Ukuwela Power Station

When Ukuwela generating units are not in operation, station auxiliary power is supplied by a 33kV feeder. Due to the long distance of the line, frequent tripping of the line was observed making it unreliable. To overcome this problem, new Circuit Breaker at generator side was installed in December 2015 along with Annual Maintenance work of Unit No. 01 machine.

Repair of Thrust & Upper Guide Bearing Oil Cooler Leakage of Unit No. 02 at Ukuwela PS

The thrust and upper Guide Bearing cooler which is a critical component of the machine was damaged due to erosion at critical time. Together with the local cooler manufacturer it was managed to repair the cooler within a short period of time.



Breakdown maintenance of damages due to Thrust & UGB oil cooler leakage

Replacement of the Plant Control System of Machines at Rantembe Power Station

More than 25 years old obsolete control system at Rantembe power station was replaced by a

new Distributed Control System. This project was carried out within the planned outage of annual maintenance works in 2015 of each generating units. Installation and commissioning works of the project was completely carried out by CEB staff.

Replacement of Moment Transfer Devices (MTD) of Rotor in Unit No. 03 machine at Kotmale Power Station

There has been an excessive vibration in Unit 03 machine at Kotmale power station since it's commissioning in 1988. A failure of a Moment Transfer Devices (MTD) at upper rotor disk was also observed during the inspection of the generator. Replacement of MTDs of the Rotor with new design was carried out during 2015. It was also decided to increase the number of MTDs from four to eight on the upper disc for more stability. The repair work was carried out without dismantling the machine (rotor was not lifted) to minimize the outage period. During the repair the rotor roundness, eccentricity, ovality etc. were corrected and commissioned the machine.

Repair of Turbine of Unit No. 03 machine at Kotmale Power Station

Damaged runner nose cone was replaced with a new design. Repairs, services and necessary adjustments were carried out on turbine shaft seal, guide vane seals, friction pads and turbine bearing.



Partly removed Suction Cone Lower Part



New nose cone fixed to the runner

Replacement of Surge Arrestors

Eighteen number of Porcelain surge arrestors in 220kV switchyard were installed to replace (more than 20 years old) Metal Oxide surge arrestors.

Remote operation of Upper Kotmale Power station from Kotmale

Decision was taken to utilize remote operation facility at Upper Kotmale power plant and it was extended



GENERATION DIVISION Contd...

to Kotmale control room. Remote operation was commenced on 11th October 2015.

Rearrangement of Store at Kotmale

New racks were installed in the stores and the items were arranged in a way that the items are easily identifiable. Locations numbers were created as per the convention used in Maintenance Management System (MMS). Also a new location labels are introduced as per MMS location codes.

Implementation of Maintenance Management System (MMS)

During the year, Maintenance Management System (MMS), a corporate solution was implemented in Mahaweli complex. After completing the first phase of project at Kotmale Power Station, MMS was implemented in the rest of the Mahaweli Complex stations within six months and the live operation commenced from 28th July 2015. Scheduling of preventive maintenance, fault reporting, procurement and inventory management is done through the system. Automatic emails are generated for the relevant staff members when a fault is reported on the system. Remedial action taken on the faults reported is also recorded on the system.

Implementation of Data Acquisition and Event Recording System

Design and implementation of Data acquisition and event recording system for power stations in Mahaweli complex was commenced in 2015. The designed system is capable of recording events at 1ms accuracy and the time stamps are synchronized with GPS clock. The Programmable Logic Controller (PLC) system communicates with IEC 61850 compatible protection relays and Remote Terminal Unit (RTU) devices through IEC 61104 protocol to obtain the switchyard data. Procurement of PLCs

have already been completed and the project is scheduled to be completed by May 2016.

Use of CEB Fibre Network

The use of fibre network throughout all power stations of the complex was started in the year 2015. VPN and internet connections were provided to all power stations through this network enabling us to discontinue rented communication links.

Use of MITFIN System

All the financial accounts of the complex are now on line using the MITFIN system and all the information are up to date facilitating generation of final accounts in time.

Power Station visits

Mahaweli Complex has also made arrangements for general public to visit the power stations to enable them to gain knowledge regarding the hydro power generation. During the year more than 30,000 have visited the power stations in the complex.

Samanala Complex

Samanala Complex comprises of Samanalawewa, Kukule, Inginiyagala, Udawalawe and Hambantota (Wind) Power Stations. The Hydro Power Stations are situated in Walawe and Kalu River; Samanalawewa and Udawalawe Power Stations being fed by Walawe River and its tributaries; Kukule power stations being fed by Kukule Ganga, tributary of Kalu River. First Grid Connected Wind Power station named Hambantota Wind Power Stations is also under the Samanala Complex. It is to note that the operating patterns of Inginiyagala and Udawalawe power station are totally dependent on the irrigation water releases. The installed capacity of the Samanala Complex is 210.25 MW and generated 828.9 GWh which is 6.33% of the total generation of the year 2015.

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	425.0	81.80	40.42	24.17
Kukule Ganga	70	336.0	80.38	51.22	3.81
Udawalawa	6	21.5	77.09	61.34	25.69
Inginiyagala	11.25	45.3	95.30	45.90	7.70
Hambanthota Wind	3	1.1	28.24	4.06	29.16
Total	210.25	828.9			



GENERATION DIVISION Contd...

Performance of Power Stations of Samanala Complex in the year is as follows. Key feature of the year was that except wind power station all other four power stations reached highest energy generation figures since inception of each power station.

Following are some of the major events taken place during year in Samanala complex power stations.

Samanalawewa Power Station (SWPS)

- Beginning of year, it was recorded that the abnormal temperature rise in turbine guide bearing of Unit No:02 and led to several tripping and loading issues. Several shaft alignments attempts together with Asset Management Hydro Mechanical branch (AMHM) staff did not improve the situation. It was found later that the runner wearing ring was broken. Therefore the replacement of turbine runner of unit 02 was completed successfully. During this period expert from Alstom (France) visited the power station to analyze the root cause.
- Annual maintenance of Unit 01 was successfully completed from 2015-08-03 to 2015-10-24 and the Unit 01 was inspected for sign of same kind of failures experienced in unit 02 and found healthy.
- Maintenance Management System (MMS) has been successfully implemented at Samanalawewa Power Station during year. Work efficiency and productivity improvement, effective record keeping and less paper usage are the main benefits gained through this computerized maintenance management system.
- As spares for Controller of Unit 01 which is over 20 years old are not under manufacturing, arrangements have been made to develop a new controller by CEB staff themselves. It is planned to install the controller with Unit 01 during outage for annual maintenance in 2016.

Kukule Ganga Power Station (KGPS)

Year 2015 marked a very special year of Kukule Ganga Power Station as the biggest ever repair after its commissioning took place during the year. Except the long planned outage for the above repair of unit -2 generator, there were intermittent forced outages of Unit -1 due to recurrent failures of Isolated Phase

Bus (IPB) of Unit-1 generator. Despite above outages, the plant has generated 336 GWh surpassing its target (317 GWh) for the second consecutive year. One of the main reasons for this success was dedication of the employees to cut short above outages and making the plant available at critical times; in particular, during rainy spells.



IPB Failure. (location- generator terminal)

A brief account of special events that took place during the year 2015 is given below.

• Generator Unit 2 -Permanent Repair

After the catastrophic failure of Unit 2 generator on 8th June 2013, the machine was temporarily repaired by CEB engineers and ran for thirteen months generating 124 GWh until the machine was stopped for the permanent repair on 9th January 2015. However, considering the temporary nature of the repair, a permanent repair was carried out early 2015 as initially planned by the management. During this repair all the damaged parts including stator winding and rotor poles were replaced by new parts purchased from the Original Equipment Manufacturer (OEM), Toshiba Corporation.

This repair was managed by the CEB taking only the supervisory services from Toshiba Corporation and completed 40 days before the scheduled date of completion. (As per the OEM's schedule, the total duration was 150 days, but completed within 110 days.) Early completion of the repair saved 9GWh.

In order to minimize the risk of similar failures in the future, a new cover was fixed to the window through



GENERATION DIVISION Contd...

which the pole stoppers escape in the event of any dislodging. Total cost of the repair was Rs 448 million.



Generator Core being erected



Pole stopper with crack



Pole stopper replaced during routine maintenance



Deposit of yellow dust on the bottom side end winding of Unit-1 generator – inspection at routine maintenance

Udawalawe Power Station(UPS)

Repair work of damaged power cable between two power plants, runner blade seal and spray valve of right bank were completed.

Inginiyagala Power Station (IPS)

Highest generation in history of IPS was recorded in year 2015. Total electricity generation for the year was 45.4 GWh; highest since it was commissioned in 1952. One of the key factors is availability of generators. Even though plant is sixty years old, it was

the commitment and dedication of all employees which has led to this achievement. Unit 01 winding repair, Unit 01 governor repair, Power transformer replacement, power cable and 6.9 kV switch gear replacement were few improvements carried out in order to achieve this improvement at IPS.

- **415AC Auxiliary power system rehabilitation**

Cable and the protection system of the power station auxiliary supply, which installed during commissioning of power station, was rehabilitated with new cable, breakers and RCDs to ensure proper operation and protection of the system.



One of the newly installed Auxiliary panels

- **Enhance the safety of employees of the power station.**

Emergency showers were installed at power station switch yard and battery room. Also eye washers were installed to enhance the safety aspect. Fire blankets were installed in selected place at the power station.



Safety shower at the 33kV yard



Fire blankets at power station

Thermal Complex

Thermal Complex comprises of Sapugaskanda A and B Power Plants of diesel engine driven generating sets, Kelanitissa Combined Cycle Power Plant, Kelanitissa gas turbines Power Plant (Fiat GT

GENERATION DIVISION Contd...

and Frame 5 GTT), Uthuru Janani Power Plant of diesel engine driven generating sets and the newly acquired Barge Mounted Power Plant of 2 stroke diesel engine driven generating sets. Total installed capacity of the complex at the end of 2015 was 604 (582*) MW. Energy generation of the Thermal Complex for the year 2015 was 1278.1 GWh which is 9.76% of the total generation.

Performance of Power Stations of Thermal Complex during the year as follows.

Planned maintenance and repair works on exhaust stack, hot water system and boiler insulation cladding at Station A and Station B at Sapugaskanda were carried out. Scheduled 12,000 Running hours maintenance were carried out in Engine no. 03, 09 and 10 during the year.

Barge mounted power plant (BMPP) consisting of 04 nos. of 15 MW generating sets powered by 12K 50MC-S, Mitsui MAN B&W, two stroke, low speed, diesel engines was acquired by CEB from Colombo Power Private Limited (CPPL) recently and has been operating since 03rd December 2015 on base load or intermediate load depending on the system requirement. These engines are running on Heavy Fuel Oil of 1500 sec. viscosity. The generating cost of

BMPP is one of the lowest among the thermal power plants in Sri Lanka.

Lakvijaya Power Station



Being the major contributor (900 MW) to the national power grid, Lakvijaya Power Station (LVPS) has generated 4,457 GWh (net) in 2015 providing for 34% of total system demand. Throughout the year LVPS was able to maintain 94% availability. During the first six months of the year 2015 all three units of the Lakvijaya Power Station (LVPS) generated power at almost full capacity. Unit 1 was stopped for Class-A overhaul in July, which was due according to maintenance plan.

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 (66*)	127.7	93.3	22.10
Sapugaskanda - B	80 (72*)	166.7	88.3	26.40
Kelanitissa CCPP – GT	110	436.5	82.91	47.55
Kelanitissa CCPP – ST	55	223.6	76.86	42.65
Kelanitissa Fiat GT	115	198.3	82.78	2.72
Kelanitissa Frame V GTT	80	19.3	86.92	0.23
Uthuru Janani	24	87.9	87.13	41.42
Barge Mounted Power Plant	60	18.1	98.02	43.39
Total	604 (582*)	1,278.1		

[The figures given in (*) are the figures obtained after de-rating engines at Sapugaskanda power plant after retrofit in the case of station A, and all engines of station B to maintain low fault factor.]

Contribution to the national power demand by LVPS during the year

2015	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
Energy Sent Out (GWh)	393.1	388.7	528.1	484.5	492.8	380.1	374.1	294.8	256.5	329.8	283.1	251.6
Percentage from Total Generation	38%	40%	47%	47%	44%	34%	32%	26%	23%	29%	26%	22%



GENERATION DIVISION Contd...

Generation Data for the year	
Total Energy Generated (net)	4,457 GWh
Total Coal consumption	1.88 Million Tons
Total Diesel consumption	3 Million Litres
* Coal Price	11.11 Rs./kg
* Unit Cost (O & M)	4.78 Rs./kWh

*Average price Based on draft accounting details

Unloading of Coal



Coal requirement of the power station was purchased through Lanka Coal Company (LCC). During the coal unloading season, 2014/2015 1.83 Million Metric Tons (MMT) of coal were unloaded. Coal unloading season 2015/2016 commenced in September 2015.

Major Events

Class A overhaul (which is a major overhaul) of generator Unit 01 was carried out during the year.

During the overhaul, all major components were dismantled and reassembled. CEB maintenance staff joined with China Machinery Engineering Corporation (CMEC) to handle the overhaul work.



Extracting the Rotor of the Generator



Disassembling the Turbine



Lower Half of the Low Pressure Turbine

High Pressure and Intermediate Pressure Turbine

Cost of Generation - 2015						
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	22,802	1,087	6,322	30,211	1,085	27.84
Hydro	-	532	7,608	8,140	4,925	1.65
Thermal -Coal	21,304	748	10,631	32,682	4,457	7.33
Total	44,106	2,367	24,561	71,033	10,467	6.79



OPERATIONAL REVIEW

TRANSMISSION DIVISION

TRANSMISSION DIVISION

Transmission Division plans, develops, operates and maintains the whole of the transmission assets of the CEB, while providing services to other Divisions of CEB in certain areas of activities.

Mission of the Transmission Division

The mission of the Division is to provide reliable, quality electricity in bulk by means of effective and efficient planning, development and operation of the transmission network through a productive partnership with skilled and motivated employees using appropriate technology for the socio-economic development of Sri Lanka while meeting acceptable environmental standards and earning a satisfactory rate of return.

Objectives of the Transmission Division

The operational objectives of the Division are 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 reasonable forecast demand for electricity.
- Maintain transmission voltage variations within $\pm 10\%$ for 132 kV & 220 kV and frequency within $\pm 1\%$ of 50Hz of the system.

Operational activities

The division operates 220kV and 132kV grids, embracing all power stations and dispatches all electricity supplied to the grid through its System Control Centre. The System Control Centre plans and carries out the operation of generation and transmission system in order to achieve reliability, quality and operational economy. Archiving the generation and transmission data and the preparation of regular management information is also carried out by the Division.

TRANSMISSION & GENERATION PLANNING BRANCH

The main objective of this unit is to study and plan the transmission system and generation additions

in CEB power system which has hydro-thermal mix generation with adequate Non-Conventional Renewable Energy plants.

Generation Planning Section

The Long Term Generation Expansion Plan (LTGEP) 2015-2034 was prepared and submitted to the Board for the approval in April 2015. According to the LTGEP 2015-2034, it is envisaged that approximately 5,623 MW of generation capacity would be added to the system within the next 20 years, out of which 3,200 MW will come from coal fired thermal power plants and 1476 MW from Non-Conventional Renewable Energy (NCRE) Power Plants. The Board approval was received in May 2015 and submitted to the PUCSL for their confirmation in August 2015. PUCSL requested clarifications from CEB after the Stake Holder Consultation process and CEB responded to the queries raised by the PUCSL. However, PUCSL rejected the confirmation of the Long Term Generation Expansion Plan 2015-2034 and requested to resubmit the Plan. Generation Planning Section initiated the process of preparing new Long Term Generation Expansion Plan 2017-2036.

With the assistance of Japan International Cooperation Agency (JICA), a pre-feasibility study on 'Development Planning on Optimal Power Generation for Peak Power Demand' was carried out and the final study report was received in February 2015. According to the studies, it was proposed to construct 3 x 200MW of Pumped Storage Power Plant in Maha Oya having lower pond at Aranayaka area and upper pond at Ganga Ihala Korale, Gampola.

Transmission and Generation Planning Branch and System Control Branch jointly carried out a study on 'Integration of Non-Conventional Renewable Energy Based Generation in to Sri Lanka Power Grid'. This report include the NCRE capacities which could be integrated in to the system during the period 2015-2025 by considering economical, technical and operational aspects.

The environmental clearance process was initiated for the 3x35MW Gas Turbines units to be located at Kelanitissa, identified in the LTGEP 2015-2034. Basic Information Questionnaire (BIQ) and associated emission studies were submitted to the Central Environmental Authority for their approval.



TRANSMISSION DIVISION Contd...

Generation Planning Section assisted the World Bank Experts, arranging the Green Climate Finance for the proposed Mannar Wind Power Development to be undertaken by the CEB.

Generation Planning Section participated in the programs organized by the Sri Lanka Sustainable Energy Authority and the Ministry of Environment with respect to obtaining the Climate Finance for the future renewable projects.

Generation Development Studies

Site selection study for the development of 1200 MW high efficient coal fired thermal power plants was carried out with the financial assistance from New Energy and Industrial Technology Development Organization (NEDO) of Japan. Of the three sites identified at Sampoor, Hambantota and Mawella, Sampoor site was selected by the Ministry of Power & Energy for further studies. Study Team carried out the feasibility study at the Sampoor site including emission modeling and thermal discharge modeling of the proposed power plant. Generation Development Studies Section submitted the BIQ to the Central Environmental Authority to obtain the Terms of Reference (TOR) for the Environmental Impact Assessment (EIA) based on the feasibility studies carried out by Japanese Study Team. Central Environmental Authority provided the TOR for the EIA. Ministry Consultancy Procurement Committee (CPCM) was formed for the procurement of a consultancy service for carrying out the EIA. Expression of Interests (EOI) for the consultancy were called, short list of the Consultants were prepared. Process was temporary suspended due to the non-availability of the identified land for the power plant development.

Initial Environmental Examination for the Proposed 20 MW Seethawaka Ganga hydro power plant was initiated. BIQ was submitted to the Central Environmental Authority to obtain the Terms of Reference (TOR) for the Environmental Impact Assessment (EIA) based on the initial studies carried out by the Generation Development Section. Central Environmental Authority provided the TOR for the EIA. Ministry Consultancy Procurement Committee (CPCM) was formed for the procurement of the consultancy service. Request for Proposal (RFP) was

prepared to invite same from reputed Consultancy firms.

The studies related to acquiring of Barge Mounted Power Plant by CEB were carried out by the Energy Purchase branch with the assistance of the Generation Division. The report was prepared and submitted to Board in March 2015. Board granted the approval to acquire the power plant after reviewing the report and finally Barge Power Plant was acquired by the CEB.

The mitigation and adaptation measures of climate change impacts of power sector were studied with the Climate Change Secretariat under the Ministry of Environment.

Transmission Planning

The Long Term Transmission Development Studies 2015-2024 has identified thirty-six transmission development projects and four power plant connection proposals for the period from 2015 to 2024. Funds for most of the projects of high priority have been arranged with lending agencies such as Japan International Cooperation Agency (JICA), Asian Development Bank (ADB) and Agence Francaise De Developement (AFD).

JICA 45th Yen Loan Package (Loan amount: Yen 24,930 million) for the National Transmission and Distribution Network Development and Efficiency Improvement Project (Phase 1) was signed in August 2015. Construction of Kirindiwela 220/132/33kV grid substation, Veyangoda-Thulhiriya 132kV transmission line and Battaramulla Grid Substation, Reconstruction of Kolonnawa-Pannipitiya-Ratmalana, Polpitiya - New Habarana 132kV transmission lines and Construction of Kotmale - New Polpitiya 220kV transmission line are included in this project.

Green Power Development and Energy Efficiency Improvement Investment Program Tranche 1, co-financed by ADB and AFD (Loan amount: USD 180 million) was signed. This development will enhance the generation system and improve the efficiency and reliability of the power system. Augmentation of Old Anuradapura and Katunayake Grid Substations and construction of Kerawalapitiya, Kappalthurai, Kesbawa and Kalutara Grid Substations are implemented under this project.



TRANSMISSION DIVISION Contd...

Further, AFD loan for the construction of four Grid Substations at Maliboda, Wewalwatta, Nawalapitiya and Ragala, (Loan amount: Euro 30 million) was signed in October 2015. This project will enhance the grid integration of renewable energy projects.

National Transmission and Distribution Network Development and Efficiency Improvement Project (Phase 2) (Loan amount: Yen 14,627 million) was formulated, under JICA 46th Yen Loan Package. This development includes the construction of Sampoor Switching Station, construction of 400kV Sampoor -Habarana transmission line (initial operation at 220kV) and Sampoor-Kappalthurai 220kV transmission line, to facilitate the transmission of power generated at Coal Power Plants at Sampoor.

Green Power Development and Energy Efficiency Improvement Investment Program Tranche 2 to be funded by the ADB, was formulated. This project which includes the construction of 220kV New Polpitiya - Hambanthota transmission line, 220kV Mannar-Nadukuda transmission line, 132kV Padukka -Horana transmission line, construction of Nadukuda and Colombo B Grid Substations, augmentation of Kotugoda, Biyagama & Kolonnawa Grid Substations, installation of 100 MVar Breaker Switch Capacitors at Pannipitiya Grid Substation and +100/-50 MVar Static Var Compensator at Biyagama Grid Substation will strengthen and improve the reliability of the transmission and distribution network and facilitate the grid integration of wind power in Mannar area.

Transmission Design

Activities during the year are as follows.

Preparation of tender documents for implementation of National Transmission and Distribution Network Development and Efficiency Improvement Project (NT&DND &EIP) funded by JICA SL-P113, Green Power Development and Energy Efficiency Improvement Investment Programme Project (GPD&EEIIPP) Funded by ADB Tranche 1 and 2, Sampoor 220 kV Project, Renewable Energy Absorption Transmission Development Project (REATDP) Funded by AFD) and Underground power cable works for New Kelani bridge construction project.

Preparation of tender documents, preliminary design and profile design for reconstruction project of

Badulla – Medagama and New Chilaw – Bolawatte transmission lines.

Review of designs includes, Clean Energy and Network Efficiency Improvement Project packages 1, 2 and 3, New Galle Transmission Development Project (NGPTDP) Lot A1, Valachchanai Kiribathkumbura Grid Substations Augmentation Project and Kelaniya Vavuniya Grid Substations Augmentation project. In addition review of bidding document for Habarana - Veyangoda Transmission Line Project.

Other than above transmission design unit is involved in preparing technical specifications for SVC to be installed at Biyagama Grid Substation, Insulator Pollution Test Activities (Sampoor, Mannar and Norochchola transmission lines), Preliminary Design for Installation of Surge Arresters in Kukule - Matugama 132 kV Transmission Line and construction of transmission training center for training CEB staff on 132 and 33 kV switchgear, grid substation operation, control, maintenance and protection and configuration and operations of substation automation systems.

Protection Development

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

This unit also carries out failure analysis of any total or partial failures occurring in the transmission network, and remedial or preventive measures are implemented to improve the system reliability performance. The failures are analyzed and remedial measures are proposed. Improvements in the system performance have been observed after implementation of remedial and preventive measures.

Protection Development Unit is coordinating with distribution divisions to identify and rectify protection related issues in 33kV distribution feeders such as protection coordination with distribution auto reclosers. A process has been initiated to install new relays in 50 number of 33kV feeders throughout the island to improve reliability.

Another function of the Protection Development Unit is to assist and provide consultation for transmission expansion and rehabilitation projects. This includes

TRANSMISSION DIVISION Contd...

identification of protection scope for new and rehabilitation projects, preparation of technical specifications, protection setting calculations and checking and approving of protection schemes/settings given by contractors. In addition this branch witness commissioning of protection schemes in transmission and generation projects for user acceptance.

Environment Unit

The Environment Unit is the focal point for most of the environmental activities of CEB. The main responsibilities of the Environment Unit includes conducting the Environmental Approval Process for development projects of CEB, preparation of Environmental Safeguard documents as per National Environmental Act(NEA) as well as the guidelines of the funding agencies (if applicable), obtaining the relevant environmental approvals, and conducting environmental awareness programs for CEB and its stakeholders.

A brief overview of the Environmental Impact Assessment/ Initial Environmental Examination (EIA/ IEE) Processes carried out by Environment Unit in year 2015 is given below.

Environmental approvals have been obtained for following Transmission Projects, namely, Proposed 400kV Transmission line Project from Sampoor to Habarana (92km), Proposed 220kV Transmission line Project from Polpitiya to Pannipitiya (75km), Proposed 220kV Transmission line Project from Polpitiya to Kothmale (22.3km), and Proposed 132kV Transmission line Project from Polpitiya to New Habarana (150km).

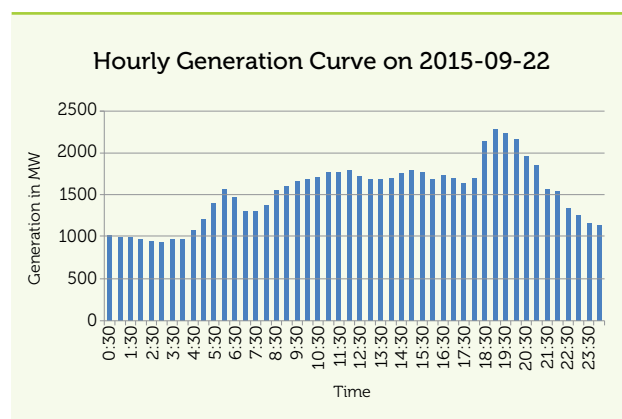
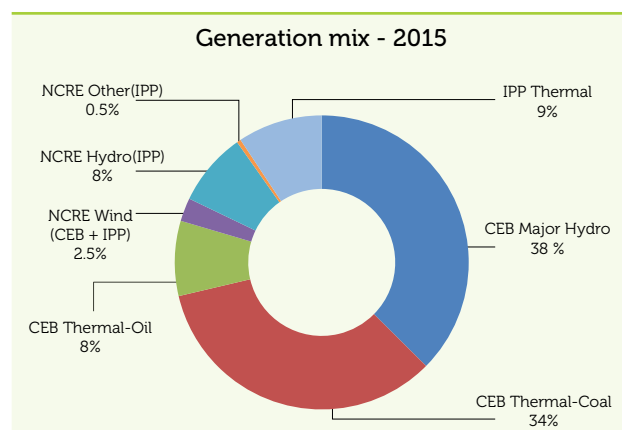
Environment Safeguard Documents under ADB guidelines have been prepared and submitted to ADB for the following transmission Projects, namely, Re-construction of 132kV Transmission line (32.5 km) from New Chilaw to Bolawatta and Re-construction of 132kV Transmission Line (23.3 km) from Badulla to Monaragala.

Final versions of the Initial Environmental Examination (IEE) reports prepared under National Environment Act(NEA)for following transmission projects have been prepared and submitted to Central Environmental Authority (CEA), and approvals

awaited, for following projects, namely, Proposed 100MW Wind Park along Southern Coast of Mannar Island, Proposed 220kV Transmission line Project from Sampoor to Kappalthurai (37km) and Proposed 220kV Transmission line Project from Nadukuda to Mannar (21km).

System Control

The annual peak generation of 2,283.4 MW occurred on 2015-09-22 at 19:00 hrs. Standard Power Purchase (SPP) Hydro generation during peak time was recorded as 144MW on this day. Total energy generated for the year was 13,154 GWh which is an increase of 5.9% over the previous year. Non-conventional renewable energy contribution was 11%.



The year commenced with a total hydro storage (highest) of 1181 GWh, which was 93.8% of the total storage, compared to 52.4% in 2014. Inflow during the first five months was considerable compared to year 2014. Hydro storage gradually decreased to 881.9 GWh on 11th May and reservoirs recorded the lowest



TRANSMISSION DIVISION Contd...

storage of 559 GWh on 2015-09-03. During the final quarter of the year there was very high inflow to reservoirs. End of year storage was 1,093GWh.

Asset Management Branch

The Asset Management Branch in the Transmission Division is responsible for achieving the maximum commercial benefit of plants and equipment in CEB's transmission network while enhancing the system reliability. Its main functions include monitoring plant performance & maintenance work and setting of maintenance policies & procedures to ensure the operational effectiveness while maximizing the economic life of assets.

Transmission Asset Management Branch also procures spare parts to maintain adequate spares in stocks as well as major equipment required for replacement of assets. Further, planning for replacement of assets at the end of their useful lives is carried out by the branch. It also undertakes disposal of unserviceable assets belongs to transmission division.

The achievements during 2015

- Procurements of major assets, tools and spares worth nearly Rs. 400 million were completed.
- As the part of the condition monitoring of major asset items, the conditions of power transformers in grid substations were assessed by Dissolved Gas Analyzer (DGA) and Sweep Frequency Response Analyzer (SFRA). During 2015, DGA was performed on 69% of power transformers at grid substations while SFRA reached 30% by the end of 2015.

The Asset Database is regularly updated with condition monitoring data and maintenance records of major equipment.

Transmission Operation & Maintenance

The main objective of the Operation & Maintenance branch of Transmission Division is to operate and maintain the Transmission Network which comprises 57 Grid Substations (GSS), 601 km of 220kV and 2206 km of 132kV Transmission lines in an efficient, reliable and effective manner.

Four separate regional offices, Protection & Centralized Service Unit and Hot Line Maintenance

Unit have been established under Transmission Operation & Maintenance branch to achieve the above objective.

Colombo Region

Special works undertaken during the year includes , replacement of 132kV old Pneumatic Circuit Breaker at Ratmalana GSS, 220 kV Circuit breakers of Kotmale bay at Biyagama GSS, replacement of defective CB mechanisms at 132kV GIS at Kolonnawa GSS and replacement of defective earthing transformer and 33kV Current Transformers at Seethawaka GSS.

Kandy Region



Repairing of pneumatic unit



Rubber cell replacement of Badulla

Special works undertaken during the year includes, access to the MITFIN System via Fiber Optic Multiplxer at Pallekele GSS through a fiber optic cable laid from Pallekele GS and new office, assisting commissioning work at Naula, Monaragala and Kurunegala GSS.

TRANSMISSION DIVISION Contd...

Galle Region

Apart from routine work, special works were planned and successfully implemented during the year including replacement of defective 33 kV Voltage Transformer of 33 kV GIS at Ratnapura GSS, assisting commissioning works at New Galle, Ambalangoda, Balangoda, Deniyaya and Matara GSS.

Anuradhapura Region

Special works undertaken during the year includes remote operation of Maho GSS from Puttlam GSS and assisting commissioning works at New Valachchenai, Polonnaruwa, Puttalam and Maho GSS.



Vauniya Bus Coupler panel fabricated by O&M



Vauniya 2nd bus bar connection

Hot Line Maintenance Unit

Hotline Maintenance Unit in Transmission Operation and Maintenance branch undertakes all the breakdown rectification work and live line maintenance work of 132kV and 220 kV Transmission lines in the national system. In 2015 Transmission Hotline Maintenance Unit has completed the

inspections of 2800 transmission line towers out of 4899 towers.



Live line maintenance of 132kV suspension tower



Live line maintenance of 220kV suspension tower

Final inspection of 132 kV New Galle-Ambalangoda, second circuit of Puttlam-Maho Transmission lines were carried out during the year.

Protection and Centralized Services

Special work under taken during the year includes, implementation of a new protection scheme for Old Anuradapura – Habarana Transmission Line 01 & 02, refurbishment of fiber optic network used in protection schemes at Kerawalapitiya GSS.

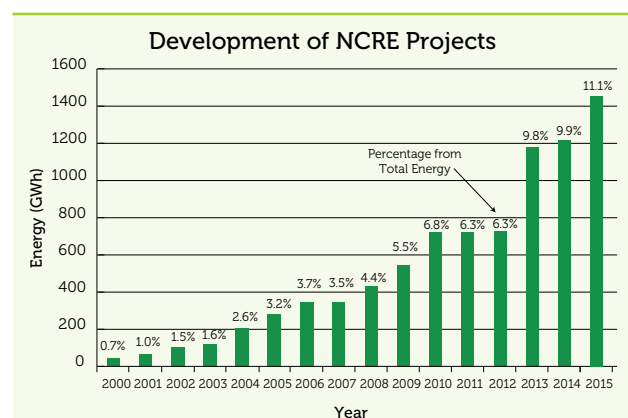
Energy Purchase

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

There are five independent Private Power Producers with a total capacity of 601 MW supplying thermal power to the CEB and 180 Non-Conventional Renewable Energy(NCRE) projects with total capacity of 455 MW in Sri Lanka.

Non-Conventional Renewable Energy

Non-Conventional Renewable Energy Plants below capacity of 10 MW are paid in two tariff categories, Cost Based Technology specific Three Tier Tariff and Avoided Cost Based Tariff.



TRANSMISSION DIVISION Contd...

Mini Hydro Power Development

During the year 2015, twelve mini hydro power projects of total capacity 16 MW have been connected to the grid raising the total number of mini hydro plant to 154 numbers with a total capacity of 306 MW. The total generation during the year 2015 was 1065 GWh. CEB has entered in to 79 Standardized Power Purchase Agreements (SPPA) for an aggregate capacity of 137 MW.

Biomass Power Development

Biomass Power plants consist of three main categories i.e. Dendro, Municipal Waste and Agricultural & Industrial Waste. With regard to Biomass Power Projects, there are two biomass projects as one Agricultural & Industrial Waste Power Plant and one Dendro Power Plant of total capacity of 100 kW have been connected to the grid during 2015. The total generation was 57 GWh. By the end of the year, CEB has entered in to 14 Standardized Power Purchase Agreements (SPPA) for an aggregate capacity of 61MW.

Wind Power Development

During the year 2015, one wind power project of total capacity 10 MW have been connected to the grid. By the end of the year, 15 wind power plants have been connected to the grid with an aggregate capacity of 124 MW. SPPA's have been signed for another 01 No of total capacity 1MW.

Energy Marketing

This branch is responsible for handling all bulk supply transactions between Transmission and Distribution licensees in accordance with the relevant license conditions and prepares monthly transaction notes for the five distribution licensees. This branch liaises with the Public Utilities Commission of Sri Lanka (PUCSL) on tariff preparation as well as the other regulatory functions on behalf of the Transmission Licensee.

This branch prepared the revenue requirement of the Transmission Licensee for the second tariff period of 2016 – 2020 as per the approved Tariff Methodology and carried out the tariff filing on behalf of the Transmission Licensee during the year 2015.

Meter Testing Laboratory is now equipped with the current transformer (CT) testing facilities and the CT testing at primary and grid substations are being conducted in collaboration with each Distribution Division.

Action has been taken to improve the remote meter testing facility to enhance the data speed and connectivity using a more effective communication technology, VPN/APN than the existing GSM/CSD base communication at few locations as a pilot scheme.

Communication

The responsibility of the Communications branch is to provide Voice and Data communication requirements within the CEB for Generation, Transmission, Distribution and other ancillary units of CEB and Supervisory Control & Data Acquisition (SCADA) requirement to System Control Center.

Communication Systems Unit is responsible for the Voice and Data communications network over Power Line; PLC Network, Optical Fiber Network including the end equipment, the PLTS, Hotline and Admin Telephone systems, Telephone exchanges and the auxiliary systems at Power Stations and Grid Substations throughout the country.

Work carried out during the year includes,

- Installation and commissioning of SOPHO PABX at Victoria PS, New Galle GSS, new Anuradhapura GSS, Vavunia GSS and. FOX 515 Multiplexer at Randenigala PS
- Providing LAN facilities via Fiber Optic Multiplexers for Remote operations of Maho GSS, Naula GS, DFR at new Anuradhapura GSS to communicate with Kent road office, expanding the MITFIN network to Uthuru Janani PS, Kukule PS, Pallekele O&M Office, internal SCADA extension between Randenigala P/S and Rantambe P/S.
- Installation, re-tuning and commissioning of 3 nos. old PLC links (of type ETL 540/600) between Polonnaruwa- Habarana, Polonnaruwa-Valachchena and Habarana – Valachchena stations for increasing the channel capacity between those stations as fiber optic communication not available.



TRANSMISSION DIVISION Contd...

- Integration work of new FOX 615 multiplexers and new four nos. SOPHO PABX of type IS 3000 which came under SCCMP to the existing SDH network and telephone network configuring necessary re-routing and protection paths etc.

Communications Services Unit is responsible for the SCADA system and the remote station SCADA equipment and the operational communication (PLTS, Hotline system) for System Control Operations.

Digital Bearer Section

Digital Bearer Unit is responsible for the Microwave Communication System and the Radio (VHF & UHF) communication facility for operations and maintenance work in generation, transmission and distribution divisions.

Work carried out during the year includes

- Improvement of UHF mobile radio communication coverage in Batticaloa by installing new repeater station at Riverstone, Matale.
- Mid band VHF repeater station was shifted to Athugala, Kurunegala in order to enhance quality of service.
- New mid band VHF repeater station was installed at Chilaw Area Office in order to provide mobile radio communication within the area.
- Procurement of equipment for expansion of mobile radio communication in the northern and eastern was completed. The equipment will be installed within the next year.

Services Unit:

Special work carried out during the year includes;

- Integration of new Gateways at New Galle, Kurunegala, Horana, Rantambe 220 kV and Biyagama 220kV to system control center
- SCADA augmentations and point to point test of Naula, Maho, and Veyangoda
- Local commissioning of protection signal indications at gateways of Victoria, Randenigala & Kothmale 220kV which were installed under 220kV Protection Development Project.

- RTU design for integration of Randenigala PS & Rantambe PS SCADA with New System Control Centre was finalized.

Corporate & Regulatory Relations

The responsibility of Corporate and Regulatory Relations Branch is to ensure proper functioning of transmission division by optimum use of human resource in the division. This branch is responsible for the performance appraisals and promotions of the Transmission Division staff and also it carries out skills development programs and training programs, both local and foreign, in co-ordination with the training branch for executive and non-executive employees of the division.

Human Resources

The Transmission Division has a total of 1158 employees, consisting of 166 executives and 992 non-executives.

External training opportunities were provided for the staff both locally and abroad, depending on the skills development requirements. The subjects covered in the training abroad were planning, Design, communication, Substation automation, operation and maintenance of substations and transmission lines.

Knowledge transfer sessions were arranged in every month for those who attended overseas training/workshop to share the experience they gained with others.

The Division has a vibrant Welfare Society with official patronage. During the year, it provided various services such as loan scheme, long service award to its members while facilitating cordial personal relationships among different categories of staff.

System Control Centre Modernization Project

This project is carried out based on the Feasibility Study Report prepared in 2006 for a new system control centre in Sri Lanka and is funded by ADB. The project consists of two packages:

Package A - Construction of National System Control Centre and Installation of SCADA and Communication Systems



TRANSMISSION DIVISION Contd...

Package B - Replacement of Existing Earth Wire with Optical Fiber Ground Wire (OPGW). A Consultancy Contract for the System Control Modernization Project was awarded in May 2010 and completed in 2013.

Package A - The objective of Package A is to provide a National System Control Centre (NSCC) for managing the electricity transmission/generation system in Sri Lanka. A new System Control Centre with monitoring and controlling capability of the switchgear at 132/220kV grid substations of the transmission network of CEB will be established under Lot 1 of Package A. An Energy Management System, integrated with the SCADA system that helps the operating staff to decide on the energy dispatching schedules dynamically will be a key feature of the new system control centre. The Lot 1 of Package A was awarded on in July 2014 and is expected to be completed in October 2016.

Total disbursed amount for Package A - Lot 1 for the year 2015 (Approximately):

- USD 400,000.00 * LKR 80,000,000.00

An island wide communication system was installed under Lot 2 of Package A. The Contract was awarded in October 2013 and was successfully completed in December 2015.

Total disbursed amount for Package A - Lot 2 for the year 2015 (Approximately):

- CHF 350,000.00 * USD 200,000.00 * LKR 30,000,000.00

Approximately US\$ 25 million is funded by ADB to cover the entire costs of package A and package B under clean energy access improvement project-part1.

Mannar Wind Power Project (MWPP)

Sri Lanka is blessed with several renewable energy sources such as Hydro potential, wind and solar energy. By now, almost all the major scale hydro potential has been exploited and contributing in a substantial way to fulfill the country's energy requirements.

The next preference of renewable energy goes to wind which has now become proven source

with the adoption of modern engineering and technology. The Government of Sri Lanka also issued policy directives to energy sector targeting 20% of energy generation by Non-Conventional Renewables by year 2020. Besides, CEB identified the future potential of wind resources for generating electricity as early as in year 2002 and commenced pre-feasibility studies for appropriate locations all over the country. Accordingly, the Mannar Island has been identified as one of the best location for such a plant.

With such an intention, CEB has established a Project Management Unit (PMU)-Mannar Wind Power Project on May 2015 to implement Sri Lanka's first large scale Wind Farm of capacity 100MW along the southern coast of Mannar island which will be operated on semi-dispatchable strategy. This is a Bench Mark project for all future large scale wind power absorptions to the country's National Electricity Network.

Basic details of the Project

Project Scope	Construction of 100MW wind farm including Power evacuation system, infrastructure facilities and Control center with SCADA. Operation of the Plant on Semi-Dispatchable basis
Total Project Cost	165M USD
Average Annual Energy Generation	324 GWh
No of Wind Turbine/ Generator Sets	50 Nos.
Average Plant Factor	37% to 40%
Project Implementation Period	2 Years.
Project Completion	May 2018

Progress up to the date

The necessary statutory approvals including provisional approval for the plant has already been issued by the Sustainable Energy Authority of Sri Lanka.

An IEE study has been proposed for the environment approval of the project by Coast Conservation and



TRANSMISSION DIVISION Contd...

Coastal Resources Management Department and is in progress now.

Further the area allocated for the 100MW wind Park has been surveyed and a Bathymetric Survey

along the Southern Coast of Mannar Island has been commenced to identify possible logistics route for sea transport of wind plant accessories.

Project Area Reserved for MWPP



Renewable Energy Absorption Transmission Development Project

Most of mini hydro power projects to be developed are located in and around Maliboda, Deraniyagala, Balangoda, Rathnapura, Padiyapalalla, Ragala, Nuwara Eliya, Kothmale areas. However, the absorption capacity of mini hydro projects to the existing grid substations located in the above areas has already exceeded. Hence, to facilitate the absorption of new renewable energy to the National Grid, the electricity network in the above areas should be enhanced.

Construction of new grid substations at Maliboda, Wewalwatta, Nawalapitiya and Ragala and related

transmission lines were identified for this scope of the project. Total estimated cost is USD 48.06 million (LKR 6,227.6 million). AFD will provide the base cost USD 37.8 million (LKR 4,898.6 million) and CEB will provide LKR 1,329.1 million for this project.

This project will be carried out by CEB. Procuring goods and works from several contracts deviating from the "Turn key" concept. All primary electrical designs, some of the electrical secondary designs and all civil designs will be carried out by CEB engineers.

Project is expected to complete in end of year 2018.





OPERATIONAL REVIEW



DISTRIBUTION DIVISIONS

DISTRIBUTION DIVISIONS

The CEB is responsible for over 88% of the electricity distribution (by sales volume) 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 consists of 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.

Each division was headed by an Additional General Manager who reports 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

Operational Structure

The distribution divisions are divided province-wise and each unit handling a province is headed by a Deputy General Manager. A province is subdivided into several areas, which were managed by Area Electrical Engineers. An area unit was further subdivided into several Consumer Service Centres (CSC) each headed by an Electrical Superintendent.

Area of Operation

Distribution Division 1 consists of four Administrative Provinces namely North Western, North Central, Northern and Colombo City Area. Northern Province is divided into three Areas which are Jaffna, Kilinochchi and Vavuniya. North Central Province is divided into three Areas and those are Anuradapura, Kekirawa and Minneriya. The North Western Province

is divided into seven Areas which are Chilaw, Kurunegala, Kuliyaipitiya, Wariyapola, Wennappuwa, Puttlam and Narammala. Colombo city is divided into Colombo North, Colombo South, Colombo West and Colombo East.

Area of operation of Distribution Division 2 covers the whole of the Eastern and Central Provinces and parts of the Western and Sabaragamuwa provinces including 22 Area Offices. Eastern Province is subdivided into four Areas Ampara, Batticaloa, Trincomalee and Kalmunai. Central Province is subdivided into twelve Areas Kegalle, Mawanella, Kandy City, Peradeniya, Kundasale, Katugastota, Galagedara, Matale, Dambulla, Nuwaraeliya, Ginigathena, Nawalapitiya, Nuwaraeliya and Ginigathena. The Western Province North is subdivided into six Areas Gampaha, Kelaniya, Negombo, Ja-ela, Divulapitiya and Veyangoda.

The Distribution Division 3 is 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 is subdivided into five areas viz., Bandaragama, Homagama, Sri Jayawardenapura, Avissawella and Horana. Sabaragamuwa Province is subdivided into five areas viz., Ratnapura, Kahawatte, Ruwanwella, Eheliyagoda and Embilipitiya and covers the entire Ratnapura District and a part of the Kegalle District. Uva Province comprises of Badulla, Diyatalawa, Monaragala and covers Badulla and Monaragala administrative districts.

The Distribution Division 4 covers a part of the Western Province (Western Province South I), the entire Southern Province and few parts of the Sabaragamuwa and Uva Provinces. Western Province South I covers the Areas of Ratmalana, Kalutara and Dehiwala. Southern Province covers the Areas of Ambalangoda, Galle, Hambantota, Matara, Tangalle, Weligama and Baddegama.

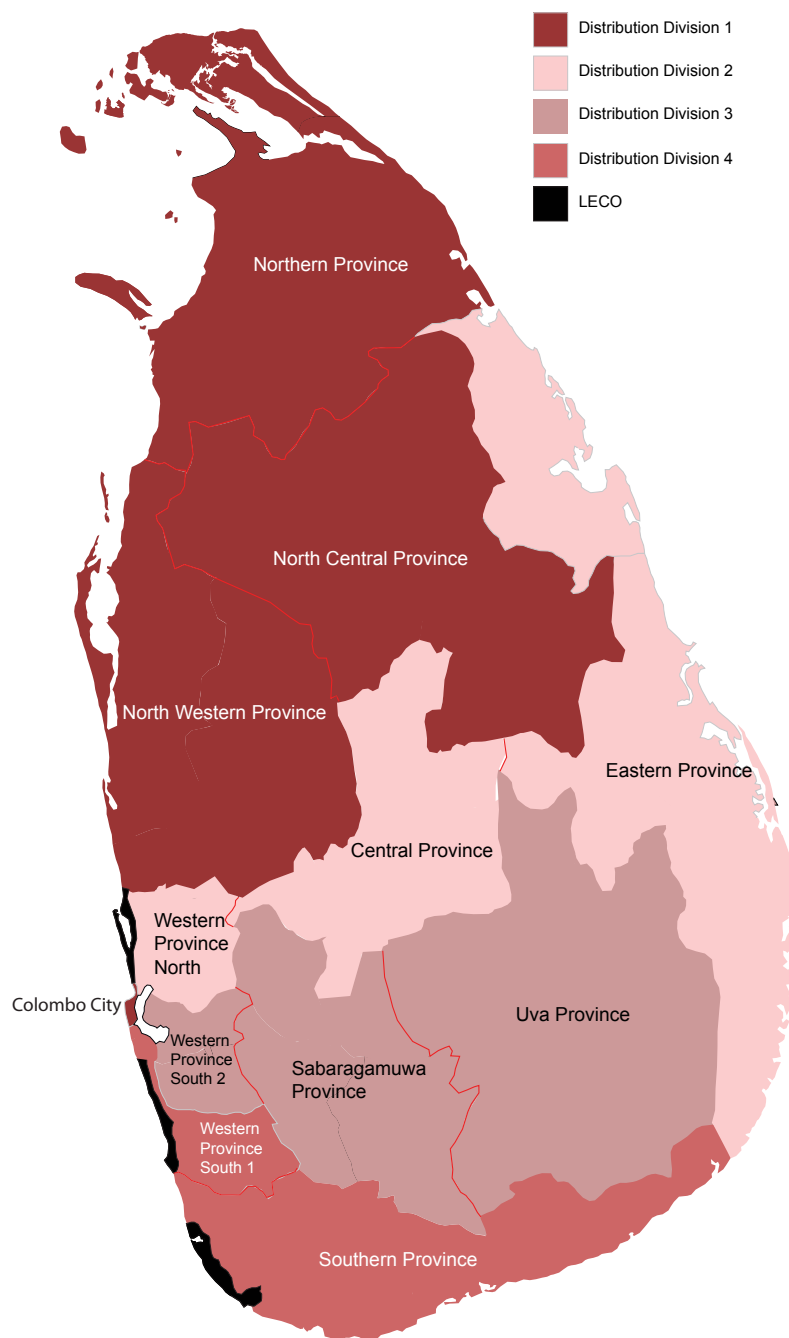
There were also three separate branches to carry out the supporting services required to maintain the operations of the each Division, viz., Projects & Heavy Maintenance Branch, Planning & Development Branch and Commercial & Corporate Branch and only Distribution Division 1 consists with Distribution Coordination Branch as well.

DISTRIBUTION DIVISIONS Contd...

Key Objectives of the Divisions

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 from transmission during the Year	GWh	3,400	3,960	2,137	1,697	11,194
Units sold within the Division during the year	GWh	3,233	3,600	1,962	1,546	10,341
Revenue earned from Units sold	MLKR	57,772	53,935	29,736	24,298	165,741
Average selling price	LKR	17.87	14.98	15.16	15.72	16.02
Distribution loss	%	8.80%	9.09%	7.93%	8.90%	7.58%
Receivable position	Months	0.87	0.84	0.90	0.70	0.83
No. of Bulk consumers within the Division at the end of the year	No.	3,704	2,944	1,632	1,436	9,716
No. of retail consumers within the Division at the end of the year	No.	1,583,101	1,938,081	1,155,291	961,941	5,638,414
No. of new connections provided during the year	No.	82,352	68,189	50,762	29,297	230,600

Distribution Infrastructure						
Description	Unit	DD1	DD2	DD3	DD4	Total
33kV Distribution Lines	km	9,968	8,810	7,970	4,477	31,225
11kV Distribution Lines	km	781	622	40	328	1,771
11kV Underground Cables	km	647	121	5	22	795
33/11kV Primary Substations	No.	45	40	12	39	136
LV Distribution Lines	km	35,953	35,958	28,880	24,699	125,490
LV Underground Cables	km	602	70	6	6	684
LV Distribution Substations	No.	9,191	7,648	5,415	4,630	26,884

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	11	10
No. of Control Centers	4	3	2	2

Revenue Collection Centres

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

Online Real Time Payment Counters: CEB Counters,

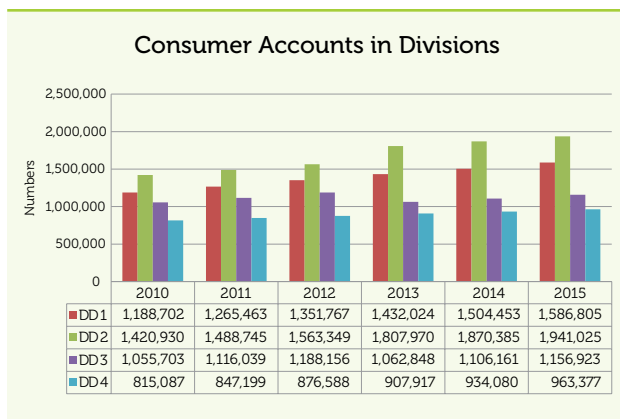
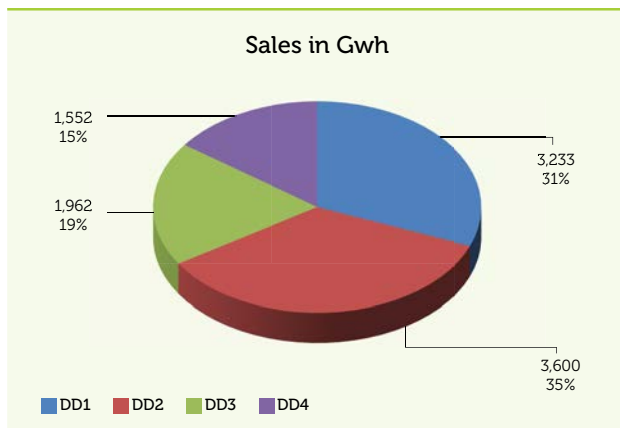
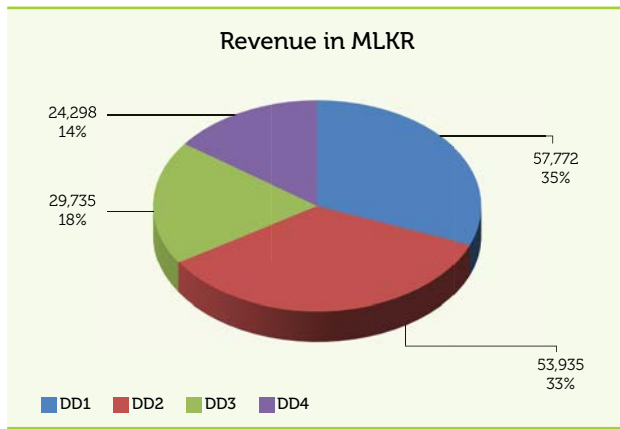
People's Bank Branches, Cargills Food City outlets, eZ-Cash (Dialog), M-Cash (Mobitel)

Offline: Post Offices and 23 Agents

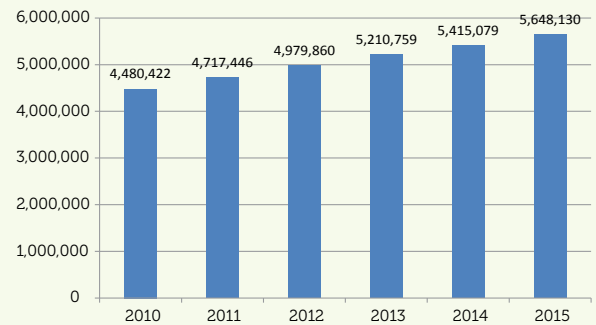


DISTRIBUTION DIVISIONS Contd...

Operational Data of Distribution Divisions



Total Number of Consumer Accounts



Electrification Levels as at the end of the year

Division	Province	Electrification level (%)	
		2014	2015
DD1	Northern	92.0	97.0
	North Western	97.0	98.0
	North Central	95.5	98.0
	Colombo City	100.0	100.0
DD2	Western North	100.0	100.0
	Central	99.0	99.0
	Eastern	88.6	98.5
DD3	Western South II	99.2	99.3
	Uva	94.0	97.0
	Sabaragamuwa	99.4	99.6
DD4	Western South I	99.6	99.6
	Southern	99.5	99.9

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	1,363,763	1,710,125	1,031,283	861,224	4,966,395
Religious	11,771	11,857	6,171	4,911	34,710
Industrial	28,230	14,291	8,107	6,053	56,681
Hotel	126	191	50	122	489
Government	125	118	58	1,491	1,792
General Purpose	182,790	204,443	111,254	89,576	588,063
Total	1,586,805	1,941,025	1,156,923	963,377	5,648,130



DISTRIBUTION DIVISIONS Contd...

Rural Electrification Job Performance					
Division	Province	Schemes		Extensions	
		No of jobs completed	Cost in MLKR	No of jobs completed	Cost in MLKR
DD1	Northern	78	1,694.267	468	934.389
	North Western	56	559.577	2,532	1,634.483
	North Central	33	269.683	1,325	627.115
	Colombo City	Achieved 100% Electrification			
DD2	Western North	-	-	1,522	191.700
	Central	35	275.760	422	272.810
	Eastern	49	861.762	562	634.330
DD3	Western South II	24	195.514	673	250.539
	Uva	46	701.700	660	660.200
	Sabaragamuwa	3	21.700	248	105.400
DD4	Western South I	-	-	56	17.270
	Southern	-	-	107	95.160

Construction Job Performance						
Division	Province	HV (km)	LV (km)	Distribution Substation	LV line conversion (km)	Cost (MLKR)
DD1	Northern	154.4	1,288.8	130	59.1	2,821.0
	North Western	86.7	1,301.5	131	203	2,605.8
	North Central	-	6,475.1	-	-	-
	Colombo City	13	16	31	30	609.4
DD2	Western North	26.7	137.6	110	28.5	543.2
	Central	12.7	27.5	16	30.2	120.6
	Eastern	167.5	1,138.5	89	21.1	1,834.0
DD3	Western South II	10.6	36	63	4.6	236.5
	Uva	107	717	65	127	1,584.0
	Sabaragamuwa	64.0	374.7	27	15.1	474.0
DD4	Western South I	5.1	52.2	40	1.3	303.0
	Southern	96	145.4	75	64.5	500.4

Embedded Generators in the Distribution Divisions

By the end of the year, total capacity of 455 MW embedded generators such as small Mini Hydro plants, Wind plants, Bio-mass plants and Dendro plants are connected to the distribution network.

Net Metering in the Distribution Divisions

At the end of the year, 3,025 consumer installations with the capacity of 21.55 MW are connected to Distribution Network.

DISTRIBUTION DIVISIONS Contd...

Network Improvements

In 2015 the following works were done by the Projects and Heavy Maintenance Branches of Distribution Divisions to enhance and improve the Distribution Network.

Description	Units	DD1	DD2	DD3	DD4
Construction of 33kV Tower Lines	km	20	57.4	21.7	7.0
Installation of Auto-reclosers and Load Break Switches	No.	30	28	5	-
Construction of 33kV Gantries	No.	1	7	-	2
Laying of 33kV Underground Cables	km	-	0.2	2.6	3.0

Opening ceremony of Nawala Primary Sub Station



Project on Implementing 60kW, 230V, 50 Hz Wind-Solar Hybrid Micro Grid System in Eluvaithivu Island

Under the government objective of providing electricity to all citizens, it is necessary to identify the most appropriate methodology for providing electricity to habitants in islands which cannot be economically connected with main electricity supply grid of the country. Ceylon Electricity Board (CEB) has clearly identified the requirement of providing a reliable electricity supply at an affordable price for the people living in islands of Eluvaithivu, Delft, Nainathivu, Analaithivu in Jaffna District and Battalangunduwa in Puttalam district. Presently islands in Jaffna Peninsula are electrified using small scale diesel generators.

With the financial and technical assistance of Asian Development Bank (ADB), the Eluvaithivu Island in Jaffna District was identified to implement a Wind-Solar hybrid system to strengthen the existing Electricity generation in the island. Further it was expected to implement this system as a pilot project to understand limitations and barriers of implementing such systems and finding out suitable means to overcome them prior to the implementation of similar systems in other islands.

The installation and construction works of 230V, 60kW wind solar hybrid micro grid system in Eluvaithivu Island were commenced on October 2015. The capacities of energy sources integrate in this Hybrid system are.

Wind Turbines	: 20 kW
Solar PV system	: 46 kW (peak)
Battery system	: 110 kWh and 52kW
Diesel generator	: 30 kW

It is expected to bring down the generation cost to Rs.52 per unit with the new hybrid system, as it costs Rs.80 per unit to generate with Diesel. Further reducing the Diesel consumption for electricity generation by utilizing indigenous energy sources such as wind and solar will reduce the emission level and results in an eco-friendly electricity network. The expected renewable penetration is approximately 88%.

The availability of electricity at optimum cost will give rise an opportunity for improving the life style of inhabitants in the island in future by establishing ice factories and cool rooms necessary for fisheries industry, water pumping station used in irrigation activities as well as sea water distillation for drinking purposes etc.



DISTRIBUTION DIVISIONS Contd...



Demand Side Management (DSM) for Municipal Street Lighting Project.

The DSM Street lighting Project commenced on March 2012 and completed in 2015 as a pilot project.

Totally LED, HPS and fluorescent luminaries 6,349 Nos. street luminaries were installed along with the stringing of 217 km separate overhead Aerial Bundled Conductor 2 core street light circuit, metering and automated switching system in Jaffna, Kurunegala, Kuliyaipitiya, Gampaha, Kadugannawa, Rathnapura, Eheliyagoda.



Service Quality Improvements

Rural Household Connection Project (RHCP)

RHCP Project was introduced to NCP in the year 2015. For Anuradhapura District total no of 3,479 applications were received and 2,808 no of service connections were provided at the end of the year 2015. Along with that total no of 7,916 applications were received for Polonnaruwa District and 6,727 no of service connections were provided. Following picture refer to the meetings held at District Secretariat office, Polonnaruwa.



CEB Headquarter Call Centre

All administrative and functional activities of the Head Office call center (1987) are handled by DGM (C&C)-DD2 branch. Upgrading the Call Center with state of art Communication Infrastructure and Private Automatic Branch Exchange (PABX) with Interactive Voice Response System has been completed and this increased the efficiency and effectiveness of the customer care service. The SMS and web based complain handling concept is also currently initiating.

DISTRIBUTION DIVISIONS Contd...

LECO Supply Source Enhancement Project

CEB supplies electricity to LECO at the voltage level of 11kV through several PSS in Distribution Division 4. Some of these PSS have reached their capacity limits due to the rapid increase in electricity demand. Hence CEB has formed LECO Supply Source Enhancement Project under the purview of DD4 to enhance the supply source to LECO distribution network. The total estimated cost is LKR 2,165 million and the intended project duration is 3 years. The scope includes construction of six new 5MVA unmanned PSS including remote communication facility, three new 2x10MVA GIS PSS and augmentation of an existing PSS to 2x10MVA.

"Meter Assist" Program

"Meter Assist" program which was developed by Energy Management Unit of Central Province, was implemented in 12 areas of Central Province. This Program was designed such that when a meter reader enters the reading and send through the mobile phone which is connected via WIFI to the server; it will be automatically saved in the server. Therefore need for a manual data entry is avoided.

Bill payment kiosk

The first kiosk for bill payment was installed at Dehiwala Area office to provide better service to customers.



Opening of newly built Eastern Provincial Office on 2015.04.30



POS counter at DGM (East) office complex had been opened on 2015.09.01



Consumer Awareness Programs and Walk through Energy Audit

Energy Conservation Awareness Programs for Schools are much beneficial for both consumers and CEB. Energy Management Unit of Commercial & Corporate Branch of Distribution Division 3 and Eastern Province Energy Management Unit of Distribution Division 2 organized consumer awareness program targeting different groups such as school students, Government office employees.



DISTRIBUTION DIVISIONS Contd...



Mobile Service

Mobile Service conducted to provide one day service connection and to attend consumer complaints at remote areas in Eastern Province.

Interruption Notice Alert Service via SMS

During the year, Distribution Division 4 (DD4) also introduced interruption notice alert service via SMS.

Door Step Service

Door Step Service was extended further in the areas of Baddegama, Galle, Matara, Weligama, Kalutara and Rathmalana Areas.

E-City

Seven E-City centers were established covering entire Southern Province to provide special service to the public.

Outage Management System

The efficiency of Outage Management System was enhanced by introducing handheld communication devices to all the CSCs covering entire Southern Province.

Achievements

- **Project and Heavy Maintenance Branch Western Zone Office** won the 2nd place of National Productivity awards 2014/2015 in the category of Medium Scale Service Sector.
- **Kandy City Area** got the ISO 9001/2008 Quality Management System Certification in 2015.
- **Kandy City Area** obtained 2nd place in National Quality Circle Award organized by Sri Lanka Institution of Standards.



- **Kandy City Area** obtained Special Commendation in Management Productivity Award.
- **Kegalle Area** received 3rd place in Management Productivity Award.
- **Mawanella Area** received 3rd place in Management Productivity Award.



- **Mawanella Area** obtained Commendation National Quality Circle Award organized by Sri Lanka Institution of Standards.
- **Galagedara Area** obtained Commendation National Quality Circle Award organized by Sri Lanka Institution of Standards.
- U.A. Anurika Nandasena of **Kelaniya Area** Engineer's Office won the 2nd place from Put-shot (under 40 women) and the 3rd place from Javelins throw (under 40 women) at "Janasathusewa Sports Meet".

DISTRIBUTION DIVISIONS Contd...

Social Events

- Blood donation program arranged by CEB Distribution Division Staffs.



- Lighting for the Girihandu Saya was arranged by the Eastern Province Buddhist society.



- Donated Roofing Sheets and Labour cost for a poor family to build their house by the Construction Unit of Southern Province.



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 2015 had been a successful year for the Projects Division, with the completion of Grid Substations at Maho, Naula, Kurunagale, Polonnaruwa, Monaragala, New Galle and associated transmission lines. Details of the projects are as follows,

Transmission Development Projects

Project Management Units under the preview of Transmission Projects Branch had an active year. Brief description of each project during the year is given below,

Clean Energy and Access Improvement Project

Transmission System Strengthening Transmission Lines Project

Asian Development Bank provides financing of US\$ 20.4 million for the Transmission System Strengthening Transmission Lines project under their Loans 2518-SRI/2519-SRI (SF) – Clean Energy and Access Improvement Project – Part 2. The Original scope of work comprised of Construction of 94 km of 132kV transmission lines was completed in end 2013. Utilizing the savings of the above loan a contract was awarded for an enhanced scope, second circuit stringing of 42km Puttalam - Maho 132 kV transmission. This work was completed by end November 2015.

Transmission System Strengthening Grid Substations Project



Naula Grid Substation

This project is funded by Asian Development Bank worth of US\$ 34 million under the Loans 2518-SRI – Clean Energy and Access Improvement Project. Augmentation of existing Kurunegala Grid Substation,

was completed by December 2015. Utilizing the savings of the above loan a contract was awarded in 2014, for an enhanced scope, comprising further augmentation of Newly constructed Maho, Naula Substations. Augmentation of Grid Substations at Puttalam, Maho, Naula, Horana and Veyangods was completed by December 2015.



Kurunegala Grid Substation

Transmission System Strengthening Eastern Province Project

Asian Development Bank financed USD 18.2 million for this project under their loan 2519- SRI (SF) Clean Energy and Access Improvement Project. The Original scope of work comprised of construction of Habarana - Valachchenai 100km 132kV transmission line and augmentations at Valachchenai and Ampara Grid Substations was 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 Valachchenai Grid Substation and this work was completed in November 2015.



Valachchenai Grid Substation

Kelaniya Vavuniya Augmentation Project

Asian Development Bank has provided the unutilized funds from loans already pledged under Clean Energy

PROJECTS DIVISION Contd...

& Access Improvement Project for the augmentation of Kelaniya Grid Substation. The construction work continued during the year and is expected to be completed in the middle of 2016.



Sustainable Power Sector Support Project

North East Power Transmission Development Project

Asian Development bank provided US\$ 55.2 million to this Project under loan no. 2733 improve the electricity supply in Eastern and North Central Provinces. The scope includes the Construction of three new grid substations at Polonnaruwa, Monaragala and Vavunativu, and augmentation of 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 works other than Monaragala Grid Substation were completed during the year 2014.



Utilizing the savings of the above loan a contract was awarded, for an enhanced scope, comprising augmentation of Polonnaruwa and Monaragala Grid Substations. All works at Polonnaruwa and Monaragala Grid Substations were completed during December 2015.



New Galle Power Transmission Development Project

Asian Development Bank provided US\$ 21.6 million for the construction of New Galle Substation comprising 3 x 31.5 MVA 132/33kV Power Transformers, 11 Bay 132kV outdoor switchyard, 17 Bay 33kV indoor switchyard, 30MVAR Breaker Switched Capacitor Banks and 40km Ambalangoda - Gale 132kV double circuit transmission line. This work was completed during 2015.



PROJECTS DIVISION Contd...

Kiribathkumbura Grid Substations Augmentation Project

Under this project, complete augmentation would be carried out at existing 132/33kV Grid Substation at Kiribathkumbura. This contract was awarded in February 2015 and expected to be completed by mid 2017. ADB is providing Rs.1,050 million funding from the savings from Sustainable Power Sector Support Project for this work.



Clean Energy & Network Efficiency Improvement Project

Asian Development Bank provided funding for all three packages of Clean Energy & Network Efficiency Improvement Project.

Package 1 - Mannar Transmission Infrastructure Project

The scope of the project consists of construction of 132/33kV Mannar Grid Substation and connecting the same to the national grid by constructing Mannar-Vavuniya-New Anuradhapura 220kV constructed (132kV operated) 70km + 55km transmission lines. The 220kV construction would enable the development of full potential of wind power in Mannar area. All Construction activities were started during the year and expected to be complete in 2017.



Package 2 - 132 kV Transmission Infrastructure Project

The scope of the project consists of construction of 132/33kV Grid Substations at Kegalle and connecting the same through a 22km 132kV transmission line. Furthermore it would also include the construction of Polpitiya- New Polpitiya, Athurugiriya-Padukka 132kV transmission lines, Re-construction of Athurugiriya to Kolonnawa - 15 km, transmission lines and installation of 160MVar of Capacitor Banks at 7 existing Grid Substations. All Construction activities were started during the year and expected to be complete in 2017.

Package 3 - 220kV Infrastructure Project



The scope of the project consists of construction of 220/132/33kV new Grid Substations at Polpitiya and Padukka and 70km Polpitiya-New Polpitiya-Padukka-Pannipitiya 220kV Transmission line. The transmission system would enable the smooth transfer of power between western load centres and Laxapana Complex. All Construction activities were started during the year and expected to be complete in 2017.

Green Power Development & Energy Efficiency Improvement Investment Program (Tranche 1) Part 2 - Transmission

This Project is co-finance by ADB (23.9M USD) and AFD (30.0 M USD). Under this project New 132/33kV Grid Substations would be constructed at Kappalthurai, Anuradhapura, Kalutara and Kesbewa. Augmentation would be carried out at existing 123/33kV Grid Substations at Trincomalee, Katunayaka, New Anuradhapura and 220/33kV Kerawalapitiya Grid Substation. Furthermore, transmission lines would be

PROJECTS DIVISION Contd...

constructed to connect the new Grid Substations to the transmission network. All procurement activities have been completed and approvals were received at the end of 2015. Construction work is expected to start in second quarter of 2016 and completion in 2018.

Green Power Development & Energy Efficiency Improvement Investment Program (Tranche 2)

The Project Management Unit(PMU) was established in April, 2015. The project scope involves 220 KV transmission development in Mannar to evacuate energy generated from proposed Wind Power Project and Southern network development for voltage improvement & control. It also comprise of distribution and Demand Side Management(DSM) components. The USD 180 million project is co-funded by ADB & AFD and the loan will be available in 2016. Advance procurement has been approved for the project.

Vavuniya Kilinochchi Transmission Project

Japan International Cooperation Agency (JICA) has provided saving from the funds allocated to Vavuniya Kilinochchi Transmission Project for the augmentation of newly constructed Kilinochchi Grid Substation and purchase of essential spare parts for Vavuniya Grid Substation. All procurement activities were completed during the year. The construction work continued during the year and is expected to be completed in the middle of 2016.



Kilinochchi Grid Substation

National Transmission & Distribution Network Development and Energy Efficiency Project

JICA provided JPY 24 billion for the identified scope of the National Transmission & Distribution Network Development and Energy Efficiency Project. Loan agreement was signed on August 2015 & preparations of tender documents are in progress.

Under this project new Grid Substations would be constructed at Kiridiwala and Battaramulla and augmentations would be carried out at several existing Grid Substation. Furthermore, four new transmission lines would be constructed, Kotmale-New Polpitiya, Veyangoda-Kirindiwala, Kirindiwala-Padukka and Kirindiwala-Kosgama. The existing Polpitiya-Habarana and Kolonnawa-Pannipitiya-Ratmalana transmission lines would also be reconstructed.

Greater Colombo Transmission & Distribution and Loss Reduction Project

The Project is planned to strengthen the transmission and distribution network in Greater Colombo area in order to improve the reliability, reduce system losses and cater growing electricity demand in line with mega development activities taking place in the Colombo City. Project scope includes the construction of four 220KV and 132kV Grid Substions, augmentation of five Grid substion, laying of 37.7 km of underground transmission cables, 97km of underground distribution cables and 88 nos. of 11kV distribution panels. The Japan International Corporation Agency (JICA) has provided financial assistance through a loan facility amounting to JPY 15.9 billion.

Major portion of procurement activities, land acquisition, finalization of cable routes/approval for same from local authorities and finalization of detailed design continued during the year. The construction work to commence in early 2016 and expect to complete in 2018.

PROJECTS DIVISION Contd...



GCTDLRP Project Scope

500 MW Trincomalee Coal Power Project

Ceylon Electricity Board and National Thermal Power Corporation Ltd. of India have incorporated a Joint Venture Company, Trincomalee Power Company Limited (TPCL) to construct and operate a 500 MW coal power plant in Trincomalee on Build, Own and Operate (BOO) basis. The joint venture company TPCL and CEB/GOSL/LCC has entered into all the main agreements in relation to the above project. 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 Central Environmental Authority granted its approval for the project.

This project requires main peripheral developments namely the transmission line from power station at Sampoor to Veyangoda and the coal unloading jetty. The 220/400kV transmission system from Kappalthurai -Sampoor - Habarana - Veyangoda is been developed with the assistance of JICA. The procurement activities of main peripheral development works continued during the year.

Broadlands Hydropower Project

The Broadlands Hydropower Project is a run-of-river type project is constructed on the Kelani River, with the object of harnessing the hydro potential downstream of the existing Polpitiya power station. The project will have an installed capacity of 35 MW and expects to generate 126 GWh of electrical energy annually. The main work sites of the project are located near the town Kithulgala. The main components included in the project are Main dam, Diversion dam, Headrace tunnel, Diversion Tunnel, Surface Power Station, Switch Yard and transmission Line.

The Contractor for the project implementation on Design Build Basis is China National Electric Equipment Corporation (CNEEC). The total project cost is USD 82 million. The main component of funding is provided by Industrial & Commercial Bank of China (ICBC) and the balance to be obtained from Hatton National Bank of Sri Lanka. The Financial Agreements were signed in 2013 with both the Banks. Preliminary construction works of the project has commenced and it is planned to complete the project in year 2018.



The Environment clearance for the project has been already received. This project is the first large scale hydropower plant to obtain CDM registration in Sri Lanka. The construction of main and diversion tunnels is in progress.

Uma Oya Hydropower Project

Uma Oya Multipurpose Development Project was implemented by the Ministry of Irrigations & Water Management in coordination with the Ministry of power and Energy and CEB. The estimated capacity

PROJECTS DIVISION Contd...

of the project is 120MW and the expected annual energy production is 231 GWh. The project consists of two small reservoirs near Puhulpola and Dyraaba and a link tunnel to connect the two reservoirs. A transbasin tunnel that will divert the water from Uma Oya to Kirindi Oya via the underground Power Station located at Randeniya. The power plant will be connected via a 27km 132kV Transmission line to Badulla Grid Substation. The total cost of the project is 529 million USD and 6 billion LKR. The Government of Iran provides 450 million USD through Export Development Bank of Iran as a loan.



Dyraaba Dam

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

Asian Development Bank provided US\$ 113.86 million to this Project under loan no. 3146 (SF)/3147 SRI – “Green Power Development and Energy Improvement Investment Program in 2014 (Tranche 1)” for the construction of Moragolla Hydropower Project.

The detailed engineering design and the preparation of the bidding documents have been completed. Supplementary EIA report was sent for approval of the Project Approving Authority, Mahaweli Authority Sri Lanka. ADB has also given both Social and Environmental clearance.

It is supposed to commence project construction work in 2017. The overall project construction period would be 5 years and it is expected to complete the project work by December 2021.



OPERATIONAL REVIEW



ASSET MANAGEMENT
DIVISION

ASSET MANAGEMENT DIVISION

Asset Management is a part of transformation of infrastructure development. The division plays a vital role in CEB for its economic growth, social advancement and environmental development.

Assets Management and Corporate Branch

The Assets Management and Corporate Branch undertook Assets Management related functions of CEB. The core activities of AM & C branch is to better management of CEB Lands, Buildings and generating an additional income by utilizing CEB's available resources and assets for purposes other than the core activities of the CEB, however, without affecting those core statutory functions. Main functions of the branch are

1. Preparation of Asset Register of Lands and Buildings belonging to CEB and Updating & maintenance of the Master Plan data base of CEB Land & Buildings.
2. Updating of Lands and Buildings values according to the Asset Register of Land and Buildings.
3. Obtaining ownership documents for lands acquired, vested and outright purchased for CEB.
4. Identification & preparation of Survey Plans for Lands used by CEB, without any Title Deeds or Survey Plans and Re-demarcation of boundaries of CEB Lands where disputes of boundaries due to encroachments.
5. Development & Maintenance of the Vehicle Database to manage the details of Vehicles of CEB.
6. Leasing of Castlereagh and Upper Kotmale Hydro Reservoirs for tourism and recreational activities such as operation of float planes and boat services.
7. Technical Supports on Tender Handling, Evaluations and Web Publishing of Asset Management Division Tenders.
8. Macro Plan development for CEB Buildings for future extensions and modifications.
9. Coordinating the work related to the disposal of unserviceable transformers and Development of CEB Transformer Inventory List.

10. Corporate functions of Asset Management Division.

Training Branch

Over the years Training Branch has taken steps to build up a competent work force by means of appropriate Education, Training & Skills Development to effectively carry out work involved in modern integrated industry.

Training Branch has following main units

1. CEB Training Centre - Piliyandala
 - i. Technical Training Unit
 - ii. Internal Training Unit
 - iii. Systems Training Unit
2. Training Centre Castlereagh
3. External Training Unit
4. Examination Unit

CEB Training Centre - Piliyandala

Performance during the Year

S/N.	Programme	No. of Programmes	Participants
01.	Workshops, Seminars & Training Programmes for Engineers	43	1698
02.	Training Provided for Accountants	01	73
03.	Training Provided for MLTS Officers	22	799
04.	Training Provided for Clerical & Allied Services & Security Service Office Employee Service & drivers	51	1173
05.	Training Provided for Field Service Employees	59	2402
06.	Training Provided for Employees of Out-side Organizations	07	77
07.	Systems Training Programme	28	1439



ASSET MANAGEMENT DIVISION Contd...

Local Training provided for CEB Employees at External Institutes

Total of 45 employees including Engineers, MLTS, Clerical & Allied Services & Field Service were given the opportunity to undergo training related to their duties attending training programmes conducted by External Training Institutes.

In-plant Training

Institutes	Discipline	No. of Students
Undergraduates	Electrical	278
	Mechanical	19
	Chemical	10
Diploma Students	Electrical	112
Students from Technical Colleges	Technical	12
	Non Technical	18

Training Centre - Castlereagh

The Pioneer Training Centre of the CEB, The Technical Training Centre at Castlereagh provided training for Promotional Requirement of unskilled field service employees of the Generation Division, Induction Training for Trainee Junior Technical Mates (N6) & Junior Technical Mates (N5) and Modular Training Programmes for field service employees.

External Training Unit

During the year, the External Training Unit provided facilities to employees of different categories to go abroad for various assignment shows below:

Programme	No. of Participants
Pre-shipment inspection of goods to be procured	205
Scholarships, Training & Study Tours	274
Workshops, Seminars, Conferences & Meetings	135
Sports Activities	65

Workshop and Ancillary Services Branch

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

(A). Power Plant Unit

Summary of the Jobs carried out during the year

Category of the Job	No. of Job	Estimated Cost / Rs. Million
Annual Maintenance	134	104
Repair/Rehabilitation	74	28
Generator hiring - CEB	57	28
Generator hiring - PVT, PSD, PMSD	250	106
Generator Installation	2	8
Other Jobs	60	3

(B). Air Conditioning & Refrigeration Unit

This unit provides air conditioning and refrigeration services to the Government Hospitals, Government institutes and CEB offices located island wide. Jobs done by this section during the year as given below;

Job Category		Government Jobs done by CEB Labour		CEB Jobs done by CEB Labour		Government Jobs done by Contractors		CEB Jobs done by Contractors	
		No. of Jobs	Total Estimated Cost, Rs. Million	No. of Jobs	Total Estimated Cost, Rs. Million	No. of Jobs	Total Estimated Cost, Rs. Million	No. of Jobs	Total Estimated Cost, Rs. Million
1	Annual Maintenance	51	154.50	99	10.05	-	-	69	6.85
2	New Installations	-	-	-	-	11	10.92	46	34.70
3	Repair	10	6.31	05	0.15	-	-	-	-
	Total	61	160.81	104	10.20	11	10.92	115	41.55



ASSET MANAGEMENT DIVISION Contd...

(c). Lifts Unit

This unit comprise of electronic workshop, electrical workshop and the Government Hospital depots.

Performance of Lifts Branch during the year

1. Service & Maintenance

86 elevators were maintained by 05 Private contractors/local agents under CEB supervision. CEB has acquired 04 lifts for maintenance during the year and 56 lifts are under the CEB's scope.

2. Major Maintenance/ Repair works

Traction machine of No 16/05 Bed lift at Bandaranayake wards – N.H.S.L was replaced with 16/7 Bed lift along with new motor drive to serve better. Repairs to Landing doors at General Hospital-Matara, replacement of ropes and repairs to Controller -No 01 Boiler lift-LVCPD were done.

3. Rehabilitation and Modernisation work

Re installation of 40 years old Bed lift at General Hospital- Karapitiya with new automatic doors is first such work done in history. Rehabilitation and modernization of one OTIS Bed lift of General Hospital-Karapitiya was done with microprocessor controller to enhance the operation and to reduce the frequent breakdowns. Rehabilitation of TITAN brand cargo lift at Government Press, mechanical repairs to traction unit and re-roping were done and electrical works in progress which is to be completed end February 2016. Sample work of Face Up lift of Patenoster at CEB Head office Building was done at 1st floor.

4. New Installations

Replacement of Old Bed Lift-General Hospital, Rathnapura was completed and handed over. Fixing new passenger lift for Building extension to DGM Office-Kandy has been started and to be completed in mid February 2016. Replacement of 01 Passenger lift of CEB Head office was completed and handed over.

5. Consultancy Services

Consultancy works were rendered for Ministry of Finance, Ministry of Education, Register

General Office, Sri Lanka Police, Ministry of Public Administration and Home Affairs and CEB area offices.



Re installation of Bed lift at Karapitiya General Hospital



Replacement of Passenger lift at CEB Head office

Central Workshops & Garage Unit

Jobs received and completed during the year as given below.

S/N	Category	Estimated cost - Rs. Million	
		Jobs received	Jobs completed
1	Mechanical	12.13	7.45
2	Electrical	2.60	1.95
3	Production	4.80	0.14
4	Vehicle service	4.87	4.87
	Total cost	24.40	14.41

Civil Works and Building Branch

The activities of the Civil Works and Buildings branch during the year were as follows.

ASSET MANAGEMENT DIVISION Contd...

	Activities	Estimated Cost (Rs.)
01.	Construction of 5 Storeyed DGM(NP) Office at Jaffna, 3 Storeyed Eastern Province Office & 7 Nos. Quarters at Trincomalee.	341m
02.	Construction of CSC at Delgoda, Veyangoda, Wattala, 4 storeyed building for Chief Electrical Engineer's Office-Gampaha and 2 storeyed staff quarters at Wattala.	153m
03.	Renovation to executive hostel at TTC-Piliyandala, Circuit Bungalow at Kandy, VIP Circuit Bungalow at Samanalawewa, Communication Office – Samanalawewa and Conversion of stores building for office space at DGM(WPN) Office at Kiribathgoda, Extension office building at Castlereigh	58m
04.	Head Office renovation works	17m

Facility Management Unit

Facility Management Unit is responsible to carry out maintenance work in CEB Head Office and upgrading of Circuit Bungalows.

Project Management Unit (Vidulakpaya)

Project Management Unit- Vidulakpaya was established for the purpose of liaison and supervision activities connected with the construction of proposed new CEB Head Office Building Vidulakpaya, in a land owned by CEB at Narahenpita. The building consists of 11 stories with the floor area of 27800 sq.m. Initial cost estimate of the building was Rs.1936 Million. The project is funded by CEB, which is to be completed by year 2018. Constructions of 400 nos piles and testing have been completed and Consultant has issued the Taking over Certificate on 2015-02-27.

Occupational Health and Safety Branch

A new Branch named "Occupational Health and Safety (OH & S)" was set up in the CEB during the year with the objective of improving safety culture within the organization by ensuring safe working environment and health & safety awareness among employees to reduce the number of accidents and injuries.

The OH & S Branch has been playing the role of an internal safety regulator to monitor and facilitate safety and adopt a high standard/practice of safety across all Divisions such that to achieve the above mentioned objective.

The Branch is to provide support services with respect to Occupational Health & Safety to all Divisions through the coordinating officers appointed in each Division to liaise with the same.

Key functions of the Branch are as follows:

1. Maintaining the central safety and accidents statistics.
2. Carrying out safety audits.
3. Maintaining specifications of all Personal Protective Equipment (PPE).
4. Monitoring the adequacy and quality of safety equipment.
5. Ensuring adequate safety related training is given to all required staff.
6. Ensuring periodical testing of all equipment that requires mandatory safety inspections.
7. Ensuring prevention of injuries due to sub-standard material use.
8. Issuing a periodical safety bulletin, indicating any major accidents/near misses with analysis.
9. Issuing and updating safety related circulars.
10. Ensuring that CEB staff is not exposed to conditions that could lead to known occupational health issues.
11. Coordinating on safety aspects with the Public Utilities Commission of Sri Lanka (PUCSL) who issues the licenses to CEB.

The Branch is geared up to perform a continuous key role in CEB to create an accident free safe working environment and a healthy work force in the coming years.

Security Unit

Security Section of CEB is responsible for security of lives & property of all the vulnerable locations and premises of CEB including Power Stations, Reservoirs, Grid Substations, Stores, Cash Counters



ASSET MANAGEMENT DIVISION Contd...

, CEB Head Office & Official Premises of Power & Energy Ministry.

CEB Security Units are deployed to provide the security for the main Divisions of CEB, namely Generation, Transmission, Distribution, Asset Management and Projects. Presently there are total number of 115 security units functioning under the above main divisions. In addition to that the private security services and Civil Defense Department security services deployed island wide at some premises of CEB are also being supervised and observed by the CEB security section.

The available strength of the CEB Security Section at present comprises of 767 security personnel including Acting Deputy Manager Security, two Senior Security officers and 18 Security Officers under the Manager Security who is the Head of the Security Section.

Training programs, workshops & seminars have been conducted for CEB security personnel to enhance and upgrade their knowledge, skills which also assist to develop their efficiency, discipline, motivation in performing their duties with high productivity in a professional manner.



OPERATIONAL REVIEW

CORPORATE STRATEGY
DIVISION

CORPORATE STRATEGY DIVISION

Business & Operational Strategy Branch

Formulating strategies for CEB's key business and operational activities and monitoring the organizational performance on strategy execution are the key activities falling under the purview of the Business & Operational Strategy Branch of the Corporate Strategy Division.

Balanced Score Card (BSC) is used as the primary strategy management/monitoring tool by CEB. In 2015, CEB developed and adopted new cloud based software to host the CEB's BSC and Dashboards online. With the adoption of the same, CEB management is now able to monitor organizational performance online from anywhere in the country. Cascading the BSC to 4 distribution Divisions were almost completed during the year. Due to benchmarking, Distribution level Scorecards are expected to bring in better response and results than the corporate level scorecards.

In 2015, CEB was given a new corporate identity "facelift" when an attractive corporate colour scheme was adopted for all organizational material ranging from Building interior and exterior to Letterheads and Visiting Cards. The new colour scheme was based on a theme containing existing corporate colours and the shape of the "Sine wave" the primary shape of AC electrical voltage waveform.

B&OS Branch also developed a mechanism to publish Information copies of all CEB Tenders in the CEB web. It is now a mandatory requirement prior to publishing any tender advertisement in newspapers. As information copies of all CEB Tender documents can now be downloaded by prospective bidders free of charge, this move is expected to offer better transparency during procurement.

B&OS branch was responsible for the Interschool Quiz Programme organized by CEB with SLBC which continued in 2015 as well. The quiz programme is conducted for both Sinhala and Tamil medium schools. Every week they are broadcast over the City FM Service and Thamil Thendral Service of SLBC. The questions in the programme cover a wide area ranging from fundamentals in electricity, safety to power sector. Around 160 schools in each medium have participated in the quiz programme by the end of 2015. The final round for the 2014 competition too was carried out in this year and Polonnaruwa Royal College and Vavuniya Tamil MV won the finals of the respective mediums.

Corporate Strategy and Regulatory Affairs Branch

The Corporate Strategy and Regulatory Affairs (CS&RA) Branch co-ordinates the matters arising from and related to Generation, Transmission and Distribution Licenses issued to the Ceylon Electricity Board among the respective Divisions, as well as with the Public Utility Commission of Sri Lanka (PUCSL) with respect to licensing requirements of CEB licensees. This Branch is responsible for coordinating the Corporate Strategy formulation for CEB in addition to handling regulatory affairs.

Regulatory Affairs Unit worked very closely with Licensees and PUCSL to finalize the Supply Services Codes (SSC) of CEB Distribution Licensees and finally official launching of the SSC took place during early 2015. Further, draft Grid Code, bi-annual Bulk Supply Tariff filings, Allowed Charges proposal for 2016, Least Cost Long Term Generation Plan and Medium Voltage System Development Plans were submitted seeking the approval of the commission during year 2015.

The new definition of industry tariff category was published in the Gazette and newspapers with effect from March 06, 2015. Also, Electricity tariffs for domestic consumers based on Time of Use (TOU) on trial basis were implemented with effect from September 15, 2015 to address the new demand created by infusion of electric vehicles at home. Multi-Year Tariff filing for the second term (2016-2020) of all CEB distribution licensees and the transmission licensee was submitted to PUCSL in August 2015 by this branch.



CORPORATE STRATEGY DIVISION Contd...

In line with corporate strategy function, the Branch undertook the task of compiling and publishing of the corporate documents of CEB including Action Plan 2016, Annual Report – 2014, Statistical Digest – 2014, Sales and Generation Data Book – 2014, Performance 2015 and Programs for 2016 etc.

Functional Strategy and Process Development Branch

One of the main objectives of the FS&PD Branch is to provide the technical expertise to document the systems and procedures of various sections of CEB and incorporate them in to the relevant operational and functional manuals. During 2015, the branch was able to achieve key milestones some of which are outlined below.

The Operating Manual of Area Electrical Engineers, was further revised to incorporate the comments received from the Distribution Coordination Committee and to accommodate recent regulations introduced by the Public utilities commission of Sri Lanka. The Manual prepared for Provincial Deputy General Managers was completed during the year and is ready for final approval. The CEB Code of conduct was fully completed in 2015 and printed copies will be distributed soon across CEB. Work on the Disciplinary manual too was completed during the year and is now ready for final approval and printing.

Circular Management System is an online circular archive maintained by the FS&PD branch. The same was updated during the year to include all circulars published so far including those issued by the Distribution Coordination Committee and Finance Division. Work was also initiated to develop a newer and improved Circular Management System.

During the year, preparation of Operational Manuals for the Distribution Divisions commenced, these include Manuals for DGM (Commercial & Corporate), DGM (Project & Heavy Maintenance), DGM (Planning & Development) and AFM (Distribution Division).

The FS&PD branch is also tasked with the preparation of Job descriptions of various branches and posts. During the year, job Description for the DGM (IT) Branch was completed and forwarded to be

incorporated in to the Board Paper for IT Branch Restructuring. The Job Description for all scheduled posts in the Distribution Division were completed and are now ready to be distributed.

Information Technology (IT) Branch

Information Technology Branch develops information systems, manages information system operations and provides electronic data processing and network services to the whole of CEB. IT solutions are mainly made on billing, accounting, cash collection, material management, human resource management, outage management, e-mails and maintaining CEB web.

The CEB web was completely revamped aiming to provide more attractive web to its clients. This web is available in three languages. The Human Resource Information Management System was revisited and action was taken to amend the performance appraisal module, leave module and information management module. The training module of the HRIMS is being developed to automate the application process of the foreign training and local training requirements. Circuit Bungalow reservation system was introduced and the reservation process is now automated. The Mobile Hand Held application was introduced to Areas for automate the bill reading process. The process of developing the automation of PIV system was initiated. Help Desk activities were enhance to help the users. Action was taken to promote SMS sending to customers for important notices. A cash payment KIOSK was successfully installed in the Area office, Dehiwala.

The Data Centre capacity requirements were expanded by introducing new servers. The network capacities were also enhanced to ensure no losses due to limitations of the bandwidths. The network monitoring system was introduced monitor the entire data network. Action was taken to establish a storage area network and disaster recovery site.

Research & Development Branch

Research & Development Branch was formed in CEB in January 2013 with three major units, which are Demand Side Management, Research & Development, and Regional Centre for Lighting.



CORPORATE STRATEGY DIVISION Contd...

Demand Side Management (DSM) Unit

The Electricity system load profile of Sri Lanka has a high evening peak, and recently, some steps have been taken to mitigate this, including the new tariff structure, but annual load factor, which shows the ratio between peak demand and average demand, continue to show a clear increasing trend. Therefore, studying the system load profile and finding further options to flatten the system load curve is a timely requirement. DSM Unit has been established in order to address these issues.

"Conservation and Efficient Use of Energy – a National Priority" is one of the thrust areas in recently launched Sri Lanka Energy Sector Development Plan for a Knowledge-based Economy. The Green Village is one of the concepts in the thrust area of efficient use of energy. A Green Village was inaugurated on 19th June 2015. DSM unit of R&D Branch and North Western Province of CEB jointly inaugurated a scheme of LED distribution among the domestic customers of the Green Village in Kurunegala on 2nd November 2015 at YMBA Kurunagala. The scheme facilitates customers in the Green Village to procure LED on a loan recoverable in 12 monthly installments with zero interest rate. Many interested customers participated in the inauguration and procured LED Lamps.



R&D Branch conducted awareness programmes on energy efficiency in Katunayaka and Biyagama Export Processing Zones. The Branch conducted a study on "the impact of electric vehicles on system load profile and to formulate DSM programmes for electrical vehicle users and charging stations". The study results would facilitate to formulate a new electricity tariff for electric vehicle charges.

R&D Branch conducted and completed a study on power quality of net metered consumers operating in Sri Lanka. A sample of net metered electricity customers was selected such that inverters of all brands in Sri Lanka are covered.

Research and Development Unit

With the expectation of nourishing the research and developmental activities conducted in CEB, R&D unit coordinates researches in variety of identified research topics. Marine environmental pollution is one of the identified problems in the coastal distribution areas. Major valuable assets available in generation and transmission divisions need to be monitored for their condition in order to ensure the proper operation. Group of researchers from Generation Division is involved in developing mechanisms and methods to monitor the condition of major assets as a research.

Presentations on progress of research works were held. A CEB research team actively involved on a research Project of "Development of a Poly Phase Smart Electronic Energy Meter with total facilitation from R&D Branch. Primary design was completed and prototypes were constructed.

Regional Centre for Lighting (RCL)

The objectives of 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, to catalyze regional manufacturing of energy efficient lighting products to improve the economy of the region and to make lighting affordable to many under privileged citizens and to train and educate necessary workforce in the region to create sustainable lighting in South Asia.

Training & Education

RCL has conducted a One day Symposium on LED Lighting on 13th March 2015. LED Lighting Market in Sri Lanka, Recent Solid State Lighting (SSL) Developments, LED System Issues, LED Projects & Case Study, Design Opportunities with LEDs, Matrices and Standards and Lighting Controls were discussed in the symposium.

CORPORATE STRATEGY DIVISION Contd...

Product Testing

RCL has a fully equipped photometry laboratory. It has two integrating spheres with diameters 1m and 2m and a goniometer as major equipment. This is the first ever goniometer in Sri Lanka and which is capable of capturing intensity distribution of luminaires. Moreover, bigger integrating sphere will enable us to measure the photometric parameters of lengthy linear light sources in addition to normal light sources.

RCL performs testing of photometric and electrical parameters of conventional lighting products and solid state lighting (SSL) products. At present, minimum performance criteria has been enforced on all imported CFL products by Sri Lanka Standards Institution. All CFLs have to meet the requirements

of SLS 1231 and SLS 1225. RCL performs the role of testing of the imported CFL samples for their compliance with above mentioned SLS standards. Moreover RCL conducts testing of LED products as per the standard LM 79.

Consultancy Services

R&D Branch carried out designing of a lighting system for Galle Fort live demonstration with the consultation of Lighting Research Centre (LRC) of Rensselaer Polytechnic Institute, USA. The design phase was completed and the design was submitted to Ministry of Urban Development for implementation.





OPERATIONAL REVIEW



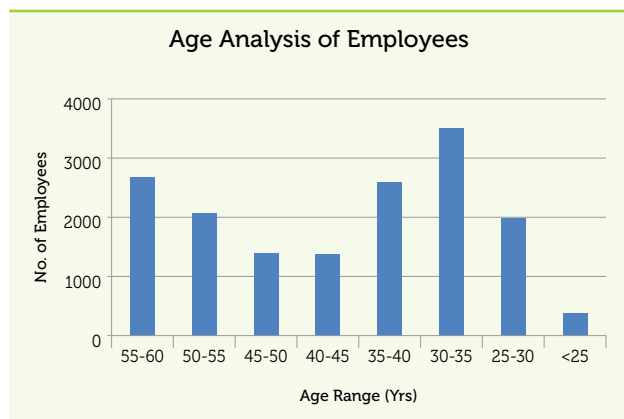
- Personnel Branch
- Legal Section
- Special Investigation Section
- Internal Audit Branch

PERSONNEL BRANCH

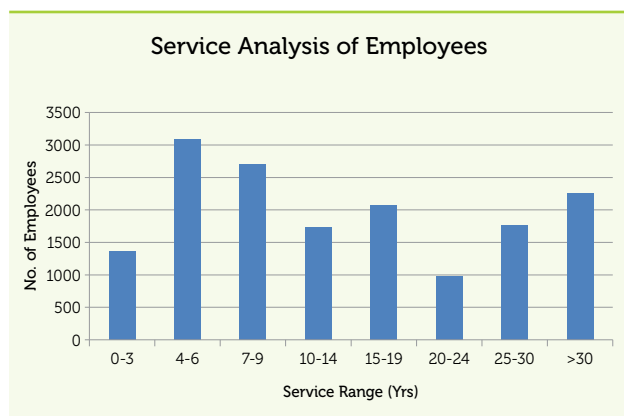
Personnel Branch

The Personnel Branch is committed to supply the CEB with, and maintain at all times a fully trained, competent and responsible managerial staff and work force operating at a high level of performance and at optimal levels of remuneration. In order to fulfill those commitments, the Personnel Branch undertakes recruitment of staff, assists staff training and promotions, handles annual transfers, formulates human resource policies, conducts disciplinary procedures etc.

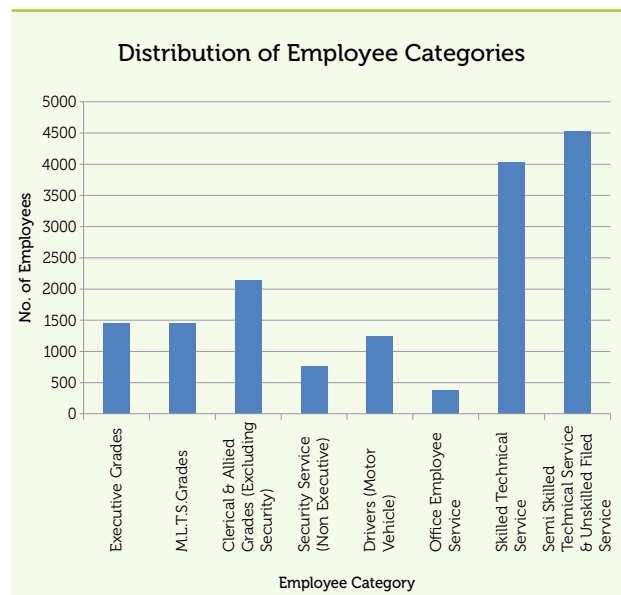
The total number of employees of CEB was 16,123 at the beginning of 2015. 493 employees have retired and 71 employees have left the service as a result of resignations, deaths and terminations. The total number of new recruitments was 425. Therefore, the total number of employees at the end of the year was 15,984. These employees are in the age range from about 25 years to 60 years. Graph 1 gives the age analysis of the employees of the organization as at end 2015.



The employees are in different lengths of service. Their service analysis is given in Graph 2.



CEB consists of employees in many categories such as executive officers, middle level technical officers, employees of other technical services, clerical and allied services etc. The analysis of the employees as per the service categories is given in Graph 3.



The Personnel Branch conducted a massive process for recruitment of employees in the year 2015. In this process, appointment letters were awarded to absorb 2363 casual employees to permanent cadre. However these appointments were to be effective from 1st January 2016. Applications were processed to recruit employees to executive and Middle Level Technical Service (MLTS) grades.

LEGAL SECTION

All legal work and litigation matters of the CEB are handled by the Legal Section. It is headed by a Chief Legal Officer who is assisted by 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 CEB 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. Three Arbitration matters have been attended to by the Legal Section in the year 2015.

- Land Matters - Asset Management Branch was 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 (Rs Million)
Meter Tampering	1,968	9.40	151.54	1,609.94
Illicit tapping	736	4.32	8.67	12.99
Total	2,704	13.72	160.21	173.94

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 is supervised by the Chief Internal Auditor who directly reported to the Chairman. Internal audits are 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 verifies the compliance of the internal control systems on an ongoing basis with the policies and procedures already in place



INTERNAL AUDIT BRANCH Contd...

and their effectiveness using samples and rotational procedures and in respect of any non compliance, highlights 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 2015, following audit tasks were accomplished by the Branch:

Routine Audits	22
Revenue Audits	07
Systems Audits	41
Special Investigations	08
Total	78

Audit Committee

The Audit Committee reviewed and discussed the reports submitted by the internal audit and External audit carried out in the areas of operational and financial reviews. The Audit committee has reviewed

these reports using their extensive experience and expertise, recommended additional controls and risk mitigation strategies that could be implemented where necessary to strengthen the existing internal control systems, thus minimizing the possibility of occurrence and impact of fraud and errors, operational and financial risks faced by the entity. The committee also reviews the internal audit functions with particular emphasis on the planning of the audit, scope of the audit and quality of the audits.

The audit committee comprises of four independent directors from the Board having sound skills and extensive experience in finance, audit and related area and the Head of Internal Audit serves as a convener to the committee. General Manager as CEO, Finance Manager and representative from Auditor General's Department attended the meeting by invitation.

The committee formally met four times during the year 2015 and reviewed the Internal Audit reports and the Auditor General's reports and provides guidance and directions to smoothen internal control systems and procedures of CEB.



FINANCIAL INFORMATION



FINANCE DIVISION

FINANCE DIVISION

The Sri Lankan economy continues its growth momentum driven by the improved physical infrastructure including electricity. To support expanding business activities, the role of the Finance Division is transforming prominently in CEB. It has become a necessity to drive the operational and management processes of CEB in more financially efficient manner to be in equivalence with the economic development of the country as the electricity plays a significant role in the economic development.

Proper financial planning, budgetary control, continuous monitoring and supervision of financial activities are key measures taken by the finance division to smooth functioning of CEB operations.

Further, negotiations with financial institutions for favorable financing options, financial evaluation of mega projects have gained more importance as the CEB is now carrying out investment management functions by its own with the assistance of the general treasury.

To enrich the liquidity position, continuous efforts were made to upgrade the revenue collection which reach almost 100% of the revenue generated for the year. The established strategic alliance with the People's Bank for On Line Real Time (OLRT) payment system through the Internet/SMS gateways, continued to thrive in year 2015 with new registrations to the OLRT facility for electricity bill payments for further customer convenience.

Electricity has reached the every nook and corner of the country. DFCC Vardana Bank joined the list of banks that collects electricity bill payments for CEB enhancing the payment options to the consumers. The acceptance of Master Cards for bill settlements further increased the convenience to the consumers. Apart from the improvements to third party collection facilities, CEB itself increased its collection centres from 51 to 54 during the year enabling the consumers to pay their bills easily.

As the stake holder reporting requirements are continuously at flux, the Accounting regulatory bodies are more vigilant on the transparency of the financial reporting and financial operations for a better management of finance. Hence continual improvement in skill and knowledge was required where local and foreign training to finance staff was provided to improve the capacity to handle upcoming challenges of changes in regulatory frame works in electricity industry as well as the reporting requirements of the Accounting bodies.

CEB Provident Fund

Ceylon Electricity Board Provident Fund operates as a private provident fund under the provisions of Employees Provident Fund Act No.15 of 1958. It is administered by a Committee of Management consisting of seven members. The Chairman of the Committee is the ex-officio of Chairman of CEB and the ex-officio Deputy Chairman is the General Manager of CEB. The Finance Manager and Deputy General Manager (Personnel) are ex-officio members. Other three members are nominated by Board. The Secretary & Accountant of the fund is appointed by Board to be responsible for the day to day administration. The Secretary & Accountant shall also be the Treasurer of the Fund.

The total contribution to the fund during the year 2015 amounted to Rs. 3,009 million, out of which, Rs. 1,204 million has been contributed by the employees of the Board.

The total funds accumulated as at 31st December 2015 amounted Rs. 43,119 Million, which is an increase of 7.34% over the previous year. The main income of the fund is investing money in treasury bills & bonds, fixed deposits in state bank and loans to members. The fund has earned an income of Rs. 2,272 million during the year by its investments and a dividend of 8.84% has been declared for 2015. Total loans granted to its members during the year 2014 was Rs. 1,950 million. During the year, a sum of Rs. 3,346 million has been refunded from the fund to members who have retired from the service.

At the end of the year 2015 the total members of this fund were 17,523 out of this 1,880 were newly appointed members, while 629 members have retired from the service.

A sum of Rs. 271 million has been paid as income tax on the earnings of the fund for the year 2015.

Pension Fund

The beneficiaries of the fund are retired employees who have served the CEB for 20 years or more. They are paid 30% to 34% of their last drawn salary as pension commensurate with No. of years served for CEB and payments are continued until the death of the employee.

In the year 2015, the number of retired employees added to the fund was 523 and 110 were discontinued due to the death. The total beneficiaries of the fund as at end of the year 2015 were 6,980.

The net assets of the fund as at 31st December 2015 amounted to Rs. 17,044 Million. The income, derived from investment of the fund, during the year was Rs. 1,227 Million.



FINANCE REVIEW

FINANCIAL PERFORMANCE 2015

Year 2015 was a prosperous year for CEB as the profitability for the period ended 31st December 2015 was earmarked as the highest in the history at Rs.20,954 Million which was resulting in a 221% upturn in comparison to year 2014 with negative financial results.

The Power Generation Mix is the determinant feature of CEB's profitability and financial viability. All these years, CEB was highly dependent on hydro power generation and consequently thermal oil power sources played a significant role in the generation mix when hydraulic conditions are weakened. Hence the direct generation costs sky rocketed which were burdened by fuel cost.

With the commissioning of second and the third units of the Lakvijaya coal power station in the latter part of year 2014, the past generation mix changed, undoubtedly assisting the Board in stabilizing its cost of generation.

When the net generation mix for year 2015 is analyzed, the coal generation stood at 34% from the total generation, and the hydro contribution with mini hydro was at 46%. Accordingly, CEB was able to record a profit as the dependency on hydraulic sources was relaxed and thermal oil generation dropped to 17%. The balance 3% was contributed by the wind and other Non-Conventional Renewable Energy (NCRE) sources. In financial terms, there was a drop of 35% in direct generation cost when compared to year 2014. The favorable transformation of the generation mix, consequently brought down the cost of sales by 21%, whereas in restated 2014 cost of sales was recorded at Rs. 213,646 Million and in 2015 it was confined to Rs. 168,308 Million.

The above remarkable change reduced the average cost of generation per kWh from Rs. 14.81 in year 2014 to Rs. 10.24 in the year under review.

In revenue terms, CEB was able to achieve a 98.5% electrification level by end of year 2015 with an increase in sales units to 11,786 GWh showing a considerable growth rate of 6.5% against previous year. Nevertheless, with the revision to the tariff structure in the latter part of year 2014, which transferred the benefit of reduced cost structure to the general public with the operations of coal power station, the average selling price dropped to Rs. 16.00/kWh from Rs. 19.00/kWh on average.

The correspondent rupee value for the sales was recorded as Rs.188,684 Million for the year 2015 which indicated 7% drop in sales in comparison to year 2014. In spite of the above decline in revenue the profitability was increased due to the favourable generation mix.

Financial Position

Strengthen the balance sheet of CEB in 2015

It was the first year in recent history, where the CEB was able to self-suffice in cash flow management, with no external borrowings from banks to finance working capital requirements.

With the improved liquidity position through the profit generated in the year was utilized to curtail the main creditor balances which contributed to further strengthen the CEB balance sheet at the end of year 2015. The unsettled balance to CPC was brought down to Rs. 1,963 Million, while payable to private power generators for supply of power, was settled down to Rs. 4,288 Million as at the end of the financial year.

The total long term borrowings were decreased from Rs. 202,819 Million in 2014 to Rs. 198,342 Million in the year 2015 as the cabinet approval was obtained to convert Rs. 11 Billion of loan balances of projects to equity.

Total fixed assets with capital work in progress, as at the balance sheet date stood at Rs. 694,754 Million. This represents 89% of total assets of CEB and a considerable amount of annual depreciation amounting to Rs. 27,260 Million too was included in the accounting profit. The return on net fixed assets was 3% on positive note which indicates efficient use of the asset base.

Group Accounts

The Board prepares Group accounts consolidating its subsidiaries, Lanka Electricity Company (Pvt) Ltd, LTL Holdings (Pvt) Ltd, Lanka Coal Company Ltd and Sri Lanka Energy (Pvt) Ltd to CEB Financial Statements.



FINANCE REVIEW Contd...

Highlights of Financial Performance

Profit & Loss	2015 Rs. Million	2014 (Restated) Rs. Million	2013 Rs. Million	2012 Rs. Million	2011 Rs. Million
Turnover	188,684	202,645	194,147	163,513	132,460
Direct Cost	(168,308)	(213,646)	(165,508)	(222,419)	(151,448)
Gross Profit /(Loss)	20,376	(11,001)	28,638	(58,906)	(18,988)
Administration Expenses	(4,092)	(3,146)	(2,556)	(2,997)	(1,636)
Other Income	8,292	5,871	5,107	6,354	3,810
Operating Profit / (Loss)	24,576	(8,277)	31,190	(55,549)	(16,814)
Finance Cost- Net	(4,700)	(6,726)	(8,924)	(5,898)	(3,371)
Profit / (Loss) Before Taxation	19,876	(15,003)	22,266	(61,447)	(20,185)
Income Tax & deferred Tax Expense	126	900	(1,325)	(16,198)	(830)
Profit / (Loss) for the year	20,002	(14,102)	20,939	(77,496)	(21,015)
Other Comprehensive Income	951	(3,182)	(39)	(124)	-
Total Comprehensive Income for the year	20,954	(17,285)	20,900	(77,589)	-
Balance Sheet	2015 Rs. Million	2014 (Restated) Rs. Million	2013 Rs. Million	2012 Rs. Million	2011 Rs. Million
Total Assets	776,386	764,186	746,759	727,728	661,333
Capital & Reserves	411,736	377,703	227,099	197,300	257,464
Non – Current Liabilities	308,639	307,328	430,008	393,072	281,835
Current Liabilities	56,011	79,153	89,652	137,356	122,034
Cash	(1,636)	(2,249)	(1,431)	(17,812)	(1,178)
Sales (GWh)	11,786	11,063	10,621	10,474	10,023
Generation (GWh)	13,154	12,423	11,962	11,801	11,528



REPORT OF THE DIRECTORS

The Directors of the Ceylon Electricity Board present their Report and Consolidated Financial Statement for the Year ended 31st December 2015.

Principal Activities and Business Reviews

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

Financial Results

Year 2015 was a prosperous year for CEB as the profitability for the period ended 31st December 2015 was earmarked as the highest in the history at Rs. 20,954 Million which was resulting in a 221% upturn in comparison to year 2014 with negative financial results.

The Power Generation Mix is the determinant feature of CEB's profitability and financial viability. All these years, CEB was highly dependent on hydro power generation and consequently thermal oil power sources played a significant role in the generation mix when hydraulic conditions are weakened. Hence the direct generation costs sky rocketed which were burdened by fuel cost.

With the commissioning of second and the third units of the Lakvijaya coal power plant in the latter part of year 2014, the past generation mix changed, undoubtedly assisting the Board in stabilizing its cost of generation.

Investment

CEB has invested 63% of shares in LTL Holding (Pvt) Ltd, 55.2% of shares in Lanka Electricity Company (Pvt) Ltd, 60% of shares in Lanka Coal Company (Pvt) Ltd and 100% of shares in Sri Lanka Energies (Pvt) Ltd. Further, CEB has a 50% investment in Trincomalee Power Company Ltd which is a joint venture of CEB and NTPC India. During the year 2015, CEB made an additional investment of Rs 127Mn in Sri Lanka Energies (Pvt) Ltd and Rs. 178Mn in Trincomalee Power Company Ltd without any changes to the ownership percentage.

A dividend of Rs. 4,000Mn was declared by LTL Holding (Pvt) Ltd for the year 2014/15 out of which Rs. 2,520 Mn was received by CEB as dividend income. Lanka Electricity Company (Pvt) Ltd also declared a

dividend of Rs 200 Mn for the year 2015 and Rs 109 Mn was received by CEB as dividend income.

Self-Insurance Reserve

Ceylon Electricity Board maintains its own insurance fund for its fixed assets and annually appropriate 0.1% of the gross fixed assets value at the end of each financial year. The total accumulated funds of this insurance as at the Balance Sheet date amounted to Rs.6,036Mn.

Additions to Property, Plant & Equipment

A major addition was done to PPE during the year as the phase II and III projects of the Lakvijaya power plant was absorbed to the fixed asset category in year 2015 enhancing the asset base by nearly Rs. 100 Billion. Other than that regular augmentation, new connections and rehabilitation activities were carried out successfully thriving the CEB asset base.

Borrowings

With the favorable operating results for the year with supportive weather conditions and the operations of the Coal power plant, CEB was able to thrive in cash flow management and it was not necessitated to borrow funds for the purpose of working capital management unlike in previous years. Borrowings were made to facilitate capital projects as the treasury has ceased in assisting in financing the projects.

Board members for the year 2015

Mr. W.B. Ganegala was the Chairman up to 13th of January 2015 and Mr. W.D.A.S Wijayapala was appointed in replacement of his position from 20th January 2015. Both chairmen have served as directors of Lanka Electricity Company (Pvt) Ltd., LTL Holdings (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 during the period they served as the chairman of CEB.

Prof. K.K.C.K. Perera, served as Vice Chairman of CEB up to 09th January 2015 and Mr. B.N.I.F.A. Wickramasuriya was appointed in place of him on 20th January 2015 and resigned on 29th October 2015. Mr. Wickramasuriya also served as a director in the director board of LTL Holdings (Pvt) Ltd.



REPORT OF THE DIRECTORS Contd...

Mr. Gamini Wanasekara was appointed as the Vice Chairman on 30th October 2015 and served during the year of 31st December 2015 and he was appointed as a Director to the Board of Sri Lanka Energies (Pvt) Ltd on 28th December 2015.

Mr. K.I.D.P. Kularathne was the Working Director up to 12th January 2015 and appointed as a Director to the Board of Sri Lanka Energies (Pvt) Ltd. Mr. N.K.G. Gunatileke was appointed in place of him on 23rd January 2015 and also as a Director to the Board of Sri Lanka Energies (Pvt) Ltd. He resigned on 29th October 2015 and Mr. W.R.G. Sanath Bandara was appointed as the Working Director on 12th November 2015 and served during the year of 31st December 2015.

Mr. S. Wirithamulla served as a member of Board up to 09th January 2015 and Ms. Jeewani Kariyawasam was appointed as a member of the Board on 23rd January 2015 in place of him and served during the year of 31st December 2015.

Ms. M.T.I.V. Amarasekara, Director Department of External Resources of the Ministry of Finance & Planning served as a member of Board up to 23rd January 2015. Mr. R. Semasinghe, Director General Department of Public Enterprises of the Ministry of Finance & Planning was appointed in place of her on the same date and served during the year of 31st December 2015.

Mr. T.D.S.P. Perera, Additional Secretary Ministry of Industry and Commerce served as a member of the Board up to 23rd January 2015 and he was reappointed on 09th February 2015 in place of Mr. S.S. Miyanawala, Secretary Ministry of Industry and Commerce who was appointed and resigned as a Board member on 23rd January 2015 and 09th February 2015 respectively. Mr. T.D.S.P. Perera resigned on 14th October 2015 and in his place Mr. T.M.K.B. Tennakoon, Secretary Ministry of Industry and Commerce was appointed on 30th October 2015 and served as a member of the Board during the year ended 31st December 2015.

Mr. R.A.A.K. Ranawaka, Secretary Ministry of Provincial Councils and Local Government served as a member of the Board up to 23rd of January 2015 and in his place Mr. J.Dadallage, Secretary Ministry of Public Administration, Provincial Councils and

Local Government was appointed on 23rd January 2015 and he resigned on 21st May 2015. Mr. W.M.P.G. Wickramasinghe, Additional Secretary Ministry of Public Administration, Provincial Councils and Local Government was appointed on 21st May 2015 and he resigned on 22nd October 2015. Mr. S.D.A.B. Boralessa, Additional Secretary Ministry of Provincial Councils and Local Government was appointed on 16th November 2015 and served as a member of the Board during the year ended 31st December 2015.

Provident fund & Pension Fund

Board maintains an independent fund in respect of Provident Fund and Pension Fund.

The CEB Provident Fund has earned an income of Rs. 2,272Mn in year 2015 on investment and declared a dividend of 8.84%. The income derived from the investment of the Pension Fund in year 2015 was Rs. 1,227Mn.

Employees

The strength of the human resource base in CEB is approximately 19,000 and composed with permanent employees as well as manpower employees which represent hired labor. Nevertheless the decision has been made to absorb the hired employees to the permanent cadre as CEB values the human resource as the pivotal asset. The management grade employees in the total employee base are amounted to 1,300 and all others represent operational level employees.

Auditors

The financial statement of the Board was audited by the Auditor General in terms of the Finance Act No. 38 of 1971.

Audit & Management Committee Composition

The audit and Management committee comprises four independent directors having sound skills and extensive experience in finance, audit and related area. The composition of the Audit and management committee for the year 2015 is as follows.

Mr. R. Semasinghe - Chairman



REPORT OF THE DIRECTORS Contd...

Mr. T.D.S.P. Perera - Member

Mr. W.M.P.G. Wickramasinghe - Member

Ms. Jeevani Kariyawasam - Member

Head of Internal Audit serves as a convener to the committee.

The committee formally met four times during the year 2015. General Manager as CEO, Finance Manager and representative from Auditor General's Department attended the meeting by invitation.

Role of the committee

The Audit Committee reviewed and discussed the reports submitted by the internal audit and External audit carried out in the areas of operational and financial reviews. The Audit committee was having reviewed these reports using their extensive experience and expertise, recommended additional controls and risk mitigation strategies that could be implemented where necessary to strengthen the existing internal control systems, thus minimizing the possibility of occurrence and impact of fraud and

errors, operational and financial risks faced by the entity. The committee also reviews the internal audit functions with particular emphasis on the planning of the audit, scope of the audit and quality of the audits.

During the year 2015 Audit committee reviewed the Internal Audit reports and the Auditor General's reports and provides guidance and directions to smoothen internal control systems and procedures of CEB.

Grievances Committee

Employees Grievances Committee (EGC) which is a sub-committee of the Board formally met 05 times during the Financial Year under review and considered 40 nos. of individual grievances of employees/ex-employees of the CEB. The Committee minutes were tabled at the subsequent Board Meeting to take necessary action to implement the Committee recommendations.

CONSOLIDATED INCOME STATEMENT

Year Ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

Continuing Operation	Note	Group		Board	
		2015	2014 Restated	2015	2014 Restated
Revenue	3	207,014,577	219,054,966	188,683,984	202,644,828
Cost of Sales		(181,273,419)	(223,214,075)	(168,308,319)	(213,646,200)
Gross Profit / (Loss)		25,741,158	(4,159,109)	20,375,665	(11,001,372)
Other Operating Income and Gain	4	10,273,834	8,428,496	8,292,478	5,870,838
Distribution Cost		(71,799)	(52,569)	-	-
Other Expenses		(323,789)	(1,296,267)	-	-
Administrative Expenses		(6,533,555)	(5,591,012)	(4,092,485)	(3,146,442)
Operating Profit/(Loss)		29,085,848	(2,670,461)	24,575,658	(8,276,976)
Finance Income	5.1	1,545,313	1,655,128	434,405	304,205
Finance Cost	5.2	(6,222,358)	(7,748,792)	(5,134,058)	(7,029,881)
Finance Cost-Net		(4,677,045)	(6,093,664)	(4,699,653)	(6,725,676)
Share of Profit/loss of Joint Venture	11	2,333	(15,333)	-	-
Profit/(loss) before Income Tax	6	24,411,136	(8,779,458)	19,876,005	(15,002,652)
Income Tax Expense	7.1	(995,951)	(1,440,890)	(60,573)	(95,431)
Deferred Tax (Charge) / Reversal	7.2	(19,118)	895,984	186,991	995,517
Profit/Loss for the year from continuing operation		23,396,067	(9,324,364)	20,002,423	(14,102,566)
Non Controlling Interest		(3,087,819)	(2,509,773)	-	-
Profit/(Loss) for the Year		20,308,248	(11,834,137)	20,002,423	(14,102,566)

The notes to the Financial Statements on the Pages from 99 to 155 form an integral part of these Financial Statements



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2015	2014 Restated	2015	2014 Restated
Profit / (Loss) for the year from continuing operation	23,396,067	(9,324,364)	20,002,423	(14,102,566)
Other Comprehensive Income				
Actuarial loss on post employment benefit obligation	961,157	(3,263,468)	951,942	(3,182,402)
Exchange differences on translation of foreign subsidiary operations	368,799	(27,447)	-	-
Fair value gain / (loss) on available for sale financial assets	(63,105)	6,380,055	-	-
Net gain / (loss) on exchange conversion of foreign currency loans	-	13,844	-	-
Revaluation of Land and Building	-	279,899	-	-
Deferred Tax Impact on Actuarial gain / loss	2,885	(2,566)	-	-
Total Comprehensive Income for the year, net of tax	24,665,803	(5,944,046)	20,954,365	(17,284,968)

Attributable to:

Equity Holders of the Parent	21,349,515	(11,396,530)
Non Controlling Interest	3,316,288	5,452,484
	24,665,803	(5,944,046)

The notes to the Financial Statements on the Pages from 99 to 155 form an integral part of these Financial Statements



STATEMENT OF FINANCIAL POSITION

As at 31st December 2015

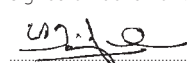
(All amounts in Sri Lanka Rupees Thousands)

	Note	2015	Group 2014 Restated	2013 Restated	2015	Board 2014 Restated	2013 Restated
ASSETS							
Non-Current Assets							
Property, Plant & Equipment	8	710,488,969	701,774,032	667,669,099	694,754,021	682,119,380	648,129,749
Premium Paid on Leasehold Land		13,205	6,984	7,373	-	-	-
Intangible assets	9	15,431	16,520	19,255	-	-	-
Investments in Subsidiaries	10	-	-	-	911,813	784,813	784,813
Investment in Joint Venture	11	240,753	59,814	75,148	328,606	150,000	150,000
Finance Lease Receivables	12	8,756,101	4,144,203	-	-	-	-
Other Non Current Financial Assets	13	17,348,312	13,620,718	4,737,475	4,457,515	2,290,925	-
Investments of Insurance Reserve	14	6,036,934	5,653,841	5,250,300	6,036,934	5,653,841	5,250,300
Total Non-Current Assets		742,899,705	725,276,112	677,758,650	706,488,889	690,998,959	654,314,862
Non Current Assets held for sale	15	2,531,553	1,023,292	1,021,337	1,025,037	1,023,292	1,021,337
Current Assets							
Property, Plant & Equipment-Heladhanavi Ltd	8.8	10,884	808,339	-	-	-	-
Inventories	16	36,187,750	39,538,139	39,465,925	31,097,066	34,750,284	36,742,728
Trade and Other Receivables	17	37,035,789	35,515,529	48,139,686	30,179,551	31,122,627	42,621,758
Amounts Due from Related Parties	18	-	-	-	3,861,494	1,619,422	4,981,499
Finance Lease Receivables	12	805,077	355,086	-	-	-	-
Other Current Financial Assets	13	21,016,988	19,674,511	17,888,255	2,093,837	3,127,565	5,034,000
Tax Refund Due		971	23,308	77,975	-	-	-
Cash and Bank Balances	28	8,422,556	4,416,678	7,127,745	1,640,292	1,543,366	2,042,958
Total Current Assets		103,480,015	100,331,590	112,699,586	68,872,240	72,163,264	91,422,943
Total Assets		848,911,272	826,630,993	791,479,573	776,386,166	764,185,515	746,759,142
EQUITY AND LIABILITIES							
Capital and Equity							
Contributed Capital	19	302,227,824	289,037,750	121,707,829	302,227,824	289,037,750	121,707,829
Reserves	20	35,928,713	34,137,701	33,102,171	28,458,691	27,434,332	25,998,798
Retained Earnings / (Loss)		96,817,615	77,740,194	89,770,683	81,049,405	61,231,385	79,392,359
Equity Attributable to the Equity Holders of the Parent		434,974,152	400,915,645	244,580,683	411,735,920	377,703,467	227,098,986
Non Controlling Interest		23,914,822	23,215,974	16,931,505	-	-	-
Total Equity		458,888,974	424,131,619	261,512,188	411,735,920	377,703,467	227,098,986
Non-Current Liabilities and Deferred Income							
Interest Bearing Loans & Borrowings	21	208,079,263	207,996,255	335,527,614	198,342,586	202,819,528	334,524,915
Consumer Deposits	22	11,484,253	10,458,306	9,721,662	11,484,253	10,458,306	9,721,662
Provisions and Other Deferred Liabilities	23	6,957,350	7,341,043	3,845,468	6,115,643	6,571,579	3,236,183
Deferred Income	24	75,541,647	69,808,549	63,598,002	71,696,325	66,292,438	60,343,184
Deferred Taxation	25	21,647,951	21,618,360	22,497,833	20,999,981	21,186,971	22,182,488
Total Non-Current Liabilities and Deferred Income		323,710,464	317,222,513	435,190,579	308,638,788	307,328,822	430,008,432
Current Liabilities							
Trade and Other Payables	26	42,445,018	59,355,517	74,776,279	38,678,374	56,978,329	63,116,114
Dividend Payables		1,115,280	628,949	491,648	-	-	-
Amounts Due to Related Parties	27	-	-	-	1,317,250	2,990,922	5,698,376
Interest Bearing Loans & Borrowings	21	21,074,807	23,312,580	18,397,804	15,955,262	18,915,024	20,518,282
Income Tax Payable		1,676,731	1,979,814	1,111,075	60,571	268,951	318,952
Total Current Liabilities		66,311,835	85,276,860	94,776,806	56,011,457	79,153,225	89,651,724
Total Equity and Liabilities		848,911,272	826,630,993	791,479,573	776,386,166	764,185,515	746,759,142

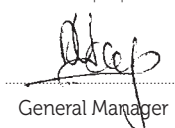
The notes to the Financial Statements on the Pages from 99 to 155 form an integral part of these Financial Statements

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

Signed on behalf of the Board by:



Chairman



General Manager



Finance Manager

2017-02-27

Colombo



CEYLON ELECTRICITY BOARD

STATEMENT OF CHANGES IN EQUITY - THE GROUP

	Contributed Capital	Capital Reserve	Revaluation Reserve
Balance as at 01 st January 2014 (Restated)	121,707,829	17,725,166	587,475
Profit / (Loss) for the period	-	-	-
<u>Other comprehensive income</u>			
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 of 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	741,979
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	-	-
Rural Electricity Project 04 (Extension)	365,474	-	-
Rural Electricity Project 08 (Extension)	725,000	-	-
Vavuniya Kilinochchi Transmission Line Project	181,705	-	-
Kilinochchi Chunnakam 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 foreign 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	741,979

The notes to the Financial Statements on the Pages from 99 to 155 form an integral part of these Financial Statements



(All amounts in Sri Lanka Rupees Thousands)

Depreciation Reserve	Asset Replacement Reserve	Investment Reserve	Self Insurance Reserve	Available for Sale Reserve	Retained Earnings	Non Controlling Interest	Total
23,000	222,134	427,038	8,379,239	1,235,249	94,273,419	16,931,417	261,511,966
-	-	-	-	-	(11,834,137)	2,509,773	(9,324,364)
-	-	-	-	-	(3,228,027)	(38,006)	(3,266,033)
-	-	-	-	-	-	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	13,845
23,000	222,134	427,038	8,379,239	4,753,381	79,211,255	22,383,902	255,567,922
-	-	-	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
-	-	-	-	-	109,258	(48,947)	1
-	-	-	-	-	-	1,002,447	1,002,447
-	-	-	-	-	-	43,303	117,035
-	-	-	-	-	117,035	(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)
23,000	231,975	914,737	9,769,076	4,753,381	77,740,194	23,215,974	424,140,850



STATEMENT OF CHANGES IN EQUITY - THE GROUP Contd....

	Contributed Capital	Capital Reserve	Revaluation Reserve
Prior Year Adjustment made during the Period	(9,231)	-	-
Balance as at 01 st January 2015 (Restated)	289,037,751	17,703,552	741,979
Profit/(Loss) for the period	-	-	-
Actuarial Gain/loss on retirement benefits	-	-	-
Revaluation of land and building	-	-	-
Net gain loss on available for sale Financial Assets	-	-	-
Fair Value gain on quoted /unquoted shares	-	-	-
Exchange Equivalization Reserve	-	122,606	-
Total Comprehensive income	289,037,751	17,826,158	741,979
Interest income from Insurance Reserve Fund	-	-	-
Damages Charged During the Period	-	-	-
Transfer to self insurance reserve	-	-	-
Fund received from ADB for the RHCP project.	-	49,540	-
Jaffna Rehabilitation Project	94,442	-	-
Naganahira Navodaya	245,060	-	-
Kilinochchi Chunnakam Transmission Project	168,381	-	-
Sustainable Power Sector Support Project	290,124	-	-
Greater Colombo Extension Project	66	-	-
Habarana Veyangoda Electrification Project	89	-	-
Vavuniya Kilinochchi Transmission Line Project	331,328	-	-
Demand Side	373,136	-	-
Rural Electricity Project 08 (Extension)	160,436	-	-
Debt to equity conversion	11,527,011	-	-
Pending Share Allotment to Non controlling interest	-	-	-
Adjustment on reinstatement of fully depreciated assets	-	-	-
Super Gain Tax	-	-	-
Heat Rate Reserve	-	-	-
Investment Reserve	-	-	-
Fixed Assets Replacement Reserve	-	-	-
Acquisition of Non controlling interest	-	-	-
Final Dividends - LTL Ordinary Shares 2013/14	-	-	-
Dividend payment - LECO	-	-	-
Balance as at 31 December 2015	302,227,824	17,875,698	741,979

The notes to the Financial Statements on the Pages from 99 to 155 form an integral part of these Financial Statements



(All amounts in Sri Lanka Rupees Thousands)

Depreciation Reserve	Asset Replacement Reserve	Investment Reserve	Self Insurance Reserve	Available for Sale Reserve	Retained Earnings	Non Controlling Interest	Total
-	-	-	-	-	-	-	(9,231)
23,000	231,975	914,737	9,769,076	4,753,381	77,740,194	23,215,974	424,131,619
-	-	-	-	-	20,308,248	3,087,819	23,396,067
-	-	-	-	-	958,086	5,956	964,042
-	-	-	-	-	-	-	-
-	-	-	-	(102,790)	-	(83,424)	(186,214)
-	-	-	-	63,365	-	59,743	123,108
-	-	-	-	-	-	246,193	368,799
23,000	231,975	914,737	9,769,076	4,713,956	99,006,528	26,532,261	448,797,420
-	-	-	397,120	-	-	-	397,120
-	-	-	(448,915)	-	-	-	(448,915)
-	-	-	1,026,613	-	(1,026,613)	-	-
-	-	-	-	-	-	-	49,540
-	-	-	-	-	-	-	94,442
-	-	-	-	-	-	-	245,060
-	-	-	-	-	-	-	168,381
-	-	-	-	-	-	-	290,124
-	-	-	-	-	-	-	66
-	-	-	-	-	-	-	89
-	-	-	-	-	-	-	331,328
-	-	-	-	-	-	-	373,136
-	-	-	-	-	-	-	160,436
-	-	-	-	-	-	-	11,527,011
-	-	-	-	-	-	223,046	223,046
-	-	-	-	-	54,853	32,216	87,069
-	-	-	-	-	(569,526)	(323,033)	(892,559)
-	-	-	-	-	-	-	-
-	-	672,963	-	-	(672,963)	-	-
-	10,510	-	-	-	(10,510)	-	-
-	-	-	-	-	35,846	(117,824)	(81,978)
-	-	-	-	-	-	(2,339,564)	(2,339,564)
-	-	-	-	-	-	(92,279)	(92,279)
23,000	242,485	1,587,700	10,743,894	4,713,956	96,817,615	23,914,822	458,888,974



STATEMENTS OF CHANGES IN EQUITY - THE BOARD

	Contributed Capital	Capital reserves
Balance as at 01 January 2014 (Restated)	121,707,828	17,447,063
Profit/(Loss) for the period	-	-
Interest income from Insurance Reserve Fund	-	-
Transfer to self insurances reserve	-	-
Fund received from ADB for the RHCP project.	-	45,697
Batahira Ran Aruna	789	-
Rural Electricity Project 04 (Extension)	365,474	-
Rural Electricity Project 08 (Extension)	725,000	-
Vavuniya Kilinochchi Transmission Line Project	181,705	-
Kandurata Udanaya	-	-
Kilinochchi Chunnakam 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	-
Balance as at 31 December 2014 (Restated)	289,046,981	17,492,760
Prior year adjustment made during the period	(9,231)	-
Balance as at 01 January 2015 (Restated)	289,037,750	17,492,760
Profit/(Loss) for the period	-	-
Interest income from Insurance Reserve Fund	-	-
Damages Charged During the Period	-	-
Transfer to self insurances reserve	-	-
Fund received from ADB for the RHCP project.	-	49,540
Jaffna Rehabilitation Project	94,442	-
Naganahira Navodaya	245,060	-
Kilinochchi Chunnakam Transmission Project	168,381	-
Sustainable Power Sector Support Project	290,124	-
Greater Colombo Extension Project	66	-
Habarana Veyangoda Electrification Project	89	-
Vavuniya Kilinochchi Transmission Line Project	331,328	-
Demand Side Management	373,136	-
Rural Electricity Project 08 (Extension)	160,436	-
Debt to equity conversion	11,527,011	-
Balance as at 31 December 2015	302,227,824	17,542,300

The notes to the Financial Statements on the Pages from 99 to 155 form an integral part of these Financial Statements



(All amounts in Sri Lanka Rupees Thousands)

Capital Redemption Reserve	Depreciation Reserves	Self Insurance Reserves	Retained Earnings	Total
165,447	23,000	8,363,289	79,392,359	227,098,986
-	-	-	(17,284,968)	(17,284,968)
-	-	513,830	-	513,830
-	-	876,006	(876,006)	-
-	-	-	-	45,697
-	-	-	-	789
-	-	-	-	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
165,447	23,000	9,753,125	61,231,385	377,712,698
				(9,231)
165,447	23,000	9,753,125	61,231,385	377,703,467
-	-	-	20,844,633	20,844,633
-	-	397,121	-	397,121
-	-	(448,915)	-	(448,915)
-	-	1,026,613	(1,026,613)	-
-	-	-	-	49,540
-	-	-	-	94,442
-	-	-	-	245,060
-	-	-	-	168,381
-	-	-	-	290,124
-	-	-	-	66
-	-	-	-	89
-	-	-	-	331,328
-	-	-	-	373,136
-	-	-	-	160,436
-	-	-	-	11,527,011
165,447	23,000	10,727,944	81,049,405	411,735,920



CONSOLIDATED STATEMENT OF CASH FLOW

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2015	2014	2015	2014
Cash Flows From / (Used in) Operating Activities				
Profit/(loss) before tax	24,411,136	(8,779,458)	19,876,005	(15,002,652)
Adjustments for				
Depreciation	28,507,022	24,367,982	27,259,787	24,027,440
Amortization of Consumer Contribution	(3,037,642)	(2,793,293)	(2,730,786)	(2,506,972)
Amortization of Government Grant	(12,642)	(12,517)	(12,391)	(12,391)
Income from Investments	(1,207,274)	-	(2,629,200)	(346,400)
(Profit)/Loss on sales of Property, Plant & Equipment	(259,004)	(163,404)	(80,980)	(106,708)
Finance Costs	6,222,357	8,019,365	4,643,359	6,012,065
Provision for Obsolete & Unserviceable Cost	86,789	352,857	109,807	352,857
Provision for Price Variance	816,994	942,104	1,195,341	942,104
Provision for Impairment of Debtors	283,464	8,887	355,716	8,887
Bad Debt Write off	-	156,041	-	156,041
Stores Discrepancies Account	-	2,994	-	2,994
Share of (Profit)/ loss of Joint Venture	(2,333)	15,333	-	-
Amortization of Intangible Assets	1,992	2,735	-	-
Finance Income	(1,545,313)	(1,655,057)	(434,405)	(304,205)
Dividend Income	(1,948,470)	(645,036)	-	-
Defined Benefit Plans	812,235	863,235	836,192	716,948
Personnel Cost on Pension Fund	(551,570)	(120,799)	256,601	(120,799)
Operating Profit / (Loss) before Working Capital Changes	52,577,741	20,561,969	48,645,046	13,819,209
(Increase) / Decrease in Inventories	2,446,605	(1,379,399)	3,095,658	1,980,220
(Increase) / Decrease in Trade and Other Receivables	(1,803,723)	12,259,601	(2,787,573)	14,680,380
Increase / (Decrease) in Trade and Other Payables	(18,488,369)	(15,467,696)	(21,551,495)	(8,845,238)
Cash Generated from Operations	34,732,254	15,974,475	27,401,636	21,634,571
Finance Cost paid	(6,222,357)	(7,948,477)	(4,582,752)	(5,941,324)
Retirement Benefit Obligation	(644,061)	(512,895)	(596,787)	(443,153)
Income Tax Paid	(2,191,595)	(446,455)	(378,678)	(50,000)
Net Cash From / (Used in) Operating Activities	25,674,241	7,066,648	21,843,419	15,200,094
Cash Flows from / (Used in) Investing Activities				
Acquisition of Property, Plant & Equipment	(43,012,229)	(62,927,235)	(41,037,241)	(59,714,221)
Acquisition of Intangible Assets	(906)	-	-	-
Investment in Joint Ventures	(178,606)	-	(178,606)	-
Investment in Subsidiaries	-	-	(127,000)	-
Investment in Insurance Reserves Fund	(383,093)	(403,541)	(383,093)	(403,541)
Interest Received from Insurance Reserves Fund	397,120	513,832	397,120	513,832
Investment in Non Current Financial Assets	(3,688,169)	931,269	-	-
Investment in Current Financial Assets	(1,342,477)	(3,992,680)	-	-
Acquisition of Non-Controlling Interest	(81,978)	-	-	-
Income on Foreign Investment	1,207,274	-	-	-
Dividend Received	1,948,470	645,036	2,629,200	346,400
Interest Received	1,545,313	1,655,057	434,405	304,205
Sale Proceeds of Fixed Assets Disposals	2,074,700	254,150	125,594	197,454
Dividend Paid	(1,945,512)	(430,088)	-	-
Net Cash Flows from / (Used in) Investing Activities	(43,460,093)	(63,754,200)	(38,139,621)	(58,755,871)
Cash Flows from (Used in) Financing Activities				
Proceeds from Contributed capital	1,663,062	5,632,200	1,663,061	5,632,200
Consumer Contribution	10,250,008	9,010,327	9,724,934	8,468,616
Funds received for RHCP Project	49,540	-	49,540	-
Grant -Received	111,244	51,726	-	-
Consumer Deposit - Refund	(292,227)	(193,717)	(292,227)	(193,717)
Consumer Deposit Received	1,318,174	930,361	1,318,174	930,361
Lease Payment	(104,681)	(133,115)	(164,415)	(132,186)
Proceeds from Interest Bearing Loans & Borrowings	28,154,441	55,309,973	20,474,791	46,289,209
Repayment of Interest Bearing Loans & Borrowings	(16,922,366)	(19,013,789)	(15,864,692)	(18,256,325)
Finance Lease Receivables	(811,459)	(355,086)	-	-
Share Allotment	223,046	-	-	-
Tax Refund Received	22,337	20,669	-	-
Premium paid on Leasehold land	(7068)	389	-	-
Net Cash Flows from/(Used in) Financing Activities	23,654,051	51,259,938	16,909,166	42,738,158
Net Increase/(Decrease) in Cash and Cash Equivalents	5,868,199	(5,427,614)	612,964	(817,619)
Cash and Cash Equivalents at the beginning of the year	(1,863,775)	3,563,839	(2,249,064)	(1,431,444)
Cash and Cash Equivalents at the end of the year	4,004,423	(1,863,775)	(1,636,100)	(2,249,063)

The notes to the Financial Statements on the Pages from 99 to 155 form an integral part of these 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 strategic investment in group companies in the pursuit of accomplishing business goals.

Lanka Coal Company (Pvt) Ltd

Supplying of high quality, low sulphur coal for the power generation at Norochcholi 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 2015 were authorized for issue in accordance with a resolution of the Board of Directors on 2017-02-27

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) and Sri Lanka Energies (Pvt) Ltd (SLE).

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

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. The principal place of business of Nividu Assupiniella (Pvt) Ltd is at Aranayaka and Pawan Danavi (Pvt) Ltd at Illanthadiya, Norochchola.

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 offices of Sri Lanka Energies (Pvt) Ltd and its subsidiaries, Kumbalgamuwa Mini Hydro (Pvt) Ltd and Sri Lanka Energies HR (Pvt) Ltd are situated at No: 50, Sir Chittampalam A Gardiner Mawatha Colombo 02 and their 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 at Third floor, No 240, High Level Road, Kirulapone.

Ceylon Electricity Board, Lanka Electricity Co. (Pvt) Ltd, Lanka Coal Co. (Pvt) Ltd Sri Lanka Energies (Pvt) Ltd and Trincomalee Power Co Limited have a common financial year ending

31st December whereas the financial year of LTL Holdings (Pvt) Ltd is 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 Statements, and proportions of the profit or loss after taxation applicable to outside shareholders, adjusted under the heading of Minority 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 previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.



NOTES TO THE FINANCIAL STATEMENTS Contd...

The consolidated financial statements comprises the financial statements of the Group and its subsidiaries as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable 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 recognize in profit or loss. Any investment retained is recognised at fair value.

2.1.3 Going Concern

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

Going Concern – Heladhanavi Limited

The Power Purchase Agreement (PPA) dated 09 May 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.

The directors have made an assessment of the entity's ability to continue as a going concern as at te reporting date and they decided that there is a significant doubt on the entity's ability to continue as a going concern. Therefore, the going concern assumption is not appropriate in the preparation of financial statements of Heladhanavi Limited.

Going Concern – Lanka Industrial Products Engineering (Pvt) Limited

The directors have decided to cease its operations with effect from 01 November 2015 and to transfer its operations to LTL Transformers (Pvt) Ltd. Hence, the going concern assumption has not been adopted in preparing financial statements of Lanka Industrial Products Engineering (Pvt) Ltd.

Basis of Preparation

Financial statements of Heladhanavi Limited and Lanka Industrial Products Engineering (Pvt) Ltd have been prepared in the following basis.

- Fixed Assets are stated at the lower of cost and recoverable amount. Potential unrealized gains on disposal are not taken into account
- Provisions are made for further liabilities that may arise such as redundancy cost, breach



NOTES TO THE FINANCIAL STATEMENTS Contd...

of contract claims, disposal costs and any commitments under leases.

- Long term Liabilities are reclassified as current liabilities.
- Prepayments are expensed unless they represent a future cash refund, in which case it was reclassified them as debtors
- Deferred tax is not relevant; hence, the financial statements include only any actual tax liability that may arise.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Jointly Control Entity

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. Trincomalee Power Company Limited is a jointly controlled entity between Ceylon Electricity Board and NTPC Limited. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries.

The Board's investment in its joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Board's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not tested for impairment individually. The income statement reflects the Board's share of the results of operations of the joint venture. Any change in OCI of the investee is presented as part of the Board's OCI.

In addition, when there has been a change recognized directly in the equity of the joint venture, the Board recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Board and the joint venture are eliminated to the extent of the interest in the joint venture. The aggregate of the Board's share of profit or loss of a joint venture is shown on the face of the income statement outside operating profit and represents profit or loss after tax and non-controlling interests in the joint venture.

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 Statement on Equity Method.

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 gains or losses arising from 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 operations

The statement of financial position and the statement of comprehensive income of overseas subsidiary, which are 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.



NOTES TO THE FINANCIAL STATEMENTS Contd...

- 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 there to.

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 28%.

b). Deferred Taxation

Deferred income tax is provided, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred 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 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



NOTES TO THE FINANCIAL STATEMENTS Contd...

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

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



NOTES TO THE FINANCIAL STATEMENTS Contd...

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 an item of Property Plant & Equipment is included in the statement of profit or loss 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 parties recognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

One such assets 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 the shorter of the estimated useful life of the asset and lease term.

The useful lives of the assets are estimated as follows;

Ceylon Electricity Board

Freehold Buildings & Lease hold Land & Buildings	40 Years
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Civil Works:

Spillways & Dams	100Years
Steel water pipes & pens stock	40Years
Substation & Switch Yard	35 Years

Generation Plants:

Power Stations including Plant (Hydro)	35 Years
Power Stations including Plant (Thermal)	25 Years
Power Stations including Plant (Diesel)	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-33	50 Years
HT Underground-132	50 Years
HT Underground-11	40 Years
HT Overhead Lines	35 Years
LT Underground	40 Years
LT Overhead Lines	35 Years
LT Feeder Pillar	35 Years
Consumer Substation	35 Years
HT Switchgear	35 Years
Primary & Grid Substation	35Years
Service Main	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 10-15years
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



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Motor Vehicle	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	

2.2.8 Leases

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 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 statement of comprehensive income 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



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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 life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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 -

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 and loss

Financial assets at fair value through profit and 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 and 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 and 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 Investment

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.



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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 profit or loss.

The Group evaluates its available – for – sales 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 Investment

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



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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 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.



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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.

De-recognition

A final liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 de-recognition 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 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.



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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 defined 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 Defined Benefit Liabilities in the Balance Sheet.

b) Defined Benefit Plan - Pension Obligation

Defined benefit plans define 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. 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 charges 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 of the 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.



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2.2.14 Deferred Income

a) Consumer Contribution

The Board consumer contributions 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 for acquisition of Plant & Machinery are treated deferred income. Government grant in note 21.2 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 sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyer: with the Group retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

b) Sale of Goods

Revenue from sale of goods is recognised 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.

c) Interest

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

d) Dividends

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

e) Others

Other income is recognised 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 Accumulated Profit. 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.



NOTES TO THE FINANCIAL STATEMENTS Contd...

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).

Taxes

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

Useful lives of Property, Plant & Equipment

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

Defined Benefit Plans-Gratuity

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



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2015	2014	2015	2014
3 REVENUE				
Sales	207,014,577	219,054,966	188,683,984	202,644,828
	207,014,577	219,054,966	188,683,984	202,644,828

	Group		Board	
	2015	2014	2015	2014
3.1 Segmental Revenue				
Sale of Electricity	192,573,684	206,758,293	188,683,984	202,644,828
Manufacturing of Transformers	2,501,254	1,877,596	-	-
Galvanizing Operations	622,499	450,323	-	-
Construction Services	428,140	621,031	-	-
Finance Lease & Power Generation	9,112,578	4,713,557	-	-
Operational & Maintenance Services for Power Plants	1,765,997	2,013,184	-	-
Other Operations	10,425	2,620,982	-	-
	207,014,577	219,054,966	188,683,984	202,644,828

	Group		Board	
	2015	2014	2015	2014
4 OTHER OPERATING INCOME AND GAIN				
Income on Foreign Investments	1,207,274	28,496	-	-
Dividend Income	1,948,470	1,771,546	2,629,200	346,400
Penalty on Electricity Consumption	10,536	15,218	10,536	15,218
Recoveries from Consumers	317,564	283,143	-	-
Profit on Disposal of Property Plant and Equipment	259,004	212,364	150,976	155,668
Deferred Income on Consumer Contribution	3,037,642	2,793,294	2,730,786	2,506,972
Deferred Income on Government Grant	12,642	12,517	12,391	12,391
Miscellaneous Income	1,055,466	1,007,542	1,042,416	996,099
Government Department Income	501,918	311,475	501,918	311,475
Liquidated Damages	329,867	62,988	329,867	62,988
Sale of Ash	336,151	128,924	336,151	128,924
Tender Fee / Non Refundable Deposits / Forfeiture of Guarantees	10,932	11,167	10,932	11,167
Income on Cost Recovery jobs	18,565	522,298	18,565	522,298
Service Main Application Fee	12,868	68,112	12,868	68,112
Surcharge on Electricity Bills	505,872	733,126	505,872	733,126
Depreciation Reversal on Power Plant - Heladhanavi Ltd	130,730	-	-	-
Reversal of Impairment on Power Plant Heladhanavi Ltd	578,333	-	-	-
Gain on Bargaining Purchase	-	76,824	-	-
Fair Value Gain on Further Acquisitions	-	389,462	-	-
	10,273,834	8,428,496	8,292,478	5,870,838

	Group		Board	
	2015	2014	2015	2014
5.1 FINANCE INCOME				
Interest on Other Deposits	776,903	782,592	-	-
Interest on Administration Borrowings by Treasury	38,791	39,900	-	-
Interest on Borrowings	-	342,830	-	-
Interest on Government Securities	271,582	96,150	-	-
Interest Income from Investments	80,115	58,991	79,148	3,975
Interest Income from Staff Loans	276,333	256,100	253,384	221,665
Interest on Samurdhi Loans	101,589	78,565	101,589	78,565
Interest Income on Related Party Loans	-	-	284	-
	1,545,313	1,655,128	434,405	304,205



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

	Group		Board	
	2015	2014 Restated	2015	2014 Restated
5.2 FINANCE COST				
Interest Expense on Overdrafts	147,167	111,272	23,522	35,193
Interest Expense on Loans and Borrowings	5,523,745	6,464,974	4,559,231	5,822,330
Lease Interest	60,690	70,888	60,607	70,741
Bank Charges	58	41	-	-
Delayed Interest on IPP Payments	348,478	696,385	348,478	696,385
Delayed Interest on CPC Payments	38,522	321,431	38,522	321,431
Samurdhi Loan Interest Expenditure Account	103,699	83,801	103,698	83,801
	6,222,358	7,748,792	5,134,058	7,029,881

	Group		Board	
	2015	2014 Restated	2015	2014 Restated
6 Profit / (Loss) Before Tax				
Stated after Charging / (Crediting)				
Auditors' Remuneration - Current Year Fees and Expenses	9,849	8,915	2,583	3,414
Director's Emoluments	4,342	7,152	3,478	4,550
Depreciation	28,507,022	25,222,191	27,259,787	24,027,440
Personnel Costs includes				
- Defined Benefit Plan Costs - Gratuity	951,645	1,550,983	836,192	1,424,961
- Defined Contribution Plan Costs - EPF & ETF	2,232,226	1,680,443	2,022,092	1,493,766
- Other Staff Costs	22,189,241	15,995,191	21,226,567	15,157,235
(Profit) / Loss on Disposal of Property, Plant and Equipment	(78,963)	53,330	(80,980)	(3,376)
Amortization of Computer Software	107	9,227	-	-
Public Relation and Advertising	134,904	223,271	120,967	213,079
Provision for Impairment of Other Debtors	16,034	8,887	(12,391)	8,887

	Group		Board	
	2015	2014	2015	2014
7 INCOME TAX EXPENSE				
7.1 Current Income Tax				
Current Tax Expense on Ordinary Activities for the Year	1,115,194	1,318,054	60,573	122,900
Under / (Over) Provision of Current Taxes in respect of Prior Years	(119,243)	122,836	-	(27,469)
	995,951	1,440,890	60,573	95,431
7.2 Deferred Income Tax				
Deferred Taxation Charge/(Reversal) (Note - 25)	19,118	(895,984)	(186,991)	(995,517)
Income Tax Expense reported in the Income Statement	1,015,069	544,906	(126,418)	(900,086)

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 2015

(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 01.01.2015 Restated	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2015
Freehold Land	11,109,846	80,606	-	-	(40,490)	-	11,149,962
Leasehold Land	-	1,514	-	-	-	-	1,514
Building	16,286,525	500,983	-	-	(29,287)	-	16,758,221
Civil Works	221,647,142	39,221	-	-	-	-	221,686,363
Plant & Machinery	1,056,530	142,346	-	-	(18,818)	-	1,180,058
Generation Power Plant	268,393,280	4,501,980	-	-	-	-	272,895,260
Transmission & Distribution Lines	464,793,260	30,630,143	-	-	(425,153)	(446,644)	494,551,606
Motor Vehicles	6,978,800	1,547,897	-	(23,729)	(154,180)	16,728	8,365,516
Other Supply Infrastructure	20,098,790	669,494	-	-	(54,586)	-	20,713,698
Office & Other Equipment	2,595,321	305,574	-	-	(14,322)	(64)	2,886,509
Furniture and Fittings	232,719	34,897	-	-	-	(120)	267,496
Machinery and Tools	5,442,933	285,568	-	-	(161)	(593)	5,727,746
Container Accommodation	6,744	-	-	-	-	-	6,744
	1,018,641,890	38,740,223	-	(23,729)	(736,997)	(430,693)	1,056,190,693

8.1.2 Project Assets

Gross Carrying Amount

At Cost or Valuation

	Balance As At 01.01.2015 Restated	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2015
Freehold Land	112,357	219,937	-	-	(219,937)	(4,437)	107,920
Plant & Machinery	-	1,020,948	-	-	(1,015,856)	-	5,092
Motor Vehicles	802,813	453,254	-	-	(417,537)	-	838,530
Office & Other Equipment	53,271	12,851	-	-	(1,481)	169	64,810
Furniture and Fittings	19,744	457	-	-	-	-	20,201
Machinery and Tools	12,873	241	-	-	-	-	13,114
	1,001,058	1,707,688	-	-	(1,654,811)	(4,268)	1,049,667

8.1.3 Lease Hold Assets

	Balance As At 01.01.2015	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2015
Motor Vehicles	475,677	111,847	-	-	(10,420)	(16,177)	560,928
	475,677	111,847	-	-	(10,420)	(16,177)	560,928
Total Value of Depreciable Assets	1,020,118,625	40,559,758	-	(23,729)	(2,402,228)	(451,138)	1,057,801,288



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

8.1.4 In the Course of Construction

	Balance As At 01.01.2015 Restated	Incurred During the Year	Transfer to PPE	Reclassified/ Transferred	Balance As At 31.12.2015
Capital Work in Progress	80,092,167	38,101,469	(32,644,518)	(5,969,001)	79,580,117
Total Gross Carrying Amount	80,092,167	38,101,469	(32,644,518)	(5,969,001)	79,580,117

8.1.5 Depreciation

Freehold Assets	Balance As At 01.01.2015 Restated	Charge for the year	Transfer to Asset Held for Sale	Disposals / Transfers	Adjust- ments	Balance As at 31.12.2015
Freehold Land	-	-	-	-	-	-
Leasehold Land	-	597	-	-	-	597
Building	4,959,013	413,321	-	(13,220)	-	5,359,114
Civil Works	60,323,091	3,196,535	-	-	-	63,519,627
Plant & Machinery	736,621	92,445	-	(54,958)	-	774,108
Generation Power Plant	119,475,493	9,500,616	-	(33,082)	-	128,943,027
Transmission & Distribution Lines	191,987,951	12,486,596	-	(99,432)	74	204,375,189
Motor Vehicles	3,454,386	1,240,677	(19,595)	(122,498)	18,871	4,571,841
Other Supply Infrastructure	12,646,145	719,687	-	(29,467)	-	13,336,365
Office & Other Equipment	1,798,690	278,166	-	(4,288)	66	2,072,633
Furniture and Fittings	149,733	39,723	-	-	(125)	189,331
Machinery and Tools	2,240,505	678,669	-	-	(132)	2,919,042
Container Accommodation	6,744	-	-	-	-	6,744
	397,778,372	28,647,032	(19,595)	(356,945)	18,754	426,067,618

8.1.6 Depreciation

Project Assets	Balance As At 01.01.2015 Restated	Charge to WIP / Transfers	Transfer to Asset Held for Sale	Disposals / Transfers	Adjust- ments	Balance As at 31.12.2015
Freehold Land	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-
Motor Vehicles	405,667	267,854	-	(227,556)	48,488	494,453
Office & Other Equipment	43,654	7,204	-	(627)	(1)	50,230
Furniture and Fittings	17,185	1,279	-	-	-	18,464
Machinery and Tools	2,357	3,375	-	-	-	5,732
	468,863	279,712	-	(228,183)	48,487	568,879



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

8.1.7 Depreciation

Lease Hold Assets	Balance As At 01.01.2015	Additions / Transfers / Acquisitions	Increase/ Decrease in Revaluation	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2015
Motor Vehicles	189,524	82,622	-	-	(3,793)	(12,414)	255,939
	189,524	82,622	-	-	(3,793)	(12,414)	255,939
Depreciation	398,436,759	29,009,366	-	(19,595)	(588,921)	54,827	426,892,436

8.1.8 Net Book Value

	2015	2014
At Cost or Valuation	630,908,852	621,681,865
Capital Work in Progress	79,580,117	80,092,167
Total Carrying Amount of Property, Plant & Equipment	710,488,969	701,774,032

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

8.2 Board

8.2.1 Gross Carrying Amounts

Freehold Assets

At Cost or Valuation	Balance As At 01.01.2015 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2015
Freehold Land	9,321,712	8,694	-	(37,445)	-	9,292,961
Building	15,387,760	427,257	-	(9,654)	-	15,805,363
Civil Works	221,647,142	39,221	-	-	-	221,686,363
Plant & Machinery	598,238	19,584	-	-	-	617,822
Generation Power Plant	265,507,532	4,501,980	-	-	-	270,009,512
Transmission & Distribution Lines	464,793,260	30,630,143	-	(425,153)	(446,644)	494,551,606
Motor Vehicles	5,887,450	1,494,264	(23,729)	(87,892)	16,728	7,286,821
Office & Other Equipment	1,873,178	213,397	-	(8,969)	(64)	2,077,542
Furniture and Fittings	219,090	30,884	-	-	(120)	249,854
Machinery and Tools	3,185,620	245,257	-	(161)	(593)	3,430,123
	988,420,982	37,610,681	(23,729)	(569,274)	(430,693)	1,025,007,967

8.2.2 Project Assets

Gross Carrying Amounts

At Cost or Valuation	Balance As At 01.01.2015 Restated	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2015
Freehold Land	112,357	219,937	-	(219,937)	(4,437)	107,920
Plant & Machinery	-	1,020,948	-	(1,015,856)	-	5,092
Motor Vehicles	802,813	453,254	-	(417,537)	-	838,530
Office & Other Equipment	53,271	12,851	-	(1,481)	169	64,810
Furniture and Fittings	19,744	457	-	-	-	20,201
Machinery and Tools	12,873	241	-	-	-	13,114
	1,001,058	1,707,688	-	(1,654,811)	(4,268)	1,049,667



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

8.2.3 Leasehold Assets

	Balance As At 01.01.2015	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers	Adjustments	Balance As at 31.12.2015
Motor Vehicles	471,400	106,197	-	(6,143)	(16,177)	555,277
	471,400	106,197	-	(6,143)	(16,177)	555,277
Total Value of Depreciable Assets	989,893,440	39,424,566	(23,729)	(2,230,228)	(451,138)	1,026,612,911

8.2.4 In the Course of Construction

	Balance As At 01.01.2015 Restated	Incurred During the Year	Transfer to PPE	Reclassified / Transferred	Balance As at 31.12.2015
Capital Work in Progress	75,275,200	36,736,386	(31,693,537)	(1,718,571)	78,599,478
Total Gross Carrying Amount	75,275,200	36,736,386	(31,693,537)	(1,718,571)	78,599,478

8.2.5 Depreciation

At Cost or Valuation	Balance As At 01.01.2015 Restated	Charge for the year	Transfer to Asset Held for Sale	Disposals / Transfers / Discontin- ued	Adjustments	Balance As at 31.12.2015
Freehold Land	-	-	-	-	-	-
Leasehold Land	-	-	-	-	-	-
Building	4,783,543	394,221	-	-	-	5,177,764
Civil Works	60,323,091	3,196,535	-	-	-	63,519,626
Plant & Machinery	414,527	19,872	-	-	-	434,399
Generation Power Plant	118,904,452	9,327,658	-	-	-	128,232,110
Transmission & Distribution Lines	191,987,951	12,486,596	-	(99,432)	74	204,375,189
Motor Vehicles	2,856,106	1,108,207	(19,595)	(56,545)	18,871	3,907,044
Other Supply Infrastructure	-	-	-	-	-	-
Office & Other Equipment	1,236,260	231,569	-	(305)	66	1,467,590
Furniture and Fittings	141,330	38,467	-	-	(125)	179,672
Machinery and Tools	1,746,821	594,053	-	-	(132)	2,340,742
	382,394,081	27,397,178	(19,595)	(156,282)	18,754	409,634,136

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

8.2.6 Depreciation

Project Assets

At Cost or Valuation	Balance As At 01.01.2015 Restated	Charge to WIP / Transfers	Transfer to Asset Held for Sale	Disposals / Transfers / Discontinued	Adjustments	Balance As at 31.12.2015
Freehold Land	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-
Motor Vehicles	405,668	267,854	-	(227,556)	48,488	494,454
Office & Other Equipment	43,654	7,204	-	(627)	(1)	50,230
Furniture and Fittings	17,185	1,279	-	-	-	18,464
Machinery and Tools	2,358	3,375	-	-	-	5,733
	468,865	279,712	-	(228,183)	48,487	568,881

8.2.7 Depreciation

Leasehold Assets

	Balance As At 01.01.2015	Additions / Transfers / Acquisitions	Transfer to Asset Held for Sale	Disposals / Transfers / Discontinued	Adjustments	Balance As at 31.12.2015
Motor Vehicles	186,316	82,034	-	(585)	(12,414)	255,351
	186,316	82,034	-	(585)	(12,414)	255,351
Total Depreciation	383,049,262	27,758,924	(19,595)	(385,050)	54,827	410,458,368

8.2.8 Net Book Values

At Cost or Valuation

	2015	2014 Restated
Freehold Land	9,400,881	9,434,068
Building	10,627,599	10,604,217
Civil Works	158,166,737	161,324,051
Plant & Machinery	188,515	183,711
Generation Power Plant	141,777,402	146,603,080
Transmission & Distribution Lines	290,176,417	272,805,309
Motor Vehicles	3,723,853	3,428,490
Office & Other Equipment	624,532	646,536
Furniture and Fittings	71,919	80,319
Machinery and Tools	1,096,762	1,449,315
Container Accommodation	299,926	285,084
	616,154,543	606,844,180
Capital Work-In-Progress (8.2.9)	78,599,478	75,275,200
Total Carrying Amount of Property, Plant & Equipment	694,754,021	682,119,380



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

8.2.9 Capital Work in Progress as at 31 December 2015 represent the following projects

	2015	2014 Restated
Generation Projects	11,221,787	10,213,690
Transmission Projects	1,514,223	3,565,105
Distribution Projects	30,402,709	31,402,470
Upper Kothmale Hydro power Project	552,467	200,843
Colombo City Electricity Distribution Development Project	59,158	1,402,388
Broadland Hydro power Project	2,836,725	1,534,193
Puttalam Coal power Project	246,315	-
Trincomalee Coal power Project	725,377	646,812
AGM Project	29,864,806	25,456,679
Vidulakpaya Project	401,446	380,175
Jaffna power plant	-	4,913
Others (W&AS)	22,506	19,382
Greater Colombo Transmission and Distribution Loss Reduction Project	751,959	448,550
Total Value of Capital Work-In-Progress	78,599,478	75,275,200



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

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

8.3 Capital Work in Progress as at 31 December 2015 Represents the following.

Projects	Group		Board	
	2015	2014 Restated	2015	2014 Restated
Generation Projects	11,221,787	10,213,690	11,221,787	10,213,690
Transmission Projects	1,514,223	3,565,105	1,514,223	3,565,105
Distribution Projects	30,402,709	31,402,470	30,402,709	31,402,470
Upper Kothmale Hydro power Project	552,467	200,843	552,467	200,843
Colombo City Electricity Distribution Development Project	59,158	1,402,388	59,158	1,402,388
Broadland Hydro power Project	2,836,725	1,534,193	2,836,725	1,534,193
Puttalam Coal power Project	246,315	-	246,315	-
Trincomalee Coal power Project	725,377	646,812	725,377	646,812
AGM Project	29,864,806	25,456,679	29,864,806	25,456,679
Vidulakpaya Project	401,446	380,175	401,446	380,175
Jaffna power plant	-	4,913	-	4,913
Others (W&AS)	22,506	19,382	22,506	19,382
Greater Colombo Transmission and Distribution Loss Reduction Project	751,959	448,550	751,959	448,550
Work in progress-LECO	431,871	561,369	-	-
Work in progress-LTL	7,065	4,250,430	-	-
Work in progress-SLE	541,704	5,168	-	-
Total Value of Capital Work-In-Progress	79,580,117	80,092,167	78,599,478	75,275,200

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

During the year, the Board acquired Property, Plant & Equipment to an aggregate value of Rs. 44 Mn of which cash payment is Rs. 41 Mn.

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 was performed by Mr .P.P.T. Mohideen, a Chartered Valuation Surveyor who is an accredited independent valuer with 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 perch Rs. 125,000 - Rs. 4,000,000

Building : Price per Square Meter Rs. 100 - Rs. 7450

Land and Building of the company are located at Kelaniya, Kalutara, Nugegoda, Moratuwa, Narahenpita, Negambo, Galle, Kotte, Nuwaraeliya, Waskaduwa, Ekala, Ja-Ela, Hikkaduwa, Peliyagoda, Rajagiriya, Ambalangoda, Bandaragama 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 assets were carried at cost	Net carrying Amount 2015	Cost	Cumulative Depreciation, If assets were carried at cost	Net carrying Amount 2014
Building	320,143	100,386	219,757	317,542	92,382	225,160
Land	582,942	-	582,942	533,059	-	533,059
	903,085	100,386	802,699	850,601	92,382	758,219

Property Plant and Equipment of the Company includes fully depreciated assets having a gross carrying amount of Rs. 614.4 Mn (2014-Rs. 550 Mn)



NOTES TO THE FINANCIAL STATEMENTS Contd...

Company's Land include a Land situated at No. 953/1, Sri Jayewardenepura 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. 228,622,556/- (2014 Rs 4,712,225,712/-) of which cash payments amounting to Rs 228,622,556/- (2014 Rs. 4,712,225,712/-) 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. 330,162,245/- (2014 - Rs.401,403,713/-)

8.7 Sri Lanka Energies (Private) Limited

During the financial year, the company acquired Property, Plant and Equipment to the aggregate value of Rs 6,868,216/- (2014 - Rs 1,211,911/-) which were acquired by means of cash payments.

8.8 Group -Current Assets

Property plant and equipment - Heladhanavi Limited

Cost	Freehold Land	Building	Office Equipment	Furniture and Fittings	Power Plants	Fire Fighting equipments	Motor vehicles	Total	Total
								2015	2014
At 01 January 2015	10,884	9,436	2,047	366	5,957,319	2,282	995	5,983,330	5,983,330
Accumulated Depreciation	-	9,436	2,047	366	5,159,866	2,282	995	5,174,993	3,951,624
Depreciation Reversal	-	-	-	-	(130,730)	-	-	(130,730)	-
Impairment reversal (8.8.1)	-	-	-	-	(578,333)	-	-	(578,333)	1,223,367
As at 31 December 2015	-	9,436	2,047	366	4,450,803	2,282	995	4,465,930	5,174,991
Reclassified to Assets held for sale (8.8.2)	-	-	-	-	1,506,516	-	-	1,506,516	-
Net book Value At 31 December 2015	10,884	-	-	-	-	-	-	10,884	808,339

The above balances represents the property, plant and equipment acquired from Heladhanavi Ltd.

The above property, plant and equipment includes fully depreciated assets having a gross carrying amount of Rs. 15,126,534 /-

8.8.1 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 5 Years after expiration. Original life span of the PPA was 10 Years and has expired in December 2014. As at 31 March 2014, the management of the company has concluded the extension to the PPA has not been granted by the Ceylon Electricity Board since the power plant has been assessed for impairment and has been recognized an impairment loss of 1,223,367,182/-.

When reviewing the power plant for impairment as at 31 March 2014, the management has considered the facts that the power plant either likely to make an idle asset stemming from the cessation of operations or be considered for disposal prior to utilizing its full economic life. Both outcomes significantly impact when assessing the recoverable value of the Power Plant as at 31 March 2014.

The management has made an assessment as at 31 December 2015, to determine whether there is an indication that previously recognized impairment loss no longer exist or have decreased. Accordingly the estimated recoverable value of the power plant considering the information available as at the reporting date, based on fair value less cost to sell approach is Rs. 1,506,516,000 (Level 3) and accordingly previously recognized impairment loss is reversed.



NOTES TO THE FINANCIAL STATEMENTS Contd...

8.8.2 Asset Held For Sale

	2015	2014
Power Plant	1,506,516	-
	1,506,516	-

Heladanavi Limited, a subsidiary of the group, has entered in to an Engineering Services and Sale of Equipment Contract ("Contract") dated on 26 May 2015 with AKSA Energy Uretim A.S, a company registered in Istanbul Turkey, to sell the Power Plant equipment consisting of 6x170 MW HFO fired diesel generating sets and other auxiliary components (Presented under the Power Plant of the Property Plant and equipment note of the financial statements). The Company has been granted the approval by Board of Investment (BOI) of Sri Lanka on 12 May 2015 as per the provisions of Clause no.(11) of Part I of the agreement signed with the BOI on 28 August 2003, for this purpose.

8.9 Re-assessment of the useful life of fully depreciated assets in subsidiaries

The group companies, LTL Transformers (Pvt) Ltd, LTL Galvanizers (Pvt) Ltd and Lanka Industrial Products Engineering (Pvt) Ltd have reassessed the useful life of the fully depreciated assets and reinstated the accumulated depreciation as per the guidance issued by the Institute of Chartered Accountants of Sri Lanka and accounted in accordance with LKAS 8 - Accounting Policies, Estimates and Errors.

The useful life of classes of assets of the companies were reviewed and changed by the management based on the past performance records and current technical condition. Due to these changes in estimates, the following additional chargers/ (reductions) have resulted in the current year, in comparison to the depreciation charge based on the previous estimates. These differences will arise in the future periods for the Property, Plant & Equipment existing as at 2015-12-31, unless they are disposed in the future.

Class of Asset	Previous Estimate of Useful Life	Adjusted Useful Life	Cumulative Depreciation impact on changing Estimate 2015
Plant and Machinery	5 Years	Within 5 to 11 Years	79,140,920
Factory Equipment	4 Years	Within 7 to 11 Years	7,753,970
Fire Fighting Equipment	4 Years	Within 7 to 11 Years	174,638
			<u>87,069,528</u>

Key Assumptions used in re-assessment of Useful Life

Current Performance records are remain unchanged during reassessed useful life

Same economic benefits will flow on these assets

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

9 INTANGIBLE ASSETS

	Group		Board	
	Cost	Cost	Cost	Cost
At cost	2015	2014	2015	2014
As at 1 January	31,264	31,239	-	-
Acquired / incurred during the period	902	25	-	-
As at 31 December	32,166	31,264	-	-
Amortisation				
As at 1 January	14,743	11,984	-	-
Amortized during the period	1,992	2,760	-	-
As at 31 December	16,735	14,744	-	-
Net Book Value	15,431	16,520	-	-

Lanka Electricity Company (Pvt) Ltd

Intangible assets of the Group mainly represents Technical know - how obtained from China by Ante LECO Metering Company (Pvt) Ltd, one of the sub-subsidiary of the Group.

10. INVESTMENTS IN SUBSIDIARIES

	Holding	Group		Board	
		Cost	Cost	Cost	Cost
At cost		2015	2014	2015	2014
Non-Quoted	Percentage				
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	-	-	174,910	47,910
Total Non-Quoted Investments in Subsidiaries		-	-	911,813	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 to export markets
Lanka Electricity Company (Pvt) Ltd	55.2	55.2	Sale of energy.
Lanka Coal Company (Pvt)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 Ltd.	52		Undertaking Engineering, Procurement and construction (EPC) contracts, Heavy Engineering Services for the Power Plants and other operation & maintenance of Power Plants
LTL Energy (Pvt) Ltd	63		Providing Energy efficiency Improvement Services.
Lanka Industrial Products Engineering(Pvt)Ltd	63		Production of Industrial Products
LTL Transformers (Pvt) Ltd	63		Manufacturing & Repair of transformers, manufacturing of Feeder Pillars
LTL Galvanizers (Pvt) Ltd	63		Steel fabrication & Galvanizing Operations
Bright International Power (Pvt) Ltd	52		Power plant Operation and supply of Power generation ancillaries
Infra & Engineering (Pvt) Ltd	52		Heavy engineering service for the power plants and other operation and maintenance of power plants
Pawan Danavi (Pvt) Ltd	32		Produce independent wind power and transmit to feed the National grid



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

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.
Raj Lanka Power Company Ltd	41	Produce independent power and transmit to feed the national grid of Peoples Republic of Bangladesh
Lakdhanavi Bangla Power Company Ltd	26	Produce independent thermal power and transit to feed the national grid of People's Republic of Bangladesh
LECO Projects (Pvt) Ltd	55.2	Providing Infrastructure Facilities for electricity distribution.
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
Sri Lanka Energies HR (Pvt) Ltd	100	Recruitment and supply of man power service for CEB
Kumbalgamuwa Mini Hydro (Pvt) Ltd	100	Produce electricity energy using hydro resources. The company is constructing a hydro power plant at Samanalawawa

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

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

	Group		Board	
	2015	2014	2015	2014
As at 01 January	59,814	75,147	150,000	150,000
Investment Made During The Year	178,606	-	178,606	-
Share of Pre-Operating Loss	2,333	(15,333)	-	-
	240,753	59,814	328,606	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".

The Lakdhanavi Banglar Power Company Limited, subsidiary of the group has the legal ownership of the Power Plant at Jangalia, Comilla. According to the Power Purchase Agreement (PPA) between Bangladesh Power Development Board (BDPB) and 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	
	2015	2014	2015	2014
Gross Investment in finance leases receivables				
Current				
Less than one year	805,077	355,086	-	-
Non Current				
Between one and five years	3,769,219	1,619,690	-	-
More than five years	4,986,882	2,524,513	-	-
	8,756,101	4,144,203	-	-
Net investment in finance leases	9,561,178	4,499,289	-	-



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

13. OTHER FINANCIAL ASSETS

13. OTHER FINANCIAL ASSETS		Group		Board	
		2015	2014	2015	2014
Summary					
13.1 Loans and receivables					
Refundable Deposits		27,574	25,720	-	-
Investment in Fixed Deposits		14,521,341	9,376,160	-	-
Investment in Repurchase Agreements		1,622,177	1,512,119	-	-
Administrative Borrowings by Department of Treasury Operations		570,000	873,510	-	-
Investment in Other Deposit		2,087,718	3,270,300	-	-
Loans to Company Officers		7,348,968	5,933,434	6,551,352	5,418,490
		26,177,778	20,991,243	6,551,352	5,418,490
13.2 Held to maturity Investments					
Investments in Debentures		772,646	772,646	-	-
		772,646	772,646		-
13.3 Financial Assets at Fair value through Profit or Loss					
Investment in Equity Funds		165,698	119,059	-	-
		165,698	119,059		-
13.4 Available for Sale Investments					
Investments in Unquoted Equity Shares					
Lanka Broad Band Network (Pvt) Ltd	Ordinary Shares	5,000	5,000	-	-
	Preference Shares	15,000	15,000	-	-
West Coast Power (Pvt) Ltd	Ordinary Shares	11,241,814	11,304,919	-	-
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	-	-
		11,249,178	11,412,283	-	-
Total Other Financial Assets					
Other Financial Assets - Non Current		17,348,312	13,620,718	4,457,515	2,290,925
Other Financial Assets - Current		21,016,988	19,674,511	2,093,837	3,127,565
		38,365,300	33,295,229	6,551,352	5,418,490

Loans and Receivables and Held to Maturity Investments

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

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 Power (Pvt) Ltd, which is valued based on discounted cash flow method.

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 2015

(All amounts in Sri Lanka Rupees Thousands)

		Group		Board	
		2015	2014	2015	2014
14. INVESTMENT OF INSURANCE RESERVE					
At the beginning of the year		5,653,841	5,250,300	5,653,841	5,250,300
Investments made during the year		383,093	403,541	383,093	403,541
Withdrawals during the year		-	-	-	-
At the end of the year		6,036,934	5,653,841	6,036,934	5,653,841
		Group		Board	
		2015	2014	2015	2014
15. NON CURRENTS ASSETS HELD FOR SALE			Restated		Restated
Balance at the beginning of the period		1,023,292	1,021,337	1,023,292	1,021,337
Transfer from PPE		4,478	2,546	4,478	2,546
Disposal during the period		(2,388)	(591)	(2,388)	(591)
Re-Classified		1,506,171	-	(345)	-
Balance at the end of the period		2,531,553	1,023,292	1,025,037	1,023,292
		Group		Board	
		2015	2014	2015	2014
16. INVENTORIES			Restated		Restated
Raw Materials		1,100,602	1,001,011	-	-
Finished Goods		152,981	209,663	-	-
Consumables & Spares		26,913,552	27,464,860	24,542,106	25,106,828
Work in Progress		1,500,338	1,304,118	-	-
Fuel		9,899,358	11,910,144	9,899,358	11,910,144
Goods in Transit		1,579,334	1,702,975	1,463,243	1,640,225
Less: Provision for Obsolete & Unserviceable Stock		(1,398,721)	(1,311,932)	(1,247,947)	(1,164,213)
Provision for Price Variance		(3,559,694)	(2,742,700)	(3,559,694)	(2,742,700)
		36,187,750	39,538,139	31,097,066	34,750,284
		Group		Board	
		2015	2014	2015	2014
17. TRADE AND OTHER RECEIVABLES			Restated		Restated
Trade Debtors		18,589,325	18,041,511	14,069,943	14,089,173
Less: Provision for impairment		(3,785,124)	(3,501,660)	(3,246,438)	(2,928,910)
		14,804,200	14,539,851	10,823,505	11,160,263
Other Debtors		20,881,588	18,057,663	18,418,198	17,549,399
Advances and Prepayments		1,558,298	3,124,081	1,146,145	2,619,031
Less: Provision for impairment		(222,968)	(208,196)	(222,968)	(208,196)
Transit		14,671	2,130	14,671	2,130
		37,035,789	35,515,529	30,179,551	31,122,627
		Group		Board	
		2015	2014	2015	2014
18. AMOUNTS DUE FROM RELATED PARTIES	Relationship				
Lanka Electricity Company (Pvt) Ltd	Subsidiary	-	-	3,305,410	1,619,422
Lanka Coal Company (Pvt) Ltd	Subsidiary	-	-	528,686	-
Ante LECO Metering Company (Pvt) Ltd	Subsidiary	-	-	27,398	-
		-	-	3,861,494	1,619,422



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2015

(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 Government of Sri Lanka to finance the specific capital (Development) projects as follows.

	2015	2014 Restated
Balance As at 01 st January (Restated)	289,037,751	121,707,828
Batahira Ran Aruna	-	789
Rural Electricity Project 08 (Extension)	160,436	715,769
Vauniya Kilinochchi Transmission Line Project	331,328	181,705
Kilinochchi Chunnakaum Transmission Project	168,381	134,348
Naganahira Navodaya (RE 4 Extension)	245,060	2,802,651
Sustainable Power Sector Support Project	290,124	414,020
Greater Colombo Extension Project	66	21
Uthuru Wasantaya	-	1,179,240
Uva Udanaya	-	53,656
Jaffna Rehabilitation Project	94,442	140,697
Energy Diversification Project	-	14
Trincomalee Integrated project	-	24
Debt to equity conversion (Refer note 21.2)	11,527,011	161,706,953
Clean Energy & Access Improvement Project (Demand Side Municipal Street Lightening Project)	373,136	-
Habarana Veyangoda Electrification Project	89	33
Balance As at 31st December	302,227,824	289,037,750



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

20 RESERVES	Group		Board	
	2015	2014	2015	2014
Summary				
Capital Reserves (20.1)	17,875,697	17,703,551	17,707,746	17,658,206
Revaluation Reserve (20.2)	741,979	741,979	-	-
Available for Sale Reserve (20.3)	4,713,956	4,753,383	-	-
Depreciation Reserve (20.4)	23,000	23,000	23,000	23,000
Self Insurance Reserve (20.5)	10,743,894	9,769,076	10,727,945	9,753,126
Asset Replacement Reserve *	242,485	231,975	-	-
Investment Reserve (20.6)	1,587,700	914,737	-	-
	35,928,713	34,137,701	28,458,691	27,434,332

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.

20.1 Capital Reserve

	Group		Board	
	2015	2014	2015	2014
Balance as at the Beginning of the Year	17,703,552	17,725,166	17,658,206	17,612,509
Movement during the period				
Foreign Exchange Reserve *	-	(53,185)	-	-
Exchange Equalization Reserve **	122,606	(14,127)	-	-
ADB-RHCP Project	49,540	45,697	49,540	45,697
Balance as at the end of the Year	17,875,697	17,703,551	17,707,746	17,658,206

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 was signed.



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(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	
	2015	2014	2015	2014
On: Property, Plant & Equipment				
Balance as at the beginning of the year	741,979	587,475	-	-
Transfer of surplus during the year	-	154,504	-	-
Balance as at the end of the year	741,979	741,979	-	-

Lanka Electricity Company (Pvt) Ltd

The above Revaluation Surplus consist of net surplus resulting from the revaluation of PPE.

20.3 Available for Sale Reserve

	Group		Board	
	2015	2014	2015	2014
Balance as at the beginning of the year	4,753,382	1,235,250	-	-
Net Gain / (Loss) on available for sale assets	(39,426)	3,518,133	-	-
Balance as at the end of the year	4,713,956	4,753,383	-	-

Available for sale reserve includes the fair value changes in the available for sale finance assets of LTL Holding (Pvt) Ltd and Lanka Electricity Company (Pvt) Ltd

20.4 Depreciation Reserve

	Group		Board	
	2015	2014	2015	2014
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 a Depreciation Reserve with the General Treasury to cover property, plant & equipment as determined by CEB.

20.5 Self Insurance Reserve

	Group		Board	
	2015	2014	2015	2014
Balance at the beginning of the period	9,769,076	8,379,239	9,753,127	8,363,289
Transfers from the retained earnings	1,026,613	876,005	1,026,613	876,005
Damages charged during the period	(448,915)	-	(448,915)	-
Income received from investment	397,120	513,832	397,120	513,832
Balance at the end of the period	10,743,894	9,769,076	10,727,945	9,753,126

20.6 Investment Reserve

Dividend received from the West Coast Power (Pvt) Ltd has been identified as dividend income and created a reserve to the same amount since the company is liable to pay such dividend to the Government of the Democratic Socialist Republic of Sri Lanka if any technical error in the construction of Kerawalapitiya power project or any default made by WCPL in the repayment of the debt financing of the Kerawalapitiya power project.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

21. INTEREST BEARING LOANS & BORROWINGS

Group	2015 Repayable Within 1 year	2015 Repayable After 1 year	2015 Total	2014 Repayable Within 1 year	2014 Repayable After 1 year	2014 Total
Bank Loans (21.1)	15,878,008	37,100,425	52,978,433	16,264,421	45,092,763	61,357,184
Project Loans (21.2)	-	167,859,687	167,859,687	-	159,475,844	159,475,844
Loans from Samurdhi Authority (21.4)	183,680	853,254	1,036,934	183,680	922,503	1,106,183
Lease Creditors (21.5)	126,502	211,036	337,539	99,474	235,571	335,045
Bank Overdrafts	4,418,133	-	4,418,133	6,280,453	-	6,280,453
Redeemable Preference Shares	468,483	2,054,861	2,523,345	484,552	2,269,574	2,754,126
	21,074,807	208,079,263	229,154,070	23,312,580	207,996,255	231,308,835
The Board	2015 Repayable Within 1 year	2015 Repayable After 1 year	2015 Total	2014 Repayable Within 1 year	2014 Repayable After 1 year	2014 Total
Bank Loans (21.1.1)	12,376,943	29,447,278	41,824,221	13,285,443	41,505,286	54,790,729
Project Loans (21.2)	-	167,859,687	167,859,687	-	159,475,844	159,475,844
Loans from Related Party (21.3)	-	-	-	1,560,000	705,000	2,265,000
Loans from Samurdhi Authority (21.4)	183,680	853,254	1,036,934	183,680	922,503	1,106,183
Lease Creditors (21.5)	118,247	182,367	300,614	93,472	210,895	304,367
Bank Overdrafts	3,276,392	-	3,276,392	3,792,429	-	3,792,429
	15,955,262	198,342,586	214,297,848	18,915,024	202,819,528	221,734,552

21.1 Bank Loans

21.1.1 The Board	As At 01.01.2015	Loans Obtained	Repayment	As At 31.12.2015	Repayable Within 1 Year	Repayable After 1 Year
Term Loans						
Interest rate						
People's Bank (Rs. 5000 Mn) 2010.06.22 9.13%	1,247,000	-	(834,000)	413,000	413,000	-
People's Bank (Rs. 4110 Mn) 2013.04.02 9.13%	3,131,429	-	(587,143)	2,544,286	587,143	1,957,143
People's Bank (Rs. 17650 Mn) 2013.01.30 9.13%	13,030,000	-	(2,520,000)	10,510,000	2,520,000	7,990,000
People's Bank (Rs. 18000 Mn) 2013.01.08 9.13%	12,900,000	-	(3,600,000)	9,300,000	3,600,000	5,700,000
People's Bank (Rs. 2000 Mn) 2013.07.15 9.13%	1,496,000	-	(504,000)	992,000	504,000	488,000
People's Bank (Rs. 3000 Mn) 2013.12.31 9.13%	487,500	-	(487,500)	-	-	-
People's Bank (Rs. 2000 Mn) 2014.03.28 9.13%	1,666,400	-	(500,400)	1,166,000	500,400	665,600
People's Bank (Rs. 10000 Mn) 2014.04.21 9.13%	8,957,500	-	(2,502,000)	6,455,500	2,502,000	3,953,500
People's Bank (Rs. 2000Mn) 2014.07.02 9.13%	1,874,900	-	(500,400)	1,374,500	500,400	874,100
NSB (Rs 10 000 mn) 2014.09.30 9.13%	10,000,000	-	(1,250,000)	8,750,000	1,250,000	7,500,000
People's Bank (Euro 2087) 2015.04.30 9.13%	-	318,935	-	318,935	-	318,935
	54,790,729	318,935	(13,285,443)	41,824,221	12,376,943	29,447,278



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

21.1.2 Lanka Electricity Company (Pvt) Ltd

		Interest rate %	Repayment Period	Value of Instalment	As At 01.01.2015	Loans Obtained	Repayment 2015	As At 31.12.2015
Borrowing Bank								
Asian Development Bank	Project 2	10.5%	20 Years	22,253	22,253	-	(22,253)	-
	Project 3	13.0%	15 Years	16,458	33,773	-	(33,773)	-
					56,026	-	(56,026)	-

Lanka Electricity Company (Pvt) Ltd

	2015 Repayable Within 1 year	2015 Repayable After 1 year	2015 Total	2014 Repayable Within 1 year	2014 Repayable After 1 year	2014 Total
Bank Overdraft	58,239	-	58,239	12,365	-	12,365
	58,239	-	58,239	12,365	-	12,365

21.1.3 LTL Holdings (Pvt) Ltd

Borrowing Bank	Interest rate	On demand	Less than 3 months	3 to 12 months	1 to 5Years	Over 5 years	Total
HNB-S/T Loan LTL Holdings (Pvt) Ltd USD 2,000,000	2.70%	-	288,120	-	-	-	288,120
HNB-S/T Loan LTL Holdings (Pvt) Ltd Rs.575,000,000	AWPLR	-	110,000	-	-	-	110,000
HNB- Lakdhanavi Ltd	AWPLR	-	-	1,000,000	-	-	1,000,000
HNB- Pawan Danavi (pvt) Ltd- Rs.795.9 Mn	AWDR +2%	-	33,262	97,520	344,045	-	474,827
NDB- Pawan Danavi (pvt) Ltd- Rs.475,000,000	AWDR+2%	-	18,110	54,319	192,784	-	265,213
DFCC-Pawan Danavi (pvt) Ltd- Rs.400,000,000	AWDR+2%	-	15,231	45,692	162,461	-	223,384
Term Loan HNB USD 8MN	3 Month LIBOR+5%	-	57,610	172,829	371,548	-	601,987
Secured Bank Loan Lakdhanavi Bangala Power Ltd USD 35,000,000	3 Month LIBOR+4.5%	-	154,736	464,209	2,475,782	1,930,521	5,025,248
Working Capital Loan Lakdhanavi Bangala Power Ltd	12%	-	626,901	-	-	-	626,901
Secured Bank Loan Raj Lanka USD 19,000,000	3 Month LIBOR + 4.5%	-	90,631	271,894	1,450,101	418,764	2,231,390
		-	1,394,602	2,106,464	4,996,722	2,349,285	10,847,072

21.1.4 Sri Lanka Energies (Pvt) Ltd

	Repayable Within 1 year	Repayable After 1 year	Total 2015	Repayable Within 1 year	Repayable After 1 year	Total 2014
Long Term Loan	-	307,140	307,140	-	-	-
Bank Overdraft	-	-	-	347	-	347
	-	307,140	307,140	347	-	347



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

21.2 Project Loan

21.2.1 Loans from Treasury

The Board	Provider of funds	Interest Per annum (%)	2015	2014
Upper Kotmale Hydro Power project II	JICA / JBIC	10%	-	3,914,115
Puttalam Coal Power project	JICA / JBIC	10%	51,653,381	51,046,979
Puttalam Coal Power project -phase 11	EXIM BANK	6%	107,530,806	98,610,459
New Laxapana & Wimalasurendra Rehabilitation project	EXIM BANK	6%	-	336,555
Energy Diversification Enhancement Project	JICA / JBIC	12%	-	277,379
Clean Energy Access Impro. Project (SLA I)	Uni Credit Bank	10%	2,704,885	1,583,524
Clean Energy Access Impro. Project (SLA II)	ADB	10%	139,426	124,180
Sustainable Power Support Project	ADB	10%	1,496,325	3,185,542
Habarana Veyangoda Transmission Line project	ADB	10%	25,348	44,316
Greater Colombo Trans & Distribution Loss Reduction	JICA	Not Finalized	208,965	329,497
Clean Energy Net Work Efficiency Improvement Project	JICA	Not Finalized	1,486,156	23,298
Green Power Development & Energy Efficiency Improvement Project			110,106	-
			165,355,398	159,475,844

21.2.2 Loans from Bank	Interest Rate	As At 01.01.2015	Loans Obtained	Repayment	As At 31.12.2015	Repayable Within 1 Year	Repayable After 1 Year
Broadland Hydro Power Project (HNB)	Floating LIBOR rate 6 Months + 6.3%	-	1,638,299	-	1,638,299	-	1,638,299
Broadland Hydro Power Project (CNEEC)	2015.07.19	-	865,990	-	865,990	-	865,990
		-	2,504,289	-	2,504,289	-	2,504,289

Total Project Loan

Amount Payable within one year

Amount Payable after one year

2015	2014
-	-
167,859,687	159,475,844

21.3 Loans from Related Party

	As At 01.01.2015	Loans Obtained	Repayment	As At 31.12.2015	Repayable Within 1 Year	Repayable After 1 Year
The Board						
Lanka Electricity Company (Pvt) Ltd	2,265,000	-	(2,265,000)	-	-	-
	2,265,000	-	(2,265,000)	-	-	-

21.4 Loans From Samurdhi Authority

	As At 01.01.2015	Loans Obtained	Repayment	As At 31.12.2015	Repayable Within 1 Year	Repayable After 1 Year
The Board						
Term Loan for "Viduli Athwela" Programme	1,106,183	245,000	(314,249)	1,036,934	183,680	853,254
	1,106,183	245,000	(314,249)	1,036,934	183,680	853,254



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

21.5 Lease Creditor

21.5.1 The Board	2015 Repayable Within 1 year	2015 Repayable After 1 year	Total 2015	2014 Repayable Within 1 year	2014 Repayable After 1 year	Total 2014
Merchant Bank Of Sri Lanka						
Lease Creditor	171,243	219,507	390,750	149,978	258,156	408,134
Interest in Suspense	(52,996)	(37,140)	(90,136)	(56,506)	(47,261)	(103,767)
	118,247	182,367	300,614	93,472	210,895	304,367

21.5.2 Lanka Coal Company (Pvt) Ltd

	2015 Repayable Within 1 year	2015 Repayable After 1 year	Total 2015	2014 Repayable Within 1 year	2014 Repayable After 1 year	Total 2014
People's Leasing Company Ltd Lease Creditor	-	-	-	1,294	-	1,294
Interest in Suspense	-	-	-	(83)	-	(83)
	-	-	-	1,211	-	1,211

21.5.3 LTL Holdings (Pvt) Ltd

	2015 Repayable Within 1 year	2015 Repayable After 1 year	Total 2015	2014 Repayable Within 1 year	2014 Repayable After 1 year	Total 2014
Lease Creditor	11,332	30,690	42,022	8,926	31,986	40,911
Interest in Suspense	(4,355)	(5,657)	(10,012)	(4,134)	(7,310)	(11,444)
	6,977	25,033	32,010	4,792	24,676	29,467

21.5.4 Sri Lanka Energies (Pvt) Ltd

	2015 Repayable Within 1 year	2015 Repayable After 1 year	Total 2015	2014 Repayable Within 1 year	2014 Repayable After 1 year	Total 2014
Lease Creditor	1,490	4,239	5,729	-	-	-
Interest in Suspense	(212)	(602)	(814)	-	-	-
	1,278	3,637	4,915	-	-	-
Total (Group)	126,502	211,036	337,539	99,475	235,571	335,045

22 CONSUMER DEPOSITS

	Group		Board	
	2015	2014	2015	2014
Balance as at Beginning of the year	10,458,306	9,721,662	10,458,306	9,721,662
Deposit Received during the year	1,318,174	930,361	1,318,174	930,361
Refunds Made during the year	(292,227)	(193,717)	(292,227)	(193,717)
Balance as at the end of the year	11,484,253	10,458,306	11,484,253	10,458,306



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

23. PROVISIONS AND OTHER DEFERRED LIABILITIES

	Group		Board	
	2015	2014	2015	2014
Retirement Benefits Obligation - Gratuity (23.1)	5,890,194	5,722,019	5,048,487	4,952,555
Pension Benefits (23.2)	1,037,387	1,588,956	1,037,387	1,588,956
Commutated Pension Fund Liability - Non Funded	29,769	30,068	29,769	30,068
	6,957,350	7,341,043	6,115,643	6,571,579

23.1. Retirement Benefit Obligation - Gratuity

	Group		Board	
	2015	2014	2015	2014
Balance as at 1 st January	5,722,019	4,580,034	4,952,555	3,970,748
Charge for the year (23.1.1)	812,236	1,654,880	692,719	1,424,960
Payments made during the year	(644,061)	(512,895)	(596,787)	(443,153)
Closing Balance	5,890,194	5,722,019	5,048,487	4,952,555

23.1.1 Charge for the year

	Group		Board	
	2015	2014	2015	2014
Interest Cost	613,480	504,204	544,781	436,782
Current service Cost	359,029	326,508	291,411	280,165
Actuarial (gain)/ loss	(160,273)	824,168	(143,473)	708,013
	812,236	1,654,880	692,719	1,424,960

23.1.2 Retirement Benefits Obligation- Gratuity

The Board

Messrs. Acturial 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 follows

	2015	2014
Discount rate assumed (%) (per Annum)	10	10
Further salary increase (%) (once in three years)	30	30
Retirement age	60	60

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

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,

	2015	2014
Discount rate assumed (%) (per Annum)	9.6%	9%
Salary Increase Rate (%) (per Annum)	8.5%	8.5%
Normal Retirement Age - Appointments up to 31 December 2006	65 years	65 years
- Appointments after 01 January 2007	57 years	57 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 2015 and December 2014 for the respective plan years.

Principal Assumptions	2015	2014
Discount rate assumed (%) (per Annum)	10.2%	8%
Salary Increase Rate (%) (per Annum)	5%	7%
Staff Turnover (%) (per Annum)	5%	5%
Retirement Age	55 Years	55 Years

Lanka Coal Company (Pvt) Ltd

Principal Assumptions	2015	2014
Discount rate assumed (%) (per Annum)	11.50%	10.61%
Salary Increase Rate (%) (per Annum)	10%	10%
Staff Turnover (%) (per Annum)	-	9%
Retirement Age	55 Years	55 Years



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

23.2 Pension Benefit

Group/Board

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

	2015	2014
Present Value of Obligations (23.2.1)	18,107,672	17,485,753
Fair Value of plan assets (23.2.2)	17,070,285	15,896,797
Deficit of funded plans	1,037,387	1,588,956
Contribution receivables	-	-
Present Value of unfunded obligations	-	-
Liability / Assets in the Statement of Financial Position	1,037,387	1,588,956

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

At beginning of the year	17,485,753	14,011,010
Current Service Cost	610,970	425,482
Interest Cost	1,748,575	1,401,101
Actuarial Losses	(796,983)	2,486,352
Benefit Paid	(940,643)	(838,192)
At end of the year	18,107,672	17,485,753

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

At beginning of the year	15,896,796	14,775,345
Expected Return on Plan Assets	1,181,367	1,306,275
Actuarial Losses	11,486	11,963
Contribution Paid (Employee + Employer)	921,279	641,406
Benefit Paid	(940,643)	(838,192)
At end of the year	17,070,285	15,896,797

The amounts recognized in the income statement are as follows

Current service cost	610,970	425,482
Interest Cost	1,748,575	1,401,101
Expected return on plan assets	(1,181,367)	(1,306,275)
Recognized in income statement	1,178,178	520,308



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

The principal actuarial assumptions were as follows

	2015	2014
Discount Rates	10%	10%
Expected return on plan assets	9%	9%
Future Salary Increases	30%	30%
Future Pension Increases	0%	0%
Retirement Age	60	60

Plan assets are comprised as follows

Fixed Deposits	11,583,247	8,878,681
Treasury Bonds	4,624,785	2,066,148
Treasury Bills	-	4,287,576
Other	837,814	664,392
Total	17,045,846	15,896,797

24. DEFERRED INCOME

	Group		Board	
	2015	2014	2015	2014
Consumer Contribution (24.1)	75,201,705	69,567,208	71,473,279	66,057,000
Government Grant (24.2)	339,942	241,341	223,046	235,438
	75,541,647	69,808,549	71,696,325	66,292,438
24.1 Consumer Contribution				
Balance at the beginning of the year	69,567,208	63,350,174	66,057,000	60,095,356
Consumer contribution received during the year	8,672,139	9,010,327	8,147,065	8,468,616
Amount amortised during the year	(3,037,642)	(2,793,293)	(2,730,786)	(2,506,972)
Balance at the end of the year	75,201,705	69,567,208	71,473,279	66,057,000
24.2 Government Grant				
Balance at the beginning of the year	241,340	247,829	235,437	247,829
Received during the year (24.2.1)	111,244	6,029	-	-
Amount amortised during the year	(12,642)	(12,517)	(12,391)	(12,391)
Balance at the end of the year	339,942	241,341	223,046	235,438

24.2.1 Lanka Electricity Company (Pvt) Ltd, one of the subsidiaries of the group has received Street Lights amounting to Rs. 111 Mn (2014 Rs.6 Mn) from Asian Development Bank for Street Lighting Renovation project under the grant number ADB 0149-SRI.



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

25. DEFERRED TAXATION

	Group		Board	
	2015	2014	2015	2014
Balance at the beginning of the year	21,618,361	22,495,267	21,186,971	22,182,488
Deferred Tax Charged to Income Statement	19,119	(895,984)	(186,990)	(995,517)
Deferred Tax Adjusted to Equity	10,471	19,077	-	-
Balance at the end of the year	21,647,951	21,618,360	20,999,981	21,186,971

	Group		Board	
	2015	2014	2015	2014
Deferred Tax Liability				
Depreciation Allowances for Tax Purposes	50,206,030	49,944,788	49,257,037	49,237,221
Revaluation Reserve	54,166	54,166	-	-
Deferred Tax Asset				
Deferred Income on Consumer Contribution	(7,022,882)	(6,927,618)	(6,898,976)	(6,812,074)
Employment Retirement Benefits	(1,644,858)	(1,601,515)	(1,413,576)	(1,386,715)
Other provisions	(971,435)	(878,391)	(971,434)	(878,391)
Unutilized tax losses	(18,973,070)	(18,973,070)	(18,973,070)	(18,973,070)
	21,647,951	21,618,360	20,999,981	21,186,971

26. TRADE AND OTHER PAYABLES

	Group		Board	
	2015	2014	2015	2014
		Restated		Restated
Trade Payables	14,769,941	21,744,838	14,072,554	20,881,540
Other Payables	3,210,649	11,448,540	1,193,904	11,117,425
Sundry Creditors Including Accrued Expenses	7,153,913	6,020,137	6,101,401	4,837,362
Deposits(26.1)	16,697,380	15,848,884	16,697,380	15,848,884
Loan Balance pending confirmation from ERD	122,475	4,170,088	122,475	4,170,088
Stock Adjustment	490,660	123,030	490,660	123,030
	42,445,018	59,355,517	38,678,374	56,978,329

26.1 Deposits

	Group		Board	
	2015	2014	2015	2014
Service mains deposits	13,709,617	12,131,748	13,709,617	12,131,748
Tender Deposits	273,916	291,848	273,916	291,848
Security Deposits	144	174,649	144	174,649
Other Deposits	2,713,703	3,250,639	2,713,703	3,250,639
	16,697,380	15,848,884	16,697,380	15,848,884

27. AMOUNTS DUE TO RELATED PARTIES

		Group		Board	
	Relationship	2015	2014	2015	2014
LTL Holdings (Pvt) Ltd	Subsidiary	-	-	511,643	2,643,164
Ante Leco Metering Co.(Pvt) Ltd	Sub-subsubsidiary	-	-	71,520	29,325
Lanka Coal Company (Pvt) Ltd	Subsidiary	-	-	734,087	318,433
		-	-	1,317,250	2,990,922



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(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	
	2015	2014	2015	2014
Cash & Bank Balances	4,117,769	3,234,680	1,640,292	1,543,366
Cash in Transit	115,304	-	-	-
Current portion of other investments-LECO	4,189,483	1,181,998	-	-
	8,422,556	4,416,678	1,640,292	1,543,366
28.2 Unfavourable Cash & Cash Equivalent Balances		-		-
Bank Overdraft (21)	(4,418,133)	(6,280,453)	(3,276,392)	(3,792,429)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	4,004,423	(1,863,775)	(1,636,100)	(2,249,063)

29 PRIOR YEAR ADJUSTMENTS

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

29.1 Ceylon Electricity Board

The power generation of Lakvijaya Power Plant was commenced from year 2012. However, the total cost of the power plant was remained under capital work in progress until the payments are finalized and was transferred in year 2015. Since the commercial operations were commenced in year 2012 the gross carrying value of the assets for year 2012 and the depreciation thereon up to year 2014 were adjusted accordingly.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

29.2 Group

29.2.1 Impact of the prior year adjustment for the group as at 31 December 2014.

Statement of Financial Position

	2014 Before Restatement	2014 CEB Adjustments	2014 LCC Adjustments	2014 After Restatement
ASSETS				
Non-Current Assets				
Property, Plant & Equipment	706,125,405	(4,351,373)	-	701,774,032
Premium Paid on Leasehold Land	6,984	-	-	6,984
Intangible assets	16,520	-	-	16,520
Investment in Joint Venture	59,814	-	-	59,814
Finance Lease Receivables	4,144,203	-	-	4,144,203
Other Non Current Financial Assets	13,620,718	-	-	13,620,718
Investments of Insurance Reserve	5,653,841	-	-	5,653,841
Total Non-Current Assets	729,627,485	(4,351,373)	-	725,276,112
Non Current Assets held for sale	1,955	1,021,337	-	1,023,292
Current Assets				
Property, Plant & Equipment - Heladhanavi	808,339	-	-	808,339
Inventories	39,349,291	188,847	-	39,538,138
Trade and Other Receivables	37,848,421	(2,333,354)	462	35,515,529
Amounts Due from Related Parties	-	-	-	-
Finance Lease Receivables	355,086	-	-	355,086
Other Current Financial Assets	19,674,511	-	-	19,674,511
Tax Refund Due	23,308	-	-	23,308
Cash and Bank Balances	4,416,678	-	-	4,416,678
Total Current Assets	102,475,634	(2,144,507)	-	100,331,589
Total Assets	832,105,074	(5,474,543)	-	826,630,993
EQUITY AND LIABILITIES				
Capital and Equity				
Contributed Capital	289,046,981	(9,231)	-	289,037,750
Reserves	34,137,701	-	-	34,137,701
Retained Earnings / (Loss)	80,049,173	(2,309,440)	462	77,740,195
Equity Attributable to the Equity Holders of the Parent	403,233,855	(2,318,671)	462	400,915,646
Non Controlling Interest	23,215,973	-	-	23,215,973
Total Equity	426,449,828	(2,318,671)	-	424,131,619
Non-Current Liabilities and Deferred Income				
Interest Bearing Loans & Borrowings	207,996,255	-	-	207,996,255
Consumer Deposits	10,458,306	-	-	10,458,306
Provisions and Other Deferred Liabilities	7,341,043	-	-	7,341,043
Deferred Income	69,808,549	-	-	69,808,549
Deferred Taxation	21,618,360	-	-	21,618,360
Total Non-Current Liabilities and Deferred Income	317,222,513	-	-	317,222,513
Current Liabilities				
Trade and Other Payables	62,511,389	(3,155,872)	-	59,355,517
Dividend Payables	628,949	-	-	628,949
Amounts Due to Related Parties	-	-	-	-
Interest Bearing Loans & Borrowings	23,312,580	-	-	23,312,580
Income Tax Payable	1,979,815	-	-	1,979,815
Total Current Liabilities	88,432,733	(3,155,872)	-	85,276,861
Total Equity and Liabilities	832,105,074	(5,474,543)	-	826,630,993



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

29.2.2 Impact of the prior year adjustment for the group as at 31 December 2014.

Statement of Comprehensive Income

	2014 Before Restatement	2014 CEB Adjustments	2014 LCC Adjustments	2014 After Restatement
Continuing Operation				
Revenue	219,054,966	-	-	219,054,966
Cost of Sales	(220,417,618)	(2,796,457)		(223,214,075)
Gross Profit / (Loss)	(1,362,652)	(2,796,457)	-	(4,159,109)
Other Income and Gain	8,428,496	-	-	8,428,496
Distribution Cost	(52,569)	-	-	(52,569)
Others	(1,296,267)	-	-	(1,296,267)
Administrative Expenses	(5,560,605)	(30,869)	462	(5,591,012)
Operating Profit / (Loss)	156,403	(2,827,326)	462	(2,670,461)
Finance Income	1,655,128	-	-	1,655,128
Finance Cost	(8,019,365)	270,573		(7,748,792)
Finance Cost - Net	(6,364,237)	270,573	-	(6,093,664)
Share of loss of Joint Venture	(15,333)	-	-	(15,333)
Profit / (loss) before Income Tax	(6,223,167)	(2,556,753)	462	(8,779,458)
Income Tax Expense	(1,317,990)	(122,900)	-	(1,440,890)
Deferred Tax Charge / (Reversal)	895,984	-	-	895,984
Profit / Loss for the year from continuing operation	(6,645,173)	(2,679,653)	462	(9,324,364)
Non Controlling Interest	(2,509,773)	-	-	(2,509,773)
Profit / (Loss) for the Year	(9,154,946)	(2,679,653)	462	(11,834,137)



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

29.2.3 Impact of the prior year adjustment for the group as at 31 December 2013.

Statement of Financial Position

	2013 Before Restatement	2013 CEB Adjustments	2013 After Restatement
ASSETS			
Non-Current Assets			
Property, Plant & Equipment	669,354,183	(1,685,084)	667,669,099
Premium Paid on Leasehold Land	7,373	-	7,373
Intangible assets	19,255	-	19,255
Investment in Joint Venture	75,148	-	75,148
Other Non Current Financial Assets	4,737,475	-	4,737,475
Investments of Insurance Reserve	5,250,300	-	5,250,300
Total Non-Current Assets	679,443,734	(1,685,084)	677,758,650
Non Current Assets held for sale		1,021,337	1,021,337
Current Assets			
Inventories	39,267,847	198,078	39,465,925
Trade and Other Receivables	50,350,140	(2,210,454)	48,139,686
Other Current Financial Assets	17,888,255	-	17,888,255
Tax Refund Due	77,975	-	77,975
Cash and Bank Balances	7,127,745	-	7,127,745
Total Current Assets	114,711,962	(2,012,376)	112,699,586
Total Assets	794,155,696	(2,676,123)	791,479,573
EQUITY AND LIABILITIES			
Capital and Equity			
Contributed Capital	121,707,829	-	121,707,829
Reserves	33,102,171	-	33,102,171
Retained Earnings / (Loss)	89,400,471	370,212	89,770,683
Equity Attributable to the Equity Holders of the Parent	244,210,471	370,212	244,580,683
Non Controlling Interest	16,931,505	-	16,931,505
Total Equity	261,141,976	370,212	261,512,188
Non - Current Liabilities and Deferred Income			
Interest Bearing Loans & Borrowings	335,527,614	-	335,527,614
Consumer Deposits	9,721,662	-	9,721,662
Provisions and Other Deferred Liabilities	3,845,468	-	3,845,468
Deferred Income	63,598,002	-	63,598,002
Deferred Taxation	22,497,833	-	22,497,833
Total Non - Current Liabilities and Deferred Income	435,190,579	-	435,190,579
Current Liabilities			
Trade and Other Payables	77,822,614	(3,046,335)	74,776,279
Dividend Payables	491,648	-	491,648
Interest Bearing Loans & Borrowings	18,397,804	-	18,397,804
Income Tax Payable	1,111,075	-	1,111,075
Total Current Liabilities	97,823,141	(3,046,335)	94,776,806
Total Equity and Liabilities	794,155,696	(2,676,123)	791,479,573



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

30 ASSETS PLEDGED

The Board

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

30.1 Lanka Electricity Company (Pvt) Ltd

Following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged		Included under
		2015	2014	
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	124,891	117,347	
Fixed Deposits	Staff loan Schemes of SMIB Bank and HDFC Bank Facilities	829,856	797,585	

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
		2015	2014	
Immovable Properties	First Mortgage for Loans & Borrowings	-	73,739	Property plant & Equipment
Lakdhanavi Ltd & its Jointly Controlled Entity				
Investment in Fixed Deposits	Mortgage against the Bank Guarantees	1,875,380	477,304	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	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 Guarantee from LTL Holdings (Pvt) Ltd on behalf of company.	2,466,000	2,466,000	Property, Plant & Equipment

30.3 Sri Lanka Energies (Pvt) Ltd

Following assets have been pledged as security for interest bearing borrowings obtained by Kumbalgamuwa Mini Hydro (Pvt) Ltd

Nature of assets	Nature of Liability	Carrying Amount Pledged		Included under
		2015	2014	
Projects assets together with all the permits, licenses issued by the regulatory bodies in respect of Kumbalgamuwa Mini Hydro Power Project	Mortgage	450,000	-	Property, Plant & Equipment
100% shares of Kumbalgamuwa Mini Hydro (Pvt) Ltd	Mortgage	10,000	-	Stated Capital



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

31 EVENTS OCCURRING AFTER THE DATE OF THE STATEMENT 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 31.12.2015, where the CEB is defendant respondent. The contingent liability in the unlikely event that all these cases are adversely decided is estimated at Rs.164.3 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 (2014 – 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 (2014 -12) lawsuits for which the maximum liability is estimated by the company at Rs.19.9 Mn (2014 - Rs.10.4 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.



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

33 CAPITAL COMMITMENTS

33.1 The Board

The Board does not have material purchase commitments for acquisition of Property, Plant and Equipment incidental to the ordinary course of business as at 31st December 2015. (2014 - Nil).

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 2015. (2014 - Nil).

33.3 LTL Holdings (Pvt) Ltd

Leases

Finance Lease commitments the Group as lessee 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	2015	2014
LTL Holdings (Pvt) Ltd	Hatton National Bank PLC	191,165	126,928
LTL Transformers (Pvt) Ltd	Hatton National Bank PLC		
LTL Transformers (Pvt) Ltd	Peoples Bank	-	41,410
		191,165	168,338

Guarantee

Parent/Subsidiary/Joint Venture Company	Bank	2015	2014
LTL Transformers (Private) Ltd	Hatton National Bank PLC	647,925	608,978
LTL Holdings (Private) Ltd	Hatton National Bank PLC		
LTL Galvanizers (Private) Ltd	Hatton National Bank PLC		
LTL Transformers (Private) Ltd	People's Bank	-	857,545
LTL Holdings (Private) Ltd	City Bank	104,108	97,303
Lakdhanavi Ltd	Commercial Bank Ceylon PLC	-	477,286
		752,033	2,041,112

LTL Holding (Private) Limited has provided a corporate guarantee of Rs 400,000,000 for a bank loan obtained by a subsidiary (2014:Rs 400,000,000/-)



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(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

	2015	2014
Within One Year	12,230	12,230
After One year but not more than 5 years	30,574	36,689
	42,804	48,919

The Company has entered into a commercial lease on its land & Premises in Bandaragama together with fixtures and fittings, with Ante LECO Metering Company (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 December 2015 are as follows.

	2015	2014
Within one year	-	5,460
After one year but not more than five years	-	18,000
More than five years	-	16,875
	-	40,335

Infra Engineering (Pvt) Ltd

Nature

The company has entered into an operating lease agreement with Ms. Hikkaduwa Liyanage Chithralatha for a period of 22 years commencing from 26th September 2014 to 25th September 2036.

	2015	2014
Within One Year	321	-
After One year but not more than 5 years	1,606	-
More than five years	4,761	-
	6,688	-

NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(All amounts in Sri Lanka Rupees Thousands)

33.5 Other Commitments

LTL Holdings (Pvt) Limited

The Company has a commitment towards the Sri Lanka Energies (Pvt) Ltd, for the completion of Samanalawewa project Rs. 387,159,955/- equivalent to 95% and towards the Director General of Irrigation on Deduru Oya Rs. 53,617,060/- equivalent to 84% of the completion.

Lakdhanavi Limited

The company has a commitment towards Hatton National Bank and City Bank for Rs. 51,400,385/- and 288,120,000/- respectively as guarantees

The Company is liable 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.

Lakdhanavi Bangala Power Limited

As per the PPA, the company shall furnish Bangladesh Power Development Board ("BPDB") an irrecoverable and unconditional bank guarantee by a schedule bank in Bangladesh, for the sum specified, two months capacity payment equivalent to Tk 80,000,000 as security for compliance with the Company's performance obligation in accordance with PPA. Accordingly, the Company has provided the above guarantee from the City Bank Limited for the equivalent of Tk 80,000,000. The Company is obliged to pay this bank guarantee amount to BPDB on demand in case of liquidity damage or other damages, interest or other amounts that the company shall be required to pay to BPDB.

Raj Lanka Power Co. Limited

As per the Power Purchase Agreement (PPA), the Company shall furnish Bangladesh Power Development Board (BPDB) an irrecoverable and unconditional bank guarantee by a schedule bank in Bangladesh, for the sum specified, two months capacity payments as security for compliance with the Company's performance obligation in accordance with PPA. Accordingly, the Company has provided the above guarantee from Commercial Bank of Ceylon PLC for the equivalent of Tk 135,000,000. The Company is obliged to pay this bank guarantee amount to BPDB on demand in case of liquidity damage or other damages, interest or other amounts that the Company shall be required to pay to BPDB.



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(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 the Chairman up to 13th of January 2015 and Mr. W. D.A.S Wijayapala was appointed in replacement of his position from 20th January 2015. Both chairmen have served as directors of Lanka Electricity Company (Pvt) Ltd., LTL Holdings (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 during the period they served as the chairman of CEB.

Prof. K.K.C.K. Perera, served as Vice Chairman of CEB up to 09th January 2015 and Mr. B.N.I.F.A. Wickramasuriya was appointed in place of him on 20th January 2015 and resigned on 29th October 2015. Mr. Wickramasuriya also served as a director in the director board of LTL Holdings (Pvt) Ltd. Mr. Gamini Wanasekara was appointed as the Vice Chairman on 30th October 2015 and served during the year of 31st December 2015 and he was appointed as a Director to the Board of Sri Lanka Energies (Pvt) Ltd on 28th December 2015.

Mr. K.I.D.P. Kularathne was the Working Director up to 12th January 2015 and appointed as a Director to the Board of Sri Lanka Energies (Pvt) Ltd. Mr. N.K.G. Gunatileke was appointed in place of him on 23rd January 2015 and also as a Director to the Board of Sri Lanka Energies (Pvt) Ltd. He resigned on 29th October 2015 and Mr. W.R.G. Sanath Bandara was appointed as the Working Director on 12th November 2015 and served during the year of 31st December 2015.

Mr. S. Wirithamulla served as a member of Board up to 09th January 2015 and Ms. Jeewani Kariyawasam was appointed as a member of the Board on 23rd January 2015 in place of him and served during the year of 31st December 2015.

Ms. M.I.T.V. Amarasekara, Director Department of External Resources of the Ministry of Finance & Planning served as a member of Board up to 23rd January 2015. Mr. R. Semasinghe, Director General Department of Public Enterprises of the Ministry of Finance & Planning was appointed in place of her on the same date and served during the year of 31st December 2015.

Mr. T.D.S.P. Perera, Additional Secretary Ministry of Industry and Commerce served as a member of Board up to 23rd January 2015 and he was reappointed on 09th February 2015 in place of Mr. S.S. Miyanawala, Secretary Ministry of Industry and Commerce who was appointed and resigned as a Board member on 23rd January 2015 and 09th February 2015 respectively. Mr. T.D.S.P. Perera resigned on 14th October 2015 and in his place Mr. T.M.K.B. Tennakoon, Secretary Ministry of Industry and Commerce was appointed on 30th October 2015 and served as a member of the Board during the year ended 31st December 2015.

Mr. R.A.A.K. Ranawaka, Secretary Ministry of Provincial Councils and Local Government served as a member of the Board up to 23rd of January 2015 and in his place Mr. J.Dadallage, Secretary Ministry of Public Administration, Provincial Councils and Local Government was appointed as a member of the Board on 23rd January 2015 and he resigned on 21st May 2015. Mr. W.M.P.G. Wickramasinghe, Additional Secretary Ministry of Public Administration, Provincial Councils and Local Government was appointed on 21st May 2015 and he resigned on 22nd October 2015. Mr. S.D.A.B. Boralessa, Additional Secretary Ministry of Provincial Councils and Local Government was appointed on 16th November 2015 and served as a member of the Board during the year ended 31st December 2015.

34.1.2 The Board carried out following transactions with following related companies.

	2015	2014
a) Sales of Goods & Services		
Electricity Sales Heavy Supply LECO	22,884,328	24,825,526
b) Purchase of Goods & Services		
LTL Transformers Ltd	1,494,333	1,289,329
LTL Galvanizers (Pvt) Ltd	195,677	187,894,185
ANTE LECO Metering Co (Pvt) Ltd	580,163	399,712
Heladhanavi Ltd	-	11,456,232
Lakdhanavi Ltd	2,821	11,605,294
Nividu (Pvt) Ltd	175,198	132,014
Nividu Assupinella (Pvt) Ltd	280,698	195,877
Pawan Danavi Limited	615,092	671,367
Lanka Coal Company (Pvt) Ltd	26,776,943	17,859,091
Sri Lanka Energies (Pvt) Ltd	427,428	-
Sri Lanka Energies HR (Pvt) Ltd	362,823	-



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(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	2015	2014
Ceylon Petroleum Corporation	Purchase of Fuel	19,772,020	49,099,703
Department of Public Enterprises	Obtain Project Loans	17,406,566	18,808,911
Peoples Bank	Obtain Bank Loans	318,935	17,000,000
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 2,452,818/- (2014 - Rs 2,244,000/-) incurred on behalf of key management personnel of the Board.



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(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 Transactions with the parent and related entities

Nature of Transaction	Name of the Company and Relationship					
	CEB Parent		Entity with significant influence over the Company & Other Related		Total	
	2015	2014	2015	2014	2015	2014
As at 1 st January	2,770,132	449,333	(271,958)	(477,648)	2,498,174	(28,315)
Sale of goods / Services	2,789,209	14,110,068	-	-	2,789,209	14,110,068
Opening receivables of Heladhanavi Ltd.	-	3,435,647	-	-	-	3,435,647
Dividend Declared	(2,519,496)	(315,000)	(1,990,068)	(271,958)	(4,509,564)	(586,958)
EPC Sales	-	55,698	-	-	-	55,698
Advances set off	-	(8,943)	-	-	-	(8,943)
Dividend Paid	2,834,496	-	1,153,346	-	3,987,842	-
Receipts during the year	(5,073,587)	(14,956,671)	-	-	(5,073,587)	(14,956,671)
Payment made during the year	-	-	-	477,648	-	477,648
Balance As At 31 st December	800,754	2,770,132	(1,108,680)	(271,958)	(307,926)	2,498,174

During the year the group has entered into construction contract of Rs. 425,000,500 & USD 846,170/ - (2014 - Nil) with Kumbalgamuwa Mini Hydro (Pvt) Ltd and receivable / payable at reporting date is Rs. 141,885,624/ - (2014 - Nil)

The group also had transactions with Lanka Electricity Company (Pvt) Ltd as follows

	2015	2014
Supply of Transformers	145,350	114,529
Trade Receivables as at 31 December	47,257	15,440
Sale of Freehold land & building	60,000	-



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(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 agreement with the Government of Sri Lanka and its other related entities and significant transaction have been reported as follows,

	Nature of the transaction	2015	2014
Ceylon Petroleum Corporation	Purchase of fuel by Heladhanavi	-	4,310,589
Peoples Bank	Investments & Cash Balances	1,661,661	1,716,586
Bank of Ceylon	Investments & Cash Balances	6,837,585	3,280,055
Director General of Irrigation	Contract Revenue	16,399	-
Central Cultural Fund	Contract Revenue	7,564	-

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:

Payment of statutory rates, taxes.

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.

"Investments, Current Accounts and Borrowings with Banks that have ownership interest to the Government (HNB, NDB, Commercial Bank and DFCC Bank)"

34.2.3 Transaction with Key Management Personnel of the Company or parent

The Key Management Personnel's (KMPs) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Such key management personal of the company are the members of its Board of Directors, that of its parent, and Chief Executive Officer, Independent transactions with Key Management Personal and transactions with the close family members (CFMs) of the KMPs, if any, also been have taken into consideration in the following disclosure.

a) Key Management personnel Compensation

	2015	2014
Short- term employee benefits	58,230	38,615
Post - Employment benefits	8,555	3,981
	66,785	42,596

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 2015

(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	
	2015	2014	2015	2014	2015	2014
Balance as at 01 st January	752,125	(1,202,326)	570,000	626,027	62,448	99,310
Purchase of Electricity	(22,884,223)	(20,050,127)	-	-	-	-
Payment for Electricity	22,572,034	23,817,792	-	-	-	-
ADB Loan Repayment	-	-	-	(56,027)	-	-
Interest on Borrowings	-	-	-	5,351	-	-
Accrued Expenses	(691)	(307,288)	-	-	(583)	-
Interest Payment	-	-	-	(5,351)	-	-
Dividend Declared	(109,688)	(31,400)	(87,121)	(28,054)	-	-
Dividend paid	109,688	31,400	87,121	28,054	-	-
Sale of Goods	-	-	-	-	-	211,737
Purchase of Goods	(22,984)	24,462	-	-	228,496	(248,599)
Loan Capital Instalments Receipt	(2,265,000)	(1,560,000)	-	-	-	-
Transfer to Sub Station	216,323	-	-	-	(229,608)	-
Loans given to CEB	-	-	-	-	-	-
Loan interest Receivable	115,642	389,545	38,791	39,900	-	-
Loan interest Received	(145,254)	(359,933)	-	(39,900)	-	-
Loan Received	(8,960)	-	-	-	-	-
Balance as at 31 st December	(1,670,988)	752,125	608,791	570,000	60,753	62,448



NOTES TO THE FINANCIAL STATEMENTS Contd...

Year ended 31st December 2015

(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	2015	2014
Administrative Borrowing by Government Treasury	Loans and Receivables	570,000	570,000
Peoples Bank	Deposits	4,348,390	162,847
State Mortgage and Investment Bank	Investment for loans given to employees	49,499	52,521
Bank of Ceylon	Deposits	5,000	-

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	2015	2014
Directors Fees and Short term Benefits	1,386	1,316
Total Compensation pay to Key Management Personnel	1,386	1,316

34.4 Sri Lanka Energies (Pvt) Ltd

Details of significant related party disclosures are as follows;

34.4.1 The company carried out following transactions with following related companies ;

	Parent Company Ceylon Electricity Board		Subsidiaries & Other Related Companies	
	2015	2014	2015	2014
Balance as at 01 st January	-	-	-	-
Services rendered	402,657	-	-	-
Settlements received	(144,824)	-	-	-
Settlement received by subsidiary	(156,693)	-	-	-
Settlement received by subsidiary	-	-	67,166	-
Shares purchased in subsidiary	-	-	1	-
Expenses incurred	-	-	(142,414)	-
Gratuity Transferred	-	-	13,875	-
Assets Transferred	-	-	(5,611)	-
Share Application money payable	-	-	7,000	-
Fund transferred	-	-	135,548	-
Balance as at 31 st December	101,140	-	75,565	-

34.4.2 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 that of its parent and ultimate parent. There are no compensation paid to Key Management Personnel during the period other than disclosed.

Key management Personnel Compensation	2015	2014
Short Term Employee Benefits	7,120	645
Total Compensation pay to Key Management Personnel	7,120	645



AUDITOR GENERAL'S REPORT



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මගේ අංකය
எனது இல.
My No.

POE/C/CEB/FA/2015

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

26th May 2017

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 2015 IN TERMS OF SECTION 14 (2) (c) OF THE FINANCE ACT NO. 38 OF 1971

The audit of the 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 2015 comprising the statements of financial position as at 31 December 2015 and the statements of comprehensive income, statements of changes in equity and statements of cash flows 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 CEB 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 except the Lanka Coal Company (Pvt) Ltd.

1.2 Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards (LKAS/SLFRS) and for such internal control as Board 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 CEB's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CEB's

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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AUDITOR GENERAL'S REPORT Contd...

internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, 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 the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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 Opinions

In my opinion, except for the effects of the matters described in paragraph 2.2 of this report, the financial statements of the Ceylon Electricity Board (CEB) and the consolidated financial statements of the CEB and its Subsidiaries give a true and fair view of the financial position as at 31 December 2015, and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

2.2 Comments on Financial Statements

2.2.1 Group Financial Statements

The audit of the financial statements of the Lanka Coal Company Private Ltd (LCC) for the year ended 31 December 2015 had been carried out directly by the Auditor General and expressed a qualified opinion based on the following matters.

- (i) The Company had not invested its retirement benefits in order to meet the future obligation and the steps to be followed for accounting the defined benefit plan in proper manner had not been executed by the Company in terms of provisions in **LKAS 19-Employee Benefits**.
- (ii) An entity has to be recognized its "loan and receivable" under the "financial assets" and subsequently measured at amortised cost using the effective interest rate method. However, the financial assets such as trade debtors advance for thermal coal shipment amounting Rs.336,683,193 and trade debtors (CEB) steam coal amounting Rs.47,624,500 etc. had not been measured at amortised cost in terms of provisions in **LKAS 39- Financial Instruments: Recognition & Measurement**.

Further, the staff loans provided at interest rate below the market interest rate shall be recognized at amortized cost using the effective interest rate method and the difference between the market interest rate and the interest rate which received from loans shall be recognized as staff cost. However, the Company had not recognized the staff cost on loans, as per the requirements of the Standard.

- (iii) The amount receivable from the CEB as at 31 December 2015 as per the financial statements of the Company was Rs.380,343,765. However, the corresponding amount shown in the financial statement of the CEB was Rs.734,086,996. Hence, an un-reconciled difference of Rs.353,743,231 was observed between those two financial statements.

2.2.2 Financial Statements of the Ceylon Electricity Board

2.2.2.1 Compliance with Sri Lanka Accounting Standards (LKAS/SLFRS) and Accounting Policies

The following observations are made.

- (a) The CEB is applying the standard costs for valuing labour, material and overhead cost incurred for its capital and maintenance jobs instead of the actual costs. As a result, the net material price variance and labour and overhead rate variances aggregating Rs. 5,532,803,700 had been brought to the accounts along with the following lapses.



AUDITOR GENERAL'S REPORT Contd...

- i. Applying the standard prices for valuing the stocks and work-in-progress (WIP), and Property, Plant and Equipment (PPE), was not complied with the LKAS 2 - Inventories and LKAS 16 - Property Plant and Equipment, respectively.
 - ii. The operating results, assets, liabilities and equity of the CEB have been affected significantly due to high financial involvement in relation to the capital jobs. However, the impact to the financial statements thereon could not be ascertained in audit due to non-availability of required information.
- (b) **LKAS 39 - Financial Instruments, Recognition and Measurement:** Required information in order to evaluate the nature and extend of risk arisen from the financial instruments which the entity is exposed as at the end of the reporting period had not been disclosed as requested by the Standard.

Further, the following items had not been shown in the financial statements at their fair values as per the requirements of this Standard.

- Staff Debtors
- Investment in Joint Ventures

2.2.2.2 Accounting Deficiencies

The following accounting deficiencies were observed.

- (a) A provision for income tax amounting to Rs. 3,939,497,475 for the year of assessment 2013/2014 had not been made in the accounts and as a result, the tax liability shown in the financial statements as at 31 December 2015 had been understated by similar amount.
- (b) Six vehicles worth Rs. 46,884,422 which registered under the name of then Ministry of Power and Energy in the year 2009 had continually been shown in the financial statements as the assets of the CEB and depreciated accordingly. As a result, the PPE and accumulated depreciation show in the statement of financial position as at 31 December 2015 had been overstated by Rs. 46,884,422 and Rs.31, 631,338 respectively while understating the profit for the year under review and retained profit as at 31 December 2015 by Rs.6, 697,772 and Rs.31, 631,338 respectively.
- (c) Eleven vehicles, costing Rs.7, 267,690 released to the line Ministry had gone missing since several years ago. Nevertheless, they were still in the books of accounts of the CEB without making any adjustment. It was further observed that, no investigation had been carried out in this regard to date.
- (d) Fuel stock shortage valued at Rs. 33,526,482 identified at the physical verification carried out during the year under review had not been adjusted in the accounts. Further, the investigation in this connection had not been conducted even up to the end of April 2017.

2.2.2.3 Un-reconciled Differences

Un-reconciled differences aggregating Rs. 911,254,975 was observed between the balances of bulk and ordinary debtors as at 31 December 2015 shown in the billing system and the financial statements for the year under review.

2.2.2.4 Accounts Receivable and Payable

The following observations are made.

- (a) Out of trade debtors of Rs. 14,069,944,922 as at 31 December 2015, debtors relating to both ordinary and bulk supplies aggregating Rs. 3,065,299,421 had remained outstanding for over one year and of that Rs.1,233,096,468 was outstanding for more than five years without being recovered.
- (b) Balances of other receivable remained outstanding for more than five years as at 31 December 2015 without taking adequate recovery actions were Rs. 2, 294,287,211. The details are given below.



AUDITOR GENERAL'S REPORT Contd...

Name of the Debtor	Amount Rs.	Nature of Transaction
Wood Group Gas Turbine Ltd	8,264,352	Payment made for build-up an access road to the West Coast Power Plant
Ministry of Power and Energy	6,142,276	Payment made for the opening ceremony of the West Coast Power Plant
Sri Lanka Sustainable Energy Authority	897,025,999	Tariff adjustment paid by the CEB to Mini Hydro Developers
Lindel (Pvt) Ltd	5,137,329	Lease rental paid since 1997 for a land obtained for the Asia Power (Pvt) Ltd
Asia Power (Pvt) Ltd	1,000,000	Deposits made for the leased out land.
Sri Lanka Land Reclamation and Development Corporation (SLRDC)	7,755,810	The balance remained to amortize, out of the total lease amount of Rs. 10,631,560 paid to the SLRDC on behalf of leased out land.
AES Kelanithissa (Pvt) Ltd	1,368,961,445	Amount to be recovered on payment of price differences.
Total	2,294,287,211	

(c) Proper actions had not been taken to recover a sum of Rs. 46,548,248 due from the Lanka Electricity Company Private Ltd. (LECO) for more than five years.

2.3 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(1) (b)** – The CEB may establish and maintain a Sinking Fund with the General Treasury in respect of the repayment of loans taken by the CEB. The reserve had been 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 2015 was Rs. 17,708 million.
- (ii) **Section 47(2) (a)** - The CEB may establish and maintain a Depreciation Reserve with the General Treasury to cover the depreciation of its the movable and immovable property of the CEB. However, in contrary to that requirement, the CEB had established a Depreciation Reserve in its financial statements by transferring Rs.1 million per annum up to 31 December 2000 and thereafter no provision had been made. 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 CEB may establish and maintain a General Reserve with the General Treasury for the purpose of financing its capital works from revenue of the CEB, ensuring the financial stability of the CEB, and for such other purposes as the CEB may from time to time determine. However, in contrary to that requirement, the CEB had established Other Capital Reserve in its financial statements but it had not been updated since the year 2000. The balance of that Reserve Account as at 31 December 2015 was Rs.165.446 million.

The Chairman of the Board had stated in this regard as follows,

The Board of Directors at its meeting held on 15 December 2014 had decided to maintain these Reserves by transferring funds when adequate liquidity is available.

- (b) In contrary to the provisions in Section 46 of the CEB Act, No. 17 of 1969 and Section 11(a) and (b) of Part II of the Finance Act, No. 38 of 1971, the CEB had invested its funds amounting to Rs. 6,037 million as at 31 December 2015 in the Insurance Escrow Fund based on a contribution of 0.1 per cent of the total value of the gross fixed assets as at the end of each year since 1989.
- (c) 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 CEB had not revised and updated its procedure manuals prepared somewhere in 1987.



AUDITOR GENERAL'S REPORT Contd...

3 Financial Review

3.1 Financial Results

According to the financial statements of the CEB and the Group, the operations of the CEB and the Group during the year under review had resulted in a pre-tax net profit of Rs.19,876 million and Rs. 24,411 million respectively as against the pre-tax net loss of Rs.15,003 million and Rs.8,779 million respectively for the preceding year, thus showing an improvement of Rs.34,879 million and Rs.33,190 million respectively in financial results of the year under review.

Decrease of thermal power generation by 47 per cent due to increase of net hydro and coal power generation by 35 per cent during the year under review was the main reason attributed for this improvement in the financial results.

However, the Distribution Division 2, 3, and 4 had made negative contribution to the overall profit of the year 2015 as against the positive contribution made in the year 2014. The details are shown below.

Division	2015 Profit / (Loss) Rs.	2014 Profit Rs.
D-1	2,115,611,753	2,476,141,130
D-2	(662,110,806)	1,544,956,634
D-3	(1,615,856,125)	1,273,031,982
D-4	(1,374,124,575)	514,742,105
Total	(1,536,479,753)	5,808,871,851

3.2 Analytical Financial Review

3.2.1 Financial Position

According to the information made available, the total assets of the year under review as compared with the previous year had marginally increased by 2 per cent. Meanwhile, the net current assets had become a positive figure of Rs. 12,861 million in 2015 as against the negative figure of Rs. 6,990 million in the previous year which represented 284 per cent increase. The main reason for the decrease of current assets was not because of the improvement of the debt recovery process but because of the recovery of mobilization advances.

Thirty four per cent or Rs.214 billion of total capital employed by the Board as at 31 December 2015 had been financed through borrowings whereas it's represented 37 per cent in the previous year.

3.2.2 Profitability

Even in a situation where there is enough hydro power generation, incurring of the fixed cost is unavoidable in term of conditions in the power purchase agreements and as a result, the CEB is not able to achieve one of its most important objectives of supplying a power unit at low cost to the general public.

The average unit cost of the year under review was Rs.14.28 as compared with Rs.19.31 in the year 2014 and sold at an average price of Rs.16.01 per unit (previous year average selling price was Rs.18.31). Accordingly, the gross profit per unit of the year under review was Rs.1.73 and it was 273 per cent increase as compared with the previous year average gross loss of Rs. 1.00 per unit. The following table shows the tariff category and the contribution per unit (KWh) of electricity sold in the year under review as compared with the previous year.

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Category	Contribution per unit (kWh)	
	2015 Rs.	2014 Rs.
Domestic	(1.40)	(4.07)
Religious	(7.15)	(12.33)
General Purpose	9.65	8.58
Industrial	0.49	(2.73)
Government	4.04	(0.57)
Hotels	3.46	0.83
Street Lighting	(14.28)	(19.31)
Sales to LECO	1.14	(0.84)
Average contribution per unit	1.73	(1.00)

Accordingly, the tariff category of General Purpose was the highest positive contributor to the total contribution of the year under review and the tariff on Industrial, Government, Hotels and LECO categories were also positively contributed therefor. The tariff on Domestic category was the highest negative contributor to the total contribution of the year under review and the tariff on Religious and Street Lighting category had also shown unfavorable contributions thereto.

3.3 Operating Review

3.3.1 Power Generation and Direct Cost

The power generation and a 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	Net Power Generation During the year		Increase/ (Decrease)	Percentage
	2015 GWh	2014 GWh		
Hydro	5,970	4,534	1,436	32
Thermal	2,275	4,306	(2,031)	(47)
Coal	4,443	3,202	1,241	39
Non-conventional Renewable Energy	402	315	87	28
Total	13,090	12,357	733	6

According to the above analysis it was revealed that the increased demand of 733GWh had been catered through non-thermal sources and due to the favourable rain fall in 2015, the thermal power generation could be able to reduce by 2,031 GWh which resulted to reduce the cost of sales by Rs. 37,418 million.

(ii) Direct Cost incurred for Generation and Power Purchase

Cost Item	Direct cost incurred in			
	2015 Rs. Million	Percentage	2014 Rs. Million	Percentage
Power Purchase	63,732	48	101,149	56
Power Generation				
- Coal	20,991	16	17,031	9
- Fuel	23,114	18	46,582	26
	107,837	82	164,762	91
Other Operational Cost				
- Operation and Maintenance	10,771	8	5,984	3
- Depreciation	13,459	10	11,513	6
Direct cost	132,067	100	182,259	100



AUDITOR GENERAL'S REPORT Contd...

Accordingly, it was revealed that 82 per cent and 91 per cent of the total operational cost of the year 2015 and 2014 respectively was directly related to power purchase and generation.

3.3.2 Operations of the Lak Viiaya Power Station (LVPS)

The coal stock as at 31 December 2015 had been physically verified by an independent survey company and based on the report issued by that company the verification team had identified a coal shortage of 65,148 Metric Tons valued at Rs. 760,280,883. However, this shortage had not been brought to the books of accounts as the doubt on the accuracy mainly the following lapses prevailing in coal handling.

- No method for measuring of coal receives to and issues from the yard
- No reliable method for measuring of coal input to the plant
- Unloading from the ship is neither monitored by the LCC nor the CEB
- Store keeper is just doing the recording activity rather than stock controlling as dominated by the Engineers.

Accordingly, it was observed that the LVPS is responsible to establish and maintain appropriate controls over the coal handling.

3.4 Irregular Payments / Uneconomic Transactions

The following observations are made.

- (a) The CEB had paid the PAYE tax on behalf of its employees which should be borne by the employees in contrary to the decision taken by the Cabinet of Ministers on 13 December 2007 to shift the PAYE tax liability to employees since the next salary revision which scheduled to be effected since 2009. Further, a similar decision had been taken on 20 May 2015 by the Cabinet of Ministers at the time of consideration of Collective Agreement for Remuneration of the Employee of the CEB.

The PAYE tax so paid by the CEB since 2010 to 2015 by overruling above decisions taken by the Cabinet of Ministers was Rs. 2,006,685,521.

The value of non-cash benefits specified by the Commissioner General of Inland Revenue in terms of Gazette Notification No. 1706/18 dated 20 May 2001 had to be considered when calculating the PAYE of each employee. However, the CEB had not considered the non-cash benefits such as provision of quarters, apartments and motor vehicles for private use etc.

- (b) Different staff allowances had been paid from time to time to the staff of the CEB on the approval of the Board of Directors in contrary to the decision of the Cabinet of Ministers No 07/1955/332/045 of 14 November 2007 and audit test checks revealed that such allowances amounting to Rs. 1,144 million had been paid in the year 2015 as compared with Rs.849 million paid in 2014.

- (c) The total expenditure incurred by the CEB for piling and consultancy service of the proposed building called "Vidulakpaya" for the Head Office of the CEB at the ended of year 2014 was Rs.401 million. However, construction works had not been commenced even up to the end of the year 2015 and the Board of Directors had taken a decision on 09 July 2014 to construct the CEB Head Office Building at Chittappalam A Gardiner Mawatha, Colombo 02, by abandoning the "Vidulakpaya" project. Further, the Board of Directors at the same meeting had decided to utilize this premise for alternative purpose which had not been finalized to date.

- (d) A sum of Rs. 77,306,029 had been deducted by the lending agency as commitment charges from the loans given for implementing the foreign funded projects due to not utilized the funds in timely manner by the CEB.

- (e) Even though the cost of annual trip is not a part and partial of the coal supply business as per the agreement entered into between the CEB and the Lanka Coal Company (Pvt) Ltd, a sum of Rs. 1,047,220 spent by this Company for that purpose had also been reimbursed by the CEB.



AUDITOR GENERAL'S REPORT Contd...

3.5 Matters in Contentious Nature

The following observations are made.

- (a) A difference of Rs. 756,760,082 was observed between the payable and receivable balances of Rs. 1,963,273,434 and Rs. 2,720,033,516 shown in the financial statements of the CEB and Ceylon Petroleum Corporation (CPC) respectively.

The Chairman of the CEB had reported in this regard as follows.

As per the decision taken at the meeting chaired by the Secretary to the Treasury on 30 September 2013, it was decided to pay interest on overdue invoice value (beyond the credit period) with effect from 20 April 2013. However, the delayed interest payment of Rs.753, 610,829 is relevant to fuel purchase before 20 April 2013 by CEB. Therefore, it is not required to carry out reconciliation for this difference since the CEB does not liable.

- (b) The foreign aid and the capital grant received by the CEB for generation, transmission and distribution programs including rural electrification programs had been treated as contributed capital for a longer period even though certain such grants had not been considered by the General Treasury as the capital contribution. According to the financial statements of the Government of the Democratic Socialist Republic of Sri Lanka for the year 2015, the total capital contributed to the CEB was Rs. 269 billion. However, according to the financial statements of the CEB it was Rs.302 billion. Accordingly, the un-reconciled difference of Rs.33 billion was observed between those two financial statements.

The Chairman of the CEB states in this regard as follows.

The General Treasury at the meeting held on 13 February 2015 had agreed to continue the difference of Rs. 33 billion between their records and the records of the CEB as contributed capital and the Treasury accounts will make a disclosures in their books regarding the deviation.

- (c) 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. The following instances can be cited as examples.
- i. Instead of granting vehicle loans to staff at an interest rate of 10 per cent to 14 per cent as per the Public Enterprises Circular No 130 of 08 March 1998, the Board had granted the loans at an interest rate of 4.2 per cent. Further, it was observed that the staff loans have been paid without any control even the CEB is facing severe liquidity problems.
 - ii. Please refer the observations in paragraph 3.4 (a) and 3.4 (b) of this report as well.
- (d) The shortfall of Rs. 4,307 million between the balances in the Insurance Reserve Fund and Investment of Insurance Reserve Fund as at 31 December 2015 had not been invested as per the self-insurance policy of the CEB. Further, there was no proper financial management was in operation in the CEB to implement such statutory requirements.
- (e) Even though the CEB had sold electricity to the LECO and purchasing fuel from the CPC for several years, there were no sales and the purchase agreements entered into between these parties in order to ensure the smooth operations in the individual institutions.
- (f) The impact to the CEB from the major issues highlighted in my *Special Audit Report on Procurement of coal by the LCC for the Lakvijaya Power Plant, presented to the Parliamentary Sectorial Oversight Committee on Energy on 30 December 2016* are summarized as shown below.



AUDITOR GENERAL'S REPORT Contd...

- (i) The Draft Agreement prepared based on the agreement of all parties to include certain criteria in the original bidding documents of coal procurement had been amended when the LCC entered into the agreement with suppliers. As a result, penalties of Rs. 1,723,264,270 could not be recovered. Details are shown below.

	Amount Rs.	Amount Rs.
Price penalty for deviation of size consist		
Term Contract	1,138,147,270	
Spot Tenders	380,285,100	1,518,432,370
Price penalty for deviation of sulfur and ash contains		204,831,900
Total		1,723,264,270

- (ii) An additional expenditure of Rs. 68,141,580 had to be incurred by the CEB due to procurement of 141,046 Metric Tons of coal from Ceylon Shipping Corporation (CSC) at higher prices than the prices agreed with the existing supplier at the time of those procurements. Further, those procurements had been executed without following an accepted procurement procedure and without the approval of the Cabinet of Ministers.
- (iii) In addition, the Board had identified Rs. 852,768,000 of loss due to inferior quality of the coal supplied by CSC as mentioned in the above paragraph.
- (iv) The short supply of deaf coal, required for laying on the yard of the Power Plant prior to storage of thermal coal, and thermal coal was 7,635 Metric Tons and 29,896 Metric Tons respectively and the values of which were Rs.55,390,920 and Rs.462,639,190 respectively. Those amounts had not been settled even to date since the year 2009 and 2012 respectively.
- (v) According to the computation made by the CEB, the loss sustained due to running the Lakvijaya Power Plant at low throughput as a result of not supplying the coal in timely manner during the period from 2014 to 2015 was Rs. 983,230,000.
- (vi) A sum of Rs.607 million of demurrages on coal handling in the port had been reimbursed to the LCC without sharing this with, the LCC and the CSC based on the individual responsibility.

3.6 Ideal Assets

Two tug boats and 03 barges purchased in 2009 at a cost of Rs. 1,129,256,732 for the transportation of coal are remained idling to date due to not suitable for coal unloading operations.

3.7 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 eight hundred fifty six posts in the approved permanent cadre had been in vacant by 31 December 2015 and the most of them had been filled on contract and outsource basis.

Category	Number of Vacant Posts	Filled by Contract Basis / Manpower
Executive	311	0
Middle Level Technical Service	226	8
Clerical and Allied Categories	510	1,058
Office Employee Categories	63	287
Drivers	75	551
Skilled Technical Service	2,628	3,887
Semi - Skilled Technical Service		
Other Skilled Grade	43	6
Total	3,856	5,797



AUDITOR GENERAL'S REPORT Contd...

- (c) According to the existing SOR, 50 per cent of the total cadre of Human Recourse Officers (HRO) 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 functions of the Divisional Head over a longer period of the CEB's history.
- (d) Even though the key post in the Human Recourse Division is DGM (Personnel), required qualifications and experience for that post had not been specified in the SOR keeping the post opens to other services, especially for electrical engineers.
- (e) Experience required for direct recruitment of the Human Resource Manager (HRM) and the HRO is 06 years in the field of the HR in an organization having more than 100 employees which inadequate as compared with the staff strength need to be handled in the CEB.

4. Systems and Controls

Deficiencies in systems and controls observed during the course of audit were brought to the notice of the Board in time to time Special attention is needed in respect of the following areas of control.

- | | |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (a) Assets Management | Clearances of the long delay in completing of the capital work-in-progress in the Distribution Divisions of the CEB and expedite to survey, valuation and protection of lands of the CEB scattered island wide. |
| (b) Debtor Control | Timely recover the debtors and other receivables. Update the security deposits on Bulk Supply in timely manner. |
| (c) Human Resources Management | Management of human resources as enables to achieve the objectives of the CEB. |



H. M. Gamini Wijesinghe
Auditor General

REPLIES TO THE 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 2015 IN TERMS OF SECTION 14(2)(c) OF THE FINANCE ACT NO. 38 OF 1971

1.2 Board'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. Opinion

Informative

2.2. Comments on Financial Statements

2.2.1 Group Financial Statements

Auditor General Observations relating to the Lanka Coal Company (Pvt) Ltd

- (i) LKAS 19 - Employee Benefits: The Company had not invested its retirement benefits in order to meet the future obligation

Action will be taken to invest the balance of Rs. 1,467,783.94 in Retirement Benefit Obligation Account in a Fixed Deposit of National Savings Bank after obtaining the approval of the Board of Directors.

- (ii) LKAS 39- Financial Instruments - Recognition & Measurement

An entity has to be recognized its "loan and receivable" under the "financial assets" and subsequent measured at amortized cost.

This will be rectified in the accounts from 2016 onwards.

The staff loans provided at below-market interest rate shall be subsequently recognized at amortized cost

This will be rectified in the accounts from 2016 onwards.

- (iii) The amount receivable from the Lanka Coal Company was Rs. 380,343,765. However, the corresponding amount shown in the financial statements of the CEB was Rs. 734,086,996 and a difference of Rs. 353,743,231 observed between those two financial statements.

CEB used an "average price" and LCC used "different basis" up to 2015/2016 of coal procurement. However, from the coal procurement of the year 2016/2017 the Pro-forma Invoice price is used and LCC also agreed to account in the same basis. Therefore this difference will not exist from the coal procurement of the year 2016/2017 coal season.

REPLIES TO THE REPORT OF THE AUDITOR GENERAL Contd...

2.2.2 Financial Statements of the Ceylon Electricity Board

2.2.2.1 Compliance with Sri Lanka Accounting Standards (LKAS / SLFRS) and Accounting Policies

- (a) The net price variance and labour and overhead recoveries aggregating Rs. 5,532,803,700 had been brought to the accounts and as a result, non-compliances with LKAS are observed.

LKAS 02 has permitted to use standard cost, method for the valuation of inventories, if the results approximate to the cost. The reason for using the standard cost method for valuation of inventory by CEB is that, there should be a standard cost base to each customer in any area irrespective of the price changes of the materials. Labour rate is calculated based on actual average direct labour cost and it is absorbed to capital and maintenance jobs. Overhead rate is calculated using directly attributable overhead related to respective capital or maintenance jobs.

The material price variance

In distribution divisions stocks and the working progress balances are recorded based on the standard prices which are of the prevailing valuation policy of CEB. Such decision has been taken by the management in order to avoid complexity and to maintain uniformity of job costing.

Labour Rate variance

Labour cost is recognized for capital and non-capital jobs using labor recovery rate specified as per the circular issued by the Chairman – Distribution Coordinating Committee each year which is calculated based on the existing salary scales. The difference between actual labour cost and standard cost is recognized in the Labour rate variance account which is not significant and it is derived mainly due to the quantity (no of hours) estimated for jobs.

Recovery of Overhead

Overhead cost for individual jobs are also recognized using standard rate specified as per the circular issued by the Chairman – Distribution Coordinating Committee each year. Overhead recovery is recorded by crediting the cost code R 1330 and debiting the appropriate individual jobs.

- (i) LKAS 2- Inventories, LKAS 16 -Property Plant and Equipment: Standard price for valuing of stocks Work-In- Progress (WIP) and Property, Plant & Equipment (PPE) not complied.

Refers to the para 21/LKAS 02, it is permitted to value the stocks at standard cost if it is approximately closer to the actual cost. Therefore applying the method of standard costing for valuing the inventory of CEB does not violating the LKAS 02.

As per para 19 of LKAS 16, it is agreed that the administration and other General Overhead is not allowed to capitalize to Property Plant & Equipment (PPE). However the overhead absorption rate is calculated by considering of the overhead costs which are directly attributable to the construction of the related asset and excluding the indirect administration and general overhead of CEB.

The method of computation adopt to establish of overhead recovery rate for Service Main Connection (SMC) and other jobs carried out at area level and overhead recovery rate for construction jobs carried out by provincial levels are not the same.

The nature and the process to carry out Service Main Connection (SMC), cost paid and construction jobs from beginning to end involve different levels of management / administrative effort at the various proportions. This include prepare and approval of estimates, procurement of material, and consultant services, accepting of payments, attend for the resolution of disputes in the service connection and construction lines including way leaves energizing the lines, transferring complete jobs, recording the transaction, update of computer system that are directly attributable to such jobs.

After studying the contribution of the above activities by the functional levels the following basis had been adopted for the year 2015 to establish of the appropriate Overhead Recovery Rate.



REPLIES TO THE REPORT OF THE AUDITOR GENERAL Contd...

Overhead Recovery Rate – SMC & Other Jobs carried out at area Level	Overhead Recovery Rate – Construction Jobs
30% - Area Cost Centers	100% - Construction Cost Centers
20% - DGM Cost Centers	20% - DGM Cost Centers
10% - Corporate Office excluding P&HM	35% - Corporate Office excluding P&HM

This process is reviewed annually by the committee appointed for this purpose. Therefore the PPE is recorded in line with the LKAS 16.

ii) The operating result assets, liabilities, and equity of the Board have been affected by considerable amount.

Provincial stores are directly received the stock items and it is updated in the ledger based on the Good Received Note (GRN) and credited to suppliers control account at standard price. At the point of receiving invoice the supplier balance will be adjusted to actual invoice value and payment is made on actual invoice value not the standard price. At the end of the year remaining GRNs which were recorded under the standard price have been analyzed and adjusted to the actual cost. Therefore, the supplier balance at the year-end reflects in actual value not the standard price.

(b) LKAS 39 - Financial Instruments-Recognition & Measurement: required information has not been disclosed in relation to Entities' financial risk management objectives and policies exposure to the risk and they arise

Risk management policies

Noted. Appropriate action will be taken if it is significant for CEB operation

Staff Debtors:

The trade debtors and other debtors are also shown at the recoverable actual value. The impairment tests are also done at the year end for trade debtors. Other debtors mainly include staff debtors. Fair valuing staff debtors are a complex exercise which needs a lot of software support. CEB is presently studying the fair valuing process for staff debtors. According to CEB Accounting Policy, staff debtors 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 recorded at book value because of the practical difficulty to measure amortized cost using effective interest rate (EIR) method less impairment amortized cost. Around 18,900 Nos. of employees entitle to apply fresh loans every 6 months. Therefore it is not practical to value those loans at EIR method in CEB.

Investments in Joint Venture:

As per the LKAS 39, held to maturity investment are to be measured at amortized cost using the effective interest method and if there is any impairment it has to be adjusted. In the case of CEB, Investments are mainly consisting of Fixed Deposits and Investment in related party companies. Total investment in CEB as at 2015-12-31 was as follows.

	Rs.
• Fixed Deposits	6,036,934,354
• Investment in Subsidiary Companies	911,812,582
• Investment in joint ventures	328,606,100

Fixed Deposits are invested at market price which is fair value of such asset. In addition to this, Investment made in equity capital of related party companies were also shown in the value which existed as at the date of transaction. These investment do not have quoted market price in an active market of which fair value cannot be reliably measured and therefore, shown at cost in the Financial Statement in line with the Standards.

REPLIES TO THE REPORT OF THE AUDITOR GENERAL Contd...

2.2.2.2 Accounting Deficiencies

(a) A provision for income tax amounting to Rs. 3,939,497,475 for the year of assessment 2013/2014 had not been made in the accounts

CEB not agreed to pay 25% of the gross profits as deemed dividend tax. However, in terms of Section 7 of the Inland Revenue Act as amended by Act No. 22 of 2011, every year of assessment CEB has to pay 25% of the gross profit of the Board as dividend to the Government in order to enjoy the income tax exemption for five years starting from 2011-04-01.

Therefore, in the year 2013 with the expectation of enjoying this tax exemption a provision for the dividend/levy amounting to Rs.3, 046,334,981 has been estimated and charged to the retained earnings. However, when filling the tax return for the year 2013, it was noted that payment of income tax is more beneficial to CEB instead of enjoying tax exemption by paying dividend to the Government on gross profit.

On the above circumstances, it was not required to maintain the above provision for dividend/levy in the accounts and thereby, the initial entry was reversed to the retained earnings itself in 2015 accounts as a transaction with shareholders of the company.

Therefore, this has not resulted for any understatement in the profits of year 2015.

(b) Value of 6 vehicles register under the name Ministry of Power and Renewable Energy

The Ministry has confirmed the registration and availability of these six vehicles in April 2017. Action will be taken to remove the assets value from PPE and adjust depreciation accordingly.

(c) 11 vehicles released to the MOP&RE had gone missing.

Investigation is being progress

(d) The reasons for the fuel shortage at Rs. 33,526,482 identified at the physical verification had not been adjusted in the accounts.

The diesel shortage amounting to Rs. 33,526,482 is mainly due to not raising of one issue note for the usage of diesel for startup process during the commissioning of Phase II of the Lakvijaya Power Plant. Action will be taken to adjust in the year 2016 accounts.

2.2.2.3 Unreconciled Differences

Differences were observed between the billing amounts and the balances as per the financial statements pertaining to the both bulk and ordinary debtors.

Due to the process of recording billing transaction in the CEB billing system and the financial transactions record in the General Ledger will not be agreed at any given date. Distribution Divisions carry out a reconciliation to determine the reasons to such differences.

Heavy supply debtor's ledger balance includes active debtors, finalized debtors. However billing report extract from IT branch, includes only active debtors balance. Therefore difference between billing report extract from IT branch balance and the ledger balance is mainly due to finalized debtors.

Ordinary supply debtor's ledger balance includes active debtors, finalized debtors and area suspense account. Balance extract from the report generated by IT Branch shows only active debtors balance and finalized debtors balance. Therefore area suspense account shows as a difference between two balances.

2.2.2.4 Accounts Receivables and payables

(a) Trade debtors had been remained outstanding for more than five years without being recovered.

Trade receivable is a function coming under Distribution Divisions except bulk sale to LECO which is coming under the preview of Transmission Division. Monitoring of collection and recoveries of trade debtors is a Key Performance Index of Distribution Divisions. The recovery position of debtors is falls within 95% to 100%. The trade debtors represent large amount of finalized balances amounting Rs.1, 745 million during the 2015.



REPLIES TO THE REPORT OF THE AUDITOR GENERAL Contd...

The age analysis prepared for performance monitoring of active debtors indicate that 77% receivables falls within one month which is allowed credit period.

Finalised balances; when the consumers are default, even after issuing red notices to them the meter is removed and supply is disconnected. Such customers are falls under finalized status. Area Engineer's take maximum effort to collect arrears due from such consumers default and finalized.

Though the service is physically disconnected and recognises as finalise accounts the receivable amount will not write off from the books of account immediately and further action taken to recover these finalized balances until such time those balances are in the trade debtors account.

Further most of the outstanding balances represent interest charge on the outstanding balances on the public sector organization such as hospitals, security camps, police stations, etc. By considering the important service provide by the government organization and due to the payment proceeding followed by those institutions recovering of long outstanding balances and recovering the outstanding interest is beyond the control of CEB management.

(b) Other receivable balance of Rs.2, 294,287,211 remained outstanding over a period more than five year.

Name of the Debtor	Amount (Rs.)	Remark
Wood Group Gas Turbine LTD	8,264,352	An amount of Rs. 8,264,352/- to be recovered from Wood Group Co.Ltd as per contract and this matter was referred to Attorney General by CLO for legal opinion.
Ministry of Power and Energy	6,142,276	The above payment has been made to Ministry of Power & Renewable Energy for the transactions in connection with opening ceremony expenses of Kerawalapitiya combined power plant. These expenses need to be reimbursed by the Ministry. Though it had been sent several reminders any reply has not been received.
Sri Lanka Sustainable Energy Authority	897,025,999	At the time of formulating the Cost Based Tariff 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 (SEA) to CEB. CEB had been informing SEA monthly amount to be reimbursed. Since no replies were received from SEA the reminder sent by CEB, a decision was taken to withhold the payment to SEA for purchasing energy generation until the payment is settled. Accordingly, payment were hold from August 2015 to July 2016 and thereafter based on the Ministry Audit and Management Committee decision full amount is being settled irrespective of recoverable amount.
Lindel (Pvt) Ltd	5,137,329	CEB has entered into an agreement with Lanka Industrial Estate Limited and AsiaPower (Pvt) Ltd on 1997-05-13 to take the land (at Sapugaskanda Industrial Zone) on lease for 25 years and CEB has agreed to pay annual lease rent and noninterest bearing security deposit of Rs.1,000,000/- on behalf of Asia Power (Pvt) Ltd. Rental Period is from 30 th May in one year 2015 to 29 th May in subsequent year and Rs. 5,137,329 is referred the prepaid amount only for Annual premium mentioned in the year 2015.
Asia Power	1,000,000	

REPLIES TO THE REPORT OF THE AUDITOR GENERAL Contd...

Land Reclamation and Development Corporation	7,755,810	CEB has entered into an agreement with Land Reclamation and Development Corporation to lease a land at Kerawalapitiya for 30 years and handed it over to West Coast Power (Pvt) Ltd to construct and operate the power plant. An amount of Rs.10,631,560/- had been paid as lease amount and this amount is amortized over 30 years period and above referred amount is remaining amount to be amortized.
AES Kelanithissa (Pvt) Ltd	1,368,961,445	With reference to the letter dated 2012-03-19, addressed to the chairman of Ceylon Electricity Board, the secretary of the Ministry of Power & Renewable Energy has informed that with effect from July 2011 retail prices applicable to auto diesel will be applied for auto diesel already supplied and to be supplied in future for power generation to CEB/ IPP. And CPC will re -adjust the invoices accordingly. As CEB has an agreement with AES Kelanithissa (Pvt) Ltd. and fuel price is a pass through cost of the power producers' it could be recovered after CPC credit that benefit to the Power Producers only. However, Ceylon Petroleum Corporation invoiced the fuel prices as Rs. 76/-per liter from October 2011 onwards but not revised the previous invoices. Therefore, it was recorded as amount receivable from CPC. But, it was corrected in the month of February 2015 and recorded as receivable from AES Kelanithissa (Pvt) Ltd. But CEB can recover it from AES Kelanithissa (Pvt) Ltd, once CPC adjust the fuel price difference and offer that credit to the above company only.
Total	2,294,287,211	

(c) Proper actions had not been taken for Rs. 46,548,248 due from the LECO for more than five years.

Committee was appointed to investigate this balance of recovery from LECO and still being progress.

2.3 Non - Compliance with Laws, Rules, Regulations and Management Decisions etc.

(a) (i) ,(ii),(iii) Section 47 (1)(b), Section 47(2)(a), Section 47(2)(b) of Ceylon Electricity Board Act No.17 of 1969

Board has reconsidered its decision at the meeting held on 2014-12-15 under the minute No.15.09.119C, which has given a decision to maintain the reserve and transfer of fund from appropriation could be made when the adequate liquidity is available.

(b) The Board had invested its funds amounting to Rs. 6,037 million as at 31 December 2015 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.

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 and Management Committee. The Audit and Management Committee report dated 2014-12-15 has considered the commendation of the Board paper and it was confirmed by the Board Meeting held on 2015-05-25 under the minute No.15.09.119C and it was agreed to maintain the relevant reserve as mentioned in the Board Paper



REPLIES TO THE REPORT OF THE AUDITOR GENERAL Contd...

(c) The Board had not revised and updated its procedure.

It is totally disagreed with the statement of "The Board has not revised an updated its procedure manuals prepared somewhere in 1987". Manual are being updated continuously through circular as and when necessary and after a certain period on time manuals are reprinted. Most of system manuals such as disciplinary procedures, General Conduct, Leave, Operating DGM(Province) manual, AFM(DD) manual, etc. have been updated and reissued in 2016. There is a separate branch namely Functional Strategy & Process Development Branch (FS & PD) has been established in the year 2012, under a DGM to oversee these activities.

The transfer manual which needed a major overhauled has now been redrafted and will be issued shortly.

3. Financial Review

3.1. Financial Results

Informative

3.2. Analytical Financial Review

3.2.1 Financial Position

Informative

3.2.2 Profitability

Informative

3.3 Operating Review

3.3.1 Power Generation and Direct Cost

(i) Power Generation

Informative

(ii) Direct Cost incurred for Generation and Power Purchase

Informative

3.3.2 Operations of Lakvijaya Power Station (LVPS)

Verification team had identified a shortage in coal stock of 65,148 Metric Tons the value of which was Rs. 760,280,883.

The Coal stock already updated to the physical verified quantity and relevant equipment has been calibrated and now it is accurate.

3.4 Irregular Payments / Uneconomic Transactions

(a) The PAYE tax paid by the Board overruling Cabinet Decision as at 31 December 2015 was Rs. 2,006,685,521

The PAYE tax liability of CEB employees has been born by the CEB since its employees were made liable for PAYE tax. This was informed to the Ministry of Power and Renewable Energy and Salaries and Carder Commission in several time and discussions were held with trade unions. However, no consensus was reached. Further, it is now violation of the collective agreement to change the agreed remuneration and would create further legal repercussions. However, owing to the fact that the collective agreement has been approved by the cabinet on 2015-05-20 and therefore the Cabinet decision dated 2007-12-13 is now overruled by the above cabinet decision, and therefore there is no overruling offer by the cabinet decision by the Board at present.

However it is agreed that for the purpose of PAYE tax calculation non cash benefit provided for CEB officer such as quarters or apartment, provision for private millage. This will be considered for future PAYE tax calculation.



REPLIES TO THE REPORT OF THE AUDITOR GENERAL Contd...

(b) 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. Rs.1, 144million had been paid in the year 2015 compared to Rs. 849 million paid in 2014.

Cabinet approval has been received on 2008-04-09 for the payment of allowances to the CEB employees as per the recommendation of the salaries and Carder commission. It is not clear what are the allowances referred under this item, and therefore comprehensive answer is not possible.

(c) The construction activities of the proposed building "Vidulakpaya" construction cost up to the date of stoppage was Rs. 401 million

The Board decision had been taken on July 09, 2014 only for termination of Consultancy Service Contract considering the shortcomings highlighted in the committee report. No decision was taken to terminate the construction activities of proposed building; "Vidulakpaya". Further, details of the payments related to the project and for administrative expenses up to December 31, 2015 are available at the project office for verification.

(d) A sum of Rs. Rs.77, 306,029 had been charged as commitment charges.

Division	Project Name	Amount (Rs.)
AFM (Project)	Clean Energy Project	2,246,024
AFM (Project)	Sustainable Supporting Project (New Galle Power)	19,986,808
AFM (Project)	Sustainable Supporting Project (North East)	35,290,706
AFM (DD2)	Sustainable Supporting Project (North East)	19,782,491
AFM (Project)	Moragolla Project	2,246,024

There is no any commitment charges incurred during the year under review. The commitment charges referred in the report was related to the year 2014. The reasons for delay in Projects are given below. These delays happened beyond CEB control.

Clean Energy & Network Efficiency Improvement (Mannar Transmission Infrastructure) Package 01 Project:

Lot A: The delay in disbursement is due to the delay in finalizing the proposed scope change. Due to the proposed scope change, some projects components have been suspended and only soil filling works are ongoing. Hence, actual disbursements are considerably lagging from the planned. As per the initial disbursement plan, total contract amount was to be disbursed before April 21, 2017.

New Galle Power Transmission Development Project:

Lot A & B Contracts: An extension of 150 days granted considering 'Force majeure' conditions. LD imposed on contractors due to delay of works and non-completion of scope.

North East Power Transmission Development Project:

At the tendering stage of the Project the bidders requested time extensions for some clarifications and time extensions granted. Other than that Lot C & B payments to contractors finish as per agreed time frame. However, it is noted that the commitment charges portion to this project Rs. 33,027,428 based on undisbursed loan as end of 2014 based on total loan portfolio.

Moragolla Hydro Power Project:

- Delay of appointing of consultant due to policy decision taken, to involve CEB Electrical and Mechanical experts in to consultant unit.
- Supplementary Environmental Impact Assessment - Due to some alterations of the project features, Mahaweli Authority of Sri Lanka (MASL) has requested to prepare and send a Supplementary



REPLIES TO THE REPORT OF THE AUDITOR GENERAL Contd...

Environmental Impact Assessment Report. This report is not ready even to date due to lengthy procedural requirements.

- Delay of agreement between Mahaweli Authority of Sri Lanka (MASL) and CEB regarding bottom outlet & widen the dam crest.

(e) A sum of Rs. 1,047,220 had been spend for the annual trip of the Company and this expenditure had been included in the management fee in order to reimburse from the CEB.

This was a facility enjoyed by the employees since 2014 and hence had to be continued in 2015 as well. LCC is operating with a barest minimum staff and perform a highly specialized and valuable service to CEB at a least cost.

Therefore, the previous Management might have considered this type of recreational facility is appropriate and fitting for a devoted staff to motivate them. However, since this is an expenditure of a debatable nature utilization of company funds for the Leadership Building Programme of year 2016 have been limited to Rs. 300,000.

3.5 Matters in Contentious Nature

(a) A difference of Rs. 756,760,082 was observed between the payable balance to the (CPC) and the receivable balance of the CPC in CEB financial statements

As per the decision taken at the meeting chaired by secretary to 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.

However the delayed interest payment of Rs.753, 610,829 is relevant to fuel purchases before 20th April 2013 by CEB.

Though it is appeared in the books of accounts of CPC, CEB does not bear any liability in this regard. Therefore it is not required to carry out reconciliation for this difference since CEB does not liable.

(b) The unreconciled difference relating to the Capital Contribution of Rs. 33 Billion was observed between financial statement of CEB and Government of the Democratic Socialist Republic of Sri Lanka

As per the LKAS 20 Government Grants specially for purchase or construction of capital assets have been recorded on the basis that CEB will comply with the construction attaching to the grants. CEB received capital grants for generation, Transmission, Distribution, Projects and such grants have been recorded under the contributed capital with the agreement of General Treasury. From the year 2006 to 2014 as per the books of CEB total contributed capital was Rs. 269.32 billion which comprise of followings.

1. For the period 2006 to 2011 Rs.96.09 billion had been received as a Government Grants.
2. During the years 2014 & 2015 an amount of Rs.173.2 billion was converted to equity with the approval granted by General Treasury. The policy of recording Government Grant as capital contribution has been continuously followed by CEB in line with Treasury instructions.

It is evident that the General Treasury had confirmed for Auditor General that balance as at 2015-12-31 was Rs.269 billion.

In addition to the above, it has been further added to the capital another by Rs.33 billion with respect to following years.

<u>Year</u>	<u>Rs. Billion.</u>
2012	13.48
2013	12.04
2014	5.98
2015	2.29



REPLIES TO THE REPORT OF THE AUDITOR GENERAL Contd...

Therefore, it is clear that the CEB has recorded Rs.33 billion as a capital contribution from 2012 to 2014 in its books, but General Treasury department has not recorded the same amount. CEB has recorded the above transactions in line with the decision taken by Treasury department with the objective of strengthen the Balance Sheet of CEB by maintaining optimum ratio of debt to equity.

The strengthen of the balance sheet gives benefits for financing large scale of electricity projects which are funded by donor Agencies such as ADB & JICA etc.

In the year 2017-02-13, CEB officers had a discussion with Treasury officers regarding this. It was agreed to continue as Contributed Capital and Treasury accounts will make a disclosures in their books regarding the deviation as unidentified Capital grant by CEB.

(c) (i) The Board had granted vehicle loan at 4.2 % interest.

Vehicle loan for CEB employees were granted as per the terms and conditions stipulated by the Board at concessionary rate of interest in far with the establishment code.

Financial controls are implemented through considerable expenses and other kind of financial controls providing Loan / advances to employees at the time of their distress and need to purchase a motor vehicle is a duty and responsibility of the employer. This is also control through cash flow when the financial difficulties arise.

(ii) Refer the clarification given in the paragraph 3.4 (a) and 3.4 (b).

(d) Between the Insurance Reserve Fund balance and Investment of Insurance Reserve Fund amounting to Rs.4,307 million had not been invested as per the self-insurance policy of the Board.

It is agreed that insurance fund balance & Insurance Escrow investment accounts are to be reconciled. According to the books Insurance reserve fund stood at Rs.10,727Mn where as Insurance Investment account balance stood Rs.6, 037Mn as at 31.12.2015. The shortfall is due to non-investment in the insurance fund. This was mainly due to adverse cash flow situation & continuous losses incurred by CEB in Past few years. However, action will be taken to investment amount equivalent to 0.1% of the gross fixed asset in insurance reserve investment account once the CEB liquidity position & cash flows are improved.

(e) 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 with those two parties in order to smooth operation of the individual institutions.

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.

(f) (i) (ii) (iii) (iv) (v) The impact to the CEB from the major issues highlighted in special audit report on Procurement of coal By the LCC for Lakvijaya Power Plant

Noted

(vi) A sum of Rs. 607 million had been paid as demurrages on coal handling in the Port

Demurrage charge is prepared by Ceylon Shipping Corporation using the statement of fact, checked by Lanka Coal Company and reviewed by the relevant committee of the Lakvijaya Power Station before DGM (LVPS) recommends for payment.

3.6 Idle Assets

The Generation division made arrangements to sell one tug boat and three barges following International Competitive Bidding process which were birthed at the Trincomalee port in accordance with the valuation report submitted by the Government valuation department. The balance Tug boat and the line Boat were birthed at the Colombo port and valuation reports were not available.



REPLIES TO THE REPORT OF THE AUDITOR GENERAL Contd...

Accordingly, bids were called for the sale of one tug boat and three barges and the submitted bids were below the government valuation figure. Hence the SCAPC instructed to obtain international valuation in this regard and to retender.

Further, based on international valuation bids were called for two tug boats, one Line Boat & three barges. Presently Steps have been taken to sale and waiting for CAPC decision for the same.

3.7 Human Recourse Management

(a) Scheme of Recruitment (SOR) of the Board had not been updated for a longer period.

The revised SORP is at its final checking by the committee before approval of the Board

(b) Three thousand four hundred employees had been outsourced as at 31 December 2015. The following posts in the approved cadre had been in vacant and most of those vacancies had been filled on contract and outsource basis.

This outsourced component of 3,400 is much less than the outsourced personal requirement approved by the Board which is equal to 4,759.

Vacancies of the permanent carder are being filled in a progressive manner. 3,264 personal outsourced on casual and manpower were absorbed to the permanent carder in year 2016

(c) 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.

SORP has a promotion path and it is clearly defined in it. The two engineers were involved in important functions delegate by the GM on his behalf. Those two engineers do GM define functions and therefore these post have not been a hindrance to HR promotions. It is not clear what refer "posts above the class 4 in that section".

(d) The Key post in the HR Division

This matter was taken at the COPE and the committee appointed on the COPE recommendation have revealed that the DGM (P) position be held by a senior Engineer of the DGM level.

(e) Experience required for direct recruitment of (HRM) and (HRO).

Existing scheme of recruitment and promotions under review. Recruitment criteria will also be reviewed in it. The remaining process for all trade unions and others sent their suggestions and information to the SORP.

4. Systems and Controls

(a) Asset Management

Lands belong to CEB are scattered throughout the island about 50 percent of identified lands belongs to Distribution Divisions had been surveyed and valued, others are in progress.

(b) Debtor Control

Monitoring of collection and recoveries of trade debtors is a Key Performance Index of Distribution Divisions. The recovery position of debtors is falls within 95% to 100%.

With respect of trade debtors related to Assets Management division, actions are being taken to speed up the recovery process.

REPLIES TO THE REPORT OF THE AUDITOR GENERAL Contd...

(c) Human Resources Management

The CEB being a utility responsible for providing electricity within its territory has achieved almost 100% electrification and maintain electricity supply round the clock which much better service compared with neighboring countries in the subcontinent. This itself justifies the level of achievement of the objective and the level of achievement would not have been acquired if Human Resource Management was in failure.



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Ceylon Electricity Board



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