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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය
எனது இல.
My No.

WAS/A/NWSDB/01/2025/14

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date } 31 May 2026

Chairman

National Water Supply and Drainage Board

G.M. / Addl. GM (F)

[Signature]

cc. BS



Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the National Water Supply and Drainage Board for the year ended 31 December 2025 in terms of Section 12 of the National Audit Act, No 19 of 2018.

The above mentioned report is sent herewith.

[Signature]

K.R.T. Menike

Deputy Auditor General

For Auditor General

Copies:

1. Secretary, Ministry of Housing, Construction and Water Supply.
2. Secretary, Ministry of Finance, Planning and Economic Development





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Chairman

National Water Supply and Drainage Board

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the National Water Supply and Drainage Board for the year ended 31 December 2025 in terms of Section 12 of the National Audit Act, No 19 of 2018.

1 Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the National Water Supply and Drainage Board (NWSDB) ("Board") for the year ended 31 December 2025 comprising the statement of financial position as at 31 December 2025 and the statement of comprehensive income and the statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy 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 provisions of the National Audit Act No.19 of 2018 and Finance Act, No.38 of 1971. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, the accompanying financial statements give a true and fair view of the financial position of the Board as at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



1.2 Basis for Qualified Opinion

1.2.1 Deviating from application of Sri Lanka Accounting Standards (LKAS/SLFRS)

- (a) Prior year adjustments had been done for the assets and depreciation in each and every year stated in the Statement of Changes in Equity since the year 2012 due to weakness in internal controls relating to classification and identification of assets as required by the LKAS 16. As a result of that, the opening accumulated loss for the year 2024 had been increased by Rs. 1,249.75 million, and profit for the year 2024 had been increased by Rs. 87.76 million.
- (b) It was revealed that foreign grants amounting to Rs. 13,888.90 million recorded during the period from 1998 to 2011 in respect of 39 projects, and a Treasury Grant balance of Rs. 334.53 million relating to one project, had remained unamortized for a long period, and were amortized based on the average useful life of the assets by the Board during the year. Accordingly, a total of Rs. 8,032.95 million had been adjusted as a prior year adjustment to the accumulated retained profit as at 1 January 2024, and a further Rs. 388.65 million had been adjusted for the profit for the year 2024. As a result, the total of restated opening accumulated profit for the year had increased by Rs. 8,421.60 million. However, due to the non-availability of the details useful life of the capitalized assets relating to each of the corresponding projects, as required by LKAS 20 for amortization of grants, the correctness of the prior year adjustments could not be verified, and the basis adopted for amortization of grants had not been disclosed in the financial statements.
- (c) Selected Regional Support Centers revealed damaged assets and inventories, approximately amounting to Rs. 547.31 million and Rs. 8.35 million respectively, due to Ditwa Cyclone, while several items had not been properly identified or valued. In terms of LKAS 36 and LKAS 2, impairment losses and inventory write-downs should be recognized based on the best available information. However, the Board had not recognized such an adjustment in the financial statement as at the reporting date.

- (d) The fully depreciated fixed assets in relation to 16 categories, amounting to Rs. 5,902.7 million, were being continuously utilized by the Board, had not been reviewed annually to revise the estimated useful lifetime as per paragraph 51 of the Sri Lanka Accounting Standard on Property, Plant & Equipment (LKAS 16).
- (e) Appropriate disclosures, as required by paragraphs 77 and 78 of LKAS 01, in relation to the Work-in-Progress – Construction and Rehabilitation balance amounting to Rs. 444,880.47 million had not been made in the financial statements for the year ended 31 December 2025.
- (f) Leased hold assets valued at Rs. 660.69 million had been disclosed as leasehold land under the freehold lands in notes to the financial statements without being disclosed as right-of-use assets as per the requirement of paragraph 51 of the SLFRS 16 -Leases. Further, the Board had not charged the depreciation for right-to-use assets during the lease period, and the impact on depreciation as at 31 December 2025 could not be assessed due to a lack of evidence regarding the assets.
- (g) The net book value of investment properties amounting to Rs. 333.95 million as at 31 December 2024 has been reclassified to Property, Plant and Equipment due to the commencement of owner-occupancy during the year under review. However, the detailed note of prior year information, material disclosures such as the date of commencing owner-occupancy, and the required disclosures in accordance with LKAS 40 paragraph 79 have not been adequately made in the notes to the financial statements for the user's understanding.
- (h) Government grants (Local and Treasury) amounting to Rs. 18,887.48 million and foreign grants amounting to Rs. 5,628.01 million had not been amortized for a long period of time, as per LKAS 20, due to the non-availability of project-related asset details. As a result, the impact of such non-amortization on the financial statements could not be determined.
- (i) Loan liability of Rs. 283,772.37 million had been recorded in note 31.1 in the financial position of the Board. As per the Auditor's calculation, the net loan liability of the Board as at the year-end was Rs. 167,878.87 million, and the Board

had not adequately disclosed such information. Further, loans payable were classified between current liabilities of Rs. 41,771.49 million and non-current liabilities of Rs. 242,000.88 million without disclosing a detailed breakdown, including the portions of loan capital and related interest in notes to the financial statements as per LKAS 01 Presentation of Financial Statements.

- (j) The Board has not provided adequate disclosures relating to the recognition of deferred tax assets and deferred tax liabilities in the financial statements as required by paragraphs 15 and 24 LKAS 12. Furthermore, no supporting calculations or documentation relating to deferred tax have been made available for audit purposes. Accordingly, we were unable to obtain sufficient appropriate audit evidence to assess the accuracy and completeness of deferred tax balances and their impact on the financial statements.
- (k) The Board had not disclosed the details of the comparison of income tax expense (income) of the current year with the previous year as per the requirements of paragraphs 79, 80, and 81 of LKAS 12.
- (l) Transactions on assets recognized and derecognized, trade and other payables and inventories, capital grants, trade and other receivables and deposits and advances amount of Rs.87.76 million, Rs.37.42 million, Rs.3.87 million, Rs.388.65 million, Rs. 5.59 million and Rs. 25.12 million respectively had been recognized, to the accumulated profit in equity statements as required by the LKAS 8, instead of restating the income statements of the year 2024.
- (m) The recognition, measurement, presentation, and disclosure of gratuity provisions had not been made in accordance with LKAS 19 – Employee Benefits, and the provision was recognized only based on gratuity payments amounting to Rs. 695.69 million during the year. As a result, it was unable to determine the extent of any adjustments that may be required to the gratuity liability, related expenses, and disclosures in the financial statements.
- (n) A Statutory levy of Rs. 200 million using profit from year 2023 had been paid to the Consolidated Fund during the year 2025, and had not been shown under financing activities as required by LKAS 7. Further, this payment had been

adjusted to the retained profits of 1 January 2024 as a prior year adjustment instead of adjusting it to the accumulated profits during the year.

- (o) Investment balance of Rs. 5.83 million as at the end of the year 2024 (120,000 number) in relation to HDFC shares has been reclassified from current investments to long-term financial assets during the year. However, adequate disclosures required under paragraph 12B of SLFRS 9 regarding the reclassification were not made available in the financial statements.
- (p) As per the Cabinet Memorandum MF/ER/03/CM/2016/10 dated 2016 January 26 cost relating to the foreign loan facility is to be borne by the Treasury. As per the bank confirmation received relating to a foreign loan facility, the commitment fee of Rs. 25.22 million and the administration fee of Rs. 3.33 million are outstanding as of 31 December 2025. Even though this is to be borne by the Treasury, such information has not been disclosed under the loan payable note to the financial statement for the users' understanding as per LKAS 01.

1.2.2 Accounting Deficiencies

- (a) The quantity variance of Rs. 97.08 million up to the year 2024 and the net amount of Rs. 2.3 million stock adjustments arising from the stock verification of the year 2025 had been recorded under the stock adjustment account. Hence, the closing balance of inventories in the financial statements had been overstated by Rs. 99.38 million.
- (b) As compared with the confirmations received from banks in respect of accrued interest, an over provision of Rs. 2.32 million had been made in financial statements in respect of loans obtained from foreign banks, and an under provision of Rs. 1,230.28 million had been made in the financial statement in respect of loans obtained from 07 local and 02 foreign banks in relation to local and foreign funded projects. Therefore, the work in progress balance had been understated by net amount of Rs. 1,227.96 million.

- (c) According to the information made available from the selected three Regional Service Centers (RSCs), the cost of completed and commissioned projects amounting to Rs. 769.12 million had remained classified under Work-in-Progress as at 31 December 2025 without being capitalized. Consequently, Property, Plant and Equipment, and the depreciation charge for the year are understated.
- (d) In a sample of 10 cost centers selected, fixed assets with an aggregate value of Rs. 54.10 million have not been physically verified by the verification committee of the Board. Further, impairment losses had not been identified and recorded in the Property, Plant and Equipment for these non-existent assets.
- (e) Land value amounting to Rs. 51.3 million and other assets amounting to Rs. 2,154.76 million in the fixed assets registers of Regional Support Centers have not been clearly identified as per the physical verification records. Further, depreciation had been made for the above other assets during the year without identifying the impairment loss for these non-identifiable assets. Also, a difference of 533 lots was identified between the lands recorded in the asset register and the lands recorded in the land register maintained by the land section. Hence, Property, Plant and Equipment's balance may be overstated.
- (f) Outstanding balances of assets and liabilities amounting to Rs. 149.75 million and Rs. 51.29 million respectively are remain since long period as non-operating assets and non-operating liabilities under note no. 20 in the financial statements without identifying reasons for existence. Further, an unidentified net prior year balance of Rs. 95. 86 million, stock adjustment balance of Rs. 22.01 million, net bank balances of Rs. 3.25 million, and advances given to the Ministry of Rs. 15.23 million are included in the above mentioned balance as non-operating assets.
- (g) Regional Service Center-Central had not taken action to settle the land advance amount of Rs. 41.48 million paid to the Divisional Secretary, even though the advances given before 5 years and Rs. 3.47 million valued advances given to projects had been completed, those values had not been transferred to the assets account. Therefore, assets had been understated by a similar amount. Further, the amount of Rs. 37.34 million advances given to the Divisional Secretariat had been

recorded as advances given to the contractor under ledger code 246 and has remained more than 10 years without being cleared. Amount of Rs. 6.94 million out of them had remained in the contractors' advance account without being capitalized.

- (h) An interest income amounting to Rs. 10.27 million in relation to five Repo investments had not been accrued in the year under review, as a result, profit for the year under review had been understated by a similar amount.
- (i) The balance of trade debtors, including new connection debtors as at 31 December 2025, was Rs. 22,921.15 million. However, provision for impairment had been made only for debtors amounting to Rs. 22,663.07 million. Further, a fixed rate had been used instead of the expected credit loss method to compute the impairment of sewerage and other debtors, contrary to the accounting policy. Therefore, provision had been understated by approximately Rs. 67.89 million as per the auditors' calculation.
- (j) In respect of four (04) Projects, the balances aggregating to Rs. 197.97 million shown under the work-in-progress have remained unchanged over fifteen years without being investigated to identify the reasons and to make necessary adjustments in the financial statements, even though this matter is reiterated from previous years.
- (k) The amount of Rs. 0.2 million and Rs. 7.45 million received from interest income on investment and salary contribution to the CSR fund, respectively, had been erroneously presented as income from Main Operations. Therefore, profit for the year under review had been overstated by Rs. 7.65 million.
- (l) The amount of Rs. 199.71 million of consultancy fee received from different projects before four years had been recognized as consultancy fee payable and it had not been settled or recognized as income as at 31 December 2025.

- (m) In the 08 samples selected out of 584 cost centers, asset verification reports, assets relating to various categories amounting to Rs. 7.03 million were physically identified by the verification committee, however, these assets had not been recorded in the Board's Fixed Assets Register, resulting in an understatement of assets in the financial statements. Further, 93 numbers of various furniture items, 1 cab, 16 numbers of computers, and 5 numbers of various office equipment had neither been accounted for nor included in the Fixed Assets Register. The values of these assets could not be ascertained due to the unavailability of sufficient information.
- (n) The Board had not considered the amount of Rs. 5,309.8 million shown in the debtors control account when computing the impairment of trade debtors, hence the impairment provision for the year was overstated.
- (o) Sub loans obtained for the Greater Colombo Water and Waste Management Improvement Investment Programme-Project 03 and Jaffna Kilinochchi Water Supply Project amounting to Rs. 11,024.56 million and Rs. 7,177.31 million respectively, had not been properly categorized for users' understanding as sub loans instead shown as treasury settled equity convertible project loans.
- (p) The amount of Rs. 28,062.3 million of General treasury borrowings for the water supply projects had been recorded as loan payables under the heading of treasury settled equity convertible loans and had remained for a long period of time without considering whether it is a loan or equity.
- (q) Cash and cash equivalents had been overstated by Rs. 4,186.78 million due to the settlement made to contractors being considered as a cash advance.
- (r) Provision had not been made for the loss of pipes identified during the year 2024, valued at approximately Rs. 19 million in the store of the Design section of Kegalle.
- (s) As stated in note 25 of the financial statements, the Escrow account balance maintained with respect to the China Development Bank Loan Facility has been closed in accordance with the Board decision no. 4465(b), however, note no 25 to

the current financial statement has not been updated adequately with the closing transferred balance of Rs. 7.55 million, equivalent to USD 25,468.08 as at the account closing date of 03 April 2025.

- (t) Among the Price Variance adjustment of Rs. 77.75 million, recorded to the Stock write-off account, Rs. 60.83 million was recorded to the administration expenses without properly identifying the correct basis of recording the expenses.

1.2.3 Un-Reconciled Balances

- (a) An unreconciled difference of Rs. 5,173.09 million was observed between the debtor balances shown in the financial statements and the Commercial Operations Management System. Further amount of Rs. 5,309.8 million in debtors' collection control account remained without being cleared as at 31 December 2025.
- (b) An unreconciled difference of Rs. 1,701.22 million was observed between the value of metered sales, bulk sales, bowser supply, and income from main operation shown in the VAT returns and the financial statements.
- (c) A difference aggregating to Rs. 1,258.28 million was observed between the work-in-progress balance shown in the financial statements of the Board and the corresponding balances shown in the individual financial statements out of a selected sample of four Foreign Funded Projects.
- (d) A difference aggregating to Rs. 10.88 million was observed between the balance shown in the financial statements of the Board and the corresponding balances shown in the assets register in relation to the land.
- (e) Net difference of Rs. 18,047.56 million was identified between the balance shown in the financial statements of the Board and the balance shown in the financial statements of the General Treasury related to the loan obtained from the National Savings Bank.

- (f) Discrepancy of Rs. 4,150.91 million identified after adjusting the exchange rate difference between the Cash outflow from loan repayment stated in the statement of cash flow and the loan schedules submitted to the audit verification.

1.2.4 Lack of Evidence for Audit

The evidence against each item shown below had not been furnished to the audit.

Item		Value Rs. million	Evidence not made available
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(a)	Treasury Grant	161,320.93	Project details related to the grants
(b)	Capital Grants-Local Authorities	1,422.56	- do -
(c)	Foreign Capital Grants	5,671.77	- do -
(d)	Non- moving & Slow-moving Stocks	1,786.97	Age analysis
(e)	Work-in Progress & Construction Rehabilitation	197.97	Project details related to the expenses identified for the Working- Progress account
(f)	Debtors	210.72	Confirmations of 133 debtors
(g)	Other Debtors	78.98	Detailed schedules of ledger accounts 217 and 219
(h)	Withholding tax- 2024	30.27	Withholding Tax Certificates
(i)	UDA project- ADB loan	20.71	Loan Confirmations from UDA
(j)	Rehabilitation Tax	1.72	Detailed Tax Computation, Schedules
(k)	Fixed Deposit	8,872.52	Fixed Deposit Renewal Notice
(l)	Investment in HDFC	6.96	Original Share Certificates

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards, are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I

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

1.3 Other information included in the Board's 2025 Annual Report

The other information comprises the information included in the Board's 2025 Annual Report, but does not include the financial statements and my auditor's report thereon, which I have obtained prior to the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

If based on the work I have performed on the other information that I have obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. As described below I have concluded that there are such material misstatements of other information exists.

- (a) The board had not adequately disclosed information in the draft annual report such as entity's performance under Corporate Social Responsibility (CSR), Human Capital and Social impact related to the Statement of Economic Value Added as per the paragraph 1(e) of the annexure III of the Guidelines on Corporate Governance for State Owned Enterprises issued by the Department of Public Enterprises.
- (b) The Board had disclosed in its annual reports the Non-revenue water rate as 24.35, 24.76, 25.32, 25.24, and 25.82 in the years 2025, 2024, 2023, 2022 and 2021, respectively. However, computation made by the auditor using production details given by the Board, Non-revenue water rate is 26, 27, 28.25, 27.25, and 28.33 in the years 2025, 2024, 2023, 2022, and 2021, respectively. Therefore, a considerable gap was observed between the information provided to users and

decision-making purposes. The Board is possible to save approximately Rs.790 million if a reduction of one percent of non-revenue water.

1.4 Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Board or to cease operations, or has no realistic alternative but to do so.

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

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

1.5 Auditor's Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Board to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

2. Report on Other Legal and Regulatory Requirements

2.1 National Audit Act, No. 19 of 2018 includes specific provisions for the following requirements.

2.1.1 Except for the effect of the matters described in the basis for Qualified Opinion section in my report, I have obtained all relevant information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Board as per the requirement of section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.

2.1.3 The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018 except the audit matters of 1.2.1 (a), (b), (d), (f), (h), (k), (l), 1.2.2(b), (c), (d), (e), (f), (g), (i), (j), (k), (l), (m), (n), (o), (p), (q), (r), 1.2.3 (a), (b), (c) and(e) described in the basis for Qualified Opinion section of my report.

2.2 Based on the procedures performed and evidence obtained, which are limited to matters that are material, nothing has come to my attention.

2.2.1 to state that any member of the governing body of the Board has any direct or indirect interest in any contract entered into by the Board which are out of the normal course of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018 except for,

The Board had not established an identification methodology of related party transactions to review the effectiveness of that procedure and report related party transactions to shareholders as per the requirement of Guidelines on Corporate Governance for State Owned Enterprises. Further, it was observed that one of the Directors continues to occupy staff quarters, which were provided at a concessionary

rate only for the permanent employees. However, it had not been disclosed under the related party transactions.

- 2.2.2 to state that the Board has not complied with any applicable written law, general and special directions issued by the governing body of the Board as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018, except for;

Reference	to	Description
Laws/Direction		
(a) Inland Revenue Act 24 of 2017 (duly amended) Section 20		The board had computed income tax expenses based on the profit/loss of the year 2024 instead of the profit of the assessment year 2025. The Board had not obtained approval from the Inland Revenue Department for the deviation of the assessable period from accounting period.
(b) Operational Manual for State Owned Enterprises of Department of Public Enterprises dated 16 November 2021		
(i) Paragraph 3.5		During the year under review, the Board had paid a sum of Rs. 9.88 million as salaries and allowances of four employees who had been released to the Line Ministry as at 31 December 2025. Accordingly, the Board should be reimbursed Rs. 290.77 million from the Line Ministry for the employees released from December 2015 to 31 December 2025. Three employees are still working in the Line Ministry contrary to the provisions in the operational manual as at 31 December 2025.

The Board had paid a sum of Rs. 1.42 million for one Employee during the year under review who had been released to the Ministry of Youth and Sports. Further, two employees had been released to the Prime Minister's office without paying the salary since 22 July 2022 and 06 July 2023.

Further, 2 vehicles had been released to the Ministry/ other institutions contrary to the circular requirement as at 31 December 2025.

(ii) Paragraph 6.2 Even though the Investment Committee was established in the year 2024, it had not been actively performed during the year under review.

(c) Guidelines on The risk committee established as per the guideline Corporate Governance had not functioned as required by the circular during for state-owned the year under review. enterprises on 16 November 2021

Paragraph 4.3

(d) Department of The Board has continued to pay employee Management Services remuneration based solely on Cabinet approval since Circular 2012. Further, during the year 2024, a salary No.49 dated 24 increment of 20 per cent, together with an additional December 2012 and fixed allowance of Rs. 10,000, was approved in cabinet decision dated terms of Cabinet Decision. 11 January 2012,

(e) (i) Paragraph 01 of Bonus or Incentive should be paid only after 30 Public Enterprise percent of the profit after tax for the year 2024 to the Circular No. consolidated fund as payment of Levy under this PED/02/2025 provision. Contrary to that, a sum of Rs. 481.13 million had been paid as productivity incentive and

bonus for the year under review, in addition to the amount of Rs.425.87 million paid as monthly productivity allowance before payment of levy.

- | | |
|---|---|
| <p>(f) Commercial Guideline</p> | <p>As per 1.4 of the Guideline, the first bill should be issued to the consumer within 30 days of the date of the new connection. However, considerable delay of more than 180 days was observed in delivering the 1st bill on 230 occasions as at 31 December 2025.</p> |
| <p>(g) Circular issued by Ministry of Technology regarding implementation of Cyber Security Policy- MOT/2023/01 dated 02 May 2023</p> | <p>A comprehensive cyber security policy, an incident response plan, and a data management policy have not yet been implemented by the Board as per the requirements of this circular, even though the Board was subject to a cyber attack during the year 2025.</p> |

2.2.3 to state that the Board has not performed according to its powers, functions, and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.

2.2.4 to state that the resources of the Board had not been procured and utilized economically, efficiently, and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018, except for;

- (a) With respect to fourteen foreign funded projects, five local banks' funded projects and two water reclamation projects, a considerable delay ranging from 566 days to 3,061 days was observed due to poor performance of the contractors, delay in land clearance, environmental and resettlement issues, delay in contract awarding, Covid 19, Economic crisis etc. even after granting extensions ranging from 01 to 16 occasions. When considering the information received from the water supply project section regarding the ongoing project progress, differences were observed

between the information submitted in the current year and the previous year for the same projects, such as the number of extensions given for the audit. Expected physical progress was not achieved for 11 projects out of the main 22 implementing projects. Further, only Rs. 38,104 million or 46.88 percent out of the allocated amount of Rs. 81,283 million had been utilized during the year under review.

Further, it was observed that contractors had been charged claims in respect of interest on delayed payments, price escalation, prolongation cost, disruption cost, and termination cost, mainly relating to the delayed projects. According to the sample audit test, the cumulative value of these claims for twelve water supply projects as at 31 December 2025 amounted to Rs. 7,402.83 million, USD 27.94 million, and JPY 8.64 million.

- (b) An investigation carried out regarding the procurement of four pumps valued at Rs.45.93 million for Kadduwa pump house under contract number P&C/M&E/Kadduwa/2016/04 was recommended to recover the cost of Rs.4.92 million incurred by the board against the retention money of Rs.2.3 million. According to the available information, the Board had issued completion certificate on 20 May 2020 mentioning that the contractor has satisfactorily completed the contract even the defaults were recorded at the installation period and the beginning of the defect liability period. However, the performance bond had expired, and losses to the board amounting to Rs. 2.63 million have not been recovered as of the year end.
- (c) Kandy City Waste Water Management Project was established in March 2020 with the objectives of the Treatment of Waste water, collection of urban areas, improvement of sanitation in urbanized areas through developing a suitable methodology to dispose of wastewater, and to clean Kandy Lake, however it is functioning at an average capacity of 6,100m³ per day out of the planned capacity of 14000m³. Contractor's poor performance had been observed at the beginning, and the Project Management Unit had granted seven extensions from July 2021 to the end of the year 2025.

Based on the economic crisis that occurred in the country, the contractor had submitted a price escalation of Rs. 938 million, and it was observed that the value of this variation had been calculated contrary to the existing laws and regulations. Furthermore, on the basis of the contractor's request for reimbursement, about Rs. 21 million worth of pipes totaling 8,000 meters had been provided to the contractor during 2020 and 2021. However, actions had not been taken to return these pipes to the board even by January 2026.

- (d) Implementation of the Giridara Water Supply Project was delayed by about 408 days as a result of the weak project monitoring and management, which was recorded from the planning stage. Further, it was revealed that the contract mutually terminated on 13 June 2024, even though 07 extensions had been given, and at the time, physical progress was 54.3 percent. However, the Board had failed to recover the balance of the contract advance, Rs. 35.61 million, and the losses created due to the delay as of 31 December 2025.
- (e) Even though the Ministry Procurement committee had highlighted that the contract should not be offered to the contractors who have poor performance, the Board had offered three contracts valued at Rs. 1,340 million to one contractor who had performed three contracts poorly. Further, the Ministry Procurement committee had stated that payment of the contract should be done through the Escrow accounts due to the previous poor performance of the contractor. However, the Board had not paid the contractor through the Escrow account. Even though the three contracts should be completed by August 2022, they had been continued with low progress of percentages 11, 16, and 12 as at 31 December 2025. Although the liquidity damages should be charged for the delays of the above projects as per the contract agreements, no action had been taken to recover any losses, and the sum of Rs. 15.73 million from the advance payment given to the said contractor in July 2022 had not been recovered until February 2026.
- (f) Even though the distribution of Portable air compressors for the Ground Water Section under with all spare parts, should be done in April 2022 as per the contract condition, approval had been given by the management for 10 weeks extension due to import restrictions and financial issues. However, the compressor had been

supplied on 09 June 2022 without the spare parts, Diesel tank, tailor, and air hoses. However, supplying the compressor without having a tailor had been approved by the procurement committee on 22 December 2022, considering the request of the Contractor. However, the Board was unable to utilize the compressor at the end of the year under review, even after two and a half years spent after receiving due to a delay in supplying the fuel tank and not supplying the tailor.

- (g) Wilgamuwa Water Supply Project was scheduled to start on August 1, 2016, and to be completed by July 31, 2018, and to provide drinking water to 39 residents living in the Grama Niladhari division. It was observed that there was approximately 18 months delay in signing the agreement, even at its initial stage. The project was granted four extensions, extending the timeline until October 31, 2022. Since the court declared that the contractor was bankrupt, the contract was terminated on December 19, 2023. No connections had been given after spending 10 years and utilizing Rs. 1,738 million for the project up to December 2025.

Furthermore, by December 2025, Rs. 1,551 million had been paid as loan interest, which is 90 percent of the utilized amount of the loan, Rs. 1,738 million. The pipes and fittings worth of Rs.12.4 million given to the contractor on a credit basis during the years 2016 to 2023 by the Board's stock had not been recovered up to January 2026. The contractor had submitted a final bill of Rs. 697 million on 30 June 2024 for the work carried out, while the project management division had prepared a draft final bill of Rs. 127 million. Accordingly, a disagreement arose between the two values, and since the contractor submitted the price as of 31 December 2025, with an approximately 18-month delay.

- (h) Kalu Ganga Water Supply Improvement Project (I)

Even though the Government had entered into a loan agreement in the year 2017 worth of Rs.55,538 million for five construction contracts and detailed design for the project to cover the drinking water supply of 11 Divisional Secretariat offices in the Colombo and Kalutara districts. Project activities were commenced in December 2020, by expecting to complete in April 2025, but the Project was extended to December 2029. Due to the weak financial Management and project

planning, only about Rs. 88 million out of Rs. 750 million planned by the Project had been utilized.

Further, it was observed that there is a risk of not completing the construction activities as per the planned timeline of October 2028 due to Package 05 of the Project still in the pre-contract stage, even though the planned to commence construction activities in October 2025.

3. Other matters

- (a) The Board had developed to achieve 100 percent pipe borne water coverage by 2025 in line with the Sustainable Development Goal (SDG) number 06 as per the corporate plan, with the specifically identified 08 targets and 08 indicators as of the end of the year 2025. However, only 51.2 percent of pipe borne water coverage was achieved by the Board at the end of the year 2025. Further, 109,464 connections were given, which was 64.5 percent of the accumulated set target of 169,485 water connections. Also, the Board had expected to increase household pipe sewerage coverage to 2.17 percent by 2026, however, the achieved percentages for the years 2024 and 2025 were 2.08 percent and 2.11 percent, respectively.
- (b) According to the Statement of Corporate Intent for the period from 2024 to 2026, the expected piped water supply coverage had been increased only to 51.2 percent during the year under review, as compared to the target of 51.4 percent. Also, only achieved 6,523 Mwh with 08 percent decrease of the expected target of energy saving of 7,092 Mwh, and only achieved Rs. 204 million cost savings out of the target of Rs. 223 million. However, energy savings had been reduced by only 568 Mwh than base year data mentioned in the agreement. Further, Non-revenue water and bacteriological quality of water target achievement were 24.35 percent and 99.61 percent against the set targets of 24.32 percent and 100 percent, respectively.
- (c) Trade debtors, new connection debtors, sewerage debtors, and other debtors aggregating to Rs. 7,275 million had remained over one year without being recovered. Disconnected trade debtors aggregating to Rs. 2,611 million out of that amount had remained over one year without being recovered. The board had not taken action against the debtor amount of Rs. 1,154 million out of disconnected debtors as per the

requirements of Board circular no.12/2015, even though 3 months had lapsed from the disconnection. Even though new connection debtors are to be recovered from 3 installments, Rs. 69.34 million has remained more than one year without being recovered. A sum of Rs. 1.95 million in respect of 08 water connections given to parliament members' government quarters had remained long outstanding without being recovered as at the end of the year under review, out of the above balance.

- (d) Loans and advances given to former employees, inactive, amounting to Rs. 16.82 million, had remained unrecovered for over 13 years as at 31 December 2025, without proper recovery action. Audit test checks revealed that over 90 percent of these employees had been given retirement without recovering the due amounts.
- (e) Sum of Rs. 464.78 million out of Rs. 1,569.82 million of contract advances given under ledger code no. 246/0 is remained more than three years without being settled. No any evidences submitted for audit about the six legal cases filed for Rs. 9.81 million worth of advances to identify the recoverability of those advances. Further amount of Rs.31.31million advance given to four contractors cannot be recovered due to non-availability of performance bonds, and no action has been taken by the Board to settle those outstanding.
- (f) Refundable Short term deposits aggregating to Rs. 137.61 million deposited in external institutions had remained outstanding over three years without being recovered, and the amount of Rs. 11.95 million out of them cannot be recovered due to the non-availability of the relevant documents. Further, an advance given to the line ministry amounting to Rs. 4.38 million had remained outstanding for over eleven years without being recovered. However, the recoverability of this advance is in doubt since it had not been shown in the statement of liabilities of the Line Ministry for the year under review.
- (g) As per the financial statements, stock in transit amount of Rs. 598.38 million remained over three years without being cleared, and obsolete and unserviceable stocks amount of Rs. 0.89 million and Rs. 300.16 million respectively had also remained without being taken necessary actions to dispose of as of 31 December 2025.

- (h) The Board had not taken necessary actions to clear the balance of (Rs.110. 81 million) relating to the stock shortage amount recorded in the stock adjustment account. This includes a long-outstanding balance of (Rs. 74.75 million) and a balance of Rs. 6.47 million, without been reconciled for a period exceeding three years.
- (i) Value of other stock items amounting to Rs. 64.4 million in forty-four cost centers, which had been identified as unserviceable stocks during physical verification, remained in the main stores without taking the necessary action.
- (j) Regional office creditors and Accrued expenses amounting to Rs. 1,141.02 million and Rs. 156.68 million respectively had remained over three years without being taking necessary actions to identify and clear.
- (k) 14 numbers of lands stated at cost amounting to Rs. 4.93 million as identified as abandoned land and other various assets stated at cost amounting to Rs. 50.93 million, and Ponnankarny water tower located at Kakkapaliya, stated at cost amounting to Rs. 3.94 million, have been identified and included in the assets register as not in use assets by the verification committee. However, the Board had not taken the necessary actions to make use of these assets during the year under review.
- (l) The assets amounting to Rs. 83.84 million transferred between cost centers had not been removed from the accounts of the initial cost centers. Therefore, the responsibilities of those assets rest with the irrelevant cost centers.
- (m) Unserviceable assets relevant to various categories identified at the asset verification amounted to Rs. 222.48 million and remained without taking necessary actions as of 31 December 2025.
- (n) During the physical verification at Wariyapola groundwater section, one support truck, one compressor, two mud pumps, and one rig machine, which were physically available, were not available in the inventory management system. Further, one tooper, two support trucks, one rig machine, and one compressor were not in usable condition and remain without taking necessary action.

- (o) 196 vehicles, which were disposed of by the Board, are still registered in the Department of Motor Traffic under the name of the Board, and 22 vehicles registered cannot be correctly identified.
- (p) A difference of Rs. 6,581.34 million was observed between the balances shown in the financial statements of the Board and the balances shown in the Island accounts regarding the loans obtained for Greater Colombo Water and Waste Management Improvement Investment Programme-Project-03.

L.S.I. Jayaratna

L.S.I. Jayaratna

Auditor General

NATIONAL WATER SUPPLY AND DRAINAGE BOARD

**FINANCIAL STATEMENTS FOR THE
YEAR ENDED
31 DECEMBER 2025**



AKNOWLEDGEMENT

The National Water Supply and Drainage Board established under the Act no. 02 of 1974, National Assembly in Sri Lanka in January 1975.

The Financial Statements of the National Water Supply and Drainage Board are prepared as per section 61 (3) of the Public Financial Management Act No.44 of 2024 and also under the sub section 77 and 78 of Part five of the Act no 02 of 1974.

The Board Act directs to apply the provisions of the Finance Act No 38 of 1971, Part three of Financial year of the Government and Public Institutions, where it states that the financial year of the Government and of every public institution shall be the period of twelve months commencing on the first day of January of each year.

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National Water Supply & Drainage Board

STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 December 2025

	Note	Budget 2025 Rs.	Actual 2025 Rs.	Restated 2024 Rs.
Revenue (Net of VAT)	7	86,384,534,984	84,518,905,683	84,026,528,363
Cost of Sales	8	(42,955,800,722)	(32,552,562,395)	(37,225,809,869)
Gross Profit		43,428,734,262	51,966,343,288	46,800,718,494
Other Operating Income and Gains	9	1,300,550,669	1,808,215,808	1,994,122,352
Administrative Expenses	10	(17,346,714,858)	(13,321,825,414)	(13,089,072,755)
Other Operating Expenses	11	(650,000,000)	(1,416,702,606)	(1,767,614,817)
Operating Profit / (Loss)		26,732,570,073	39,036,031,076	33,938,153,275
Finance Income	12	1,980,901,000	3,057,762,686	2,273,301,157
Finance Cost	13	(11,619,924,104)	(10,489,698,055)	(12,378,826,389)
Profit / (Loss) Before Tax		17,093,546,969	31,604,095,707	23,832,628,042
Income Tax	14	-	-	-
Profit / (Loss) for the Year		17,093,546,969	31,604,095,707	23,832,628,042

Accounting Policies and Notes from pages 7 to 39 form an integral part of these Financial Statements.

Further, summarized version of above statement of comprehensive income is included in note no 37 of these statements.

National Water Supply & Drainage Board**STATEMENT OF OTHER COMPREHENSIVE INCOME**

Year Ended 31 December 2025

	Budget	Actual	Restated
	2025	2025	2024
	Rs.	Rs.	Rs.
Profit / (Loss) for the Year	17,093,546,969	31,604,095,707	23,832,628,042
Other Comprehensive Income for the Year.			
Exchange Gain/Loss on Loan Conversion	31.1.6 -	(10,728,441,887)	13,271,207,251
Fair Value Gain/Loss on Investment	19 -	1,128,000	2,040,000
Net Actuarial Gain/(Loss) Recognized during the Year	-	-	(856,813,886)
Total Other Comprehensive Income for the Year.	-	(10,727,313,887)	12,416,433,365
Total Comprehensive Income for the Year	17,093,546,969	20,876,781,820	36,249,061,407

Accounting Policies & Notes from pages 7 to 39 form an integral part of these Financial Statements.

National Water Supply & Drainage Board

STATEMENT OF FINANCIAL POSITION

As at 31st December 2025

		Actual 2025 Rs	Restated 2024 Rs.
Assets	Note		
Non- Current Assets			
Property ,Plant & Equipment	15	487,490,942,830	443,824,240,271
Intangible Assets	16	266,660,781	1,996,828,059
Capital Work in Progress	17	444,880,473,540	463,089,677,575
Investment Property	18	-	333,954,342
Financial Assets	19	7,394,368	6,266,368
Total Non Current Assets		932,585,471,520	909,250,966,615
Current Assets			
Non Operating Assets	20	149,748,448	149,748,448
Inventories	21	19,754,610,074	19,350,993,182
Trade & Other Receivables	22	19,436,827,543	21,201,606,791
Deposits & Advances	23	10,847,634,800	16,273,081,054
Investments	24	33,142,208,546	16,905,768,952
Escrow Account	25	-	7,552,415
Cash & Cash Equivalents	26	49,067,393,454	21,575,673,288
Total Current Assets		132,398,422,865	95,464,424,130
Total Assets		1,064,983,894,384	1,004,715,390,746
Equity and Liabilities			
Equity			
Government Equity	27	178,844,649,192	136,660,104,672
Staff Welfare & Other Accounts	28	16,198,553	17,304,988
Retained Earnings		59,349,387,538	39,230,258,036
Government Grant	29	180,086,842,456	165,894,244,478
Capital Grants	30	316,157,620,616	304,610,203,230
Total Equity		734,454,698,356	646,412,115,404
Non-Current Liabilities			
Loan Payable	31	242,060,885,234	228,145,406,601
Other Deferred Liabilities	32	5,531,574,219	5,506,487,157
Total Non Current Liabilities		247,532,459,453	233,651,893,758
Current Liabilities			
Non Operating Liabilities	20	51,287,805	51,287,805
Trade & Other Payables	33	31,882,325,769	50,648,322,647
Loan Capital Payable	31	41,771,486,631	58,126,984,912
Loan Interest Payable		9,291,636,370	15,824,786,221
Total Current Liabilities		82,996,736,575	124,651,381,584
Total Equity and Liabilities		1,064,983,894,384	1,004,715,390,746

R.M.A.S. WEERASENA
Additional General Manager (Finance)
National Water Supply & Drainage Board
Ratmalana
R.M.A.S. Weerasena
Addl.G.M.(Finance)

Eng.T.Barathithasan
General Manager
National Water Supply & Drainage Board
Ratmalana.
Eng. T. Barathithasan
General Manager

The Accounting Policies and Notes to the Accounts on pages 07 to 39 form an integral part of these Financial Statements. The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved by the Board of Directors and signed on their behalf.

Eng. A.M.P.T Bandara
Chairman
National Water Supply & Drainage Board
on 25th February 2026
Galle Road, Ratmalana.

Eng. R.M Upali Senarath
Director

National Water Supply & Drainage Board

STATEMENT OF CHANGES IN EQUITY

Year Ended 31 December 2025

		Opening Capital Balance	Government Grants	Government Equity	Capital Grants	Staff Welfare & Other Funds	Accumulated Profit/Loss	Total
	Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 January 2024		-	155,526,551,042	111,684,749,118	306,170,654,320	21,665,392	(3,748,217,871)	569,655,402,000
Prior Year Adjustments								
Assets/WIP Recognized and Derecognized	36.2.2	-	-	-	-	-	(397,549,853)	(397,549,853)
Depreciation adju.for Assets Recognized and Derecognized	36.1.2.1/36.2.9	-	-	-	-	-	(852,201,316)	(852,201,316)
Financial Assets	36.2.6	-	-	-	-	-	3,792,000	3,792,000
Trade & Other Payables	36.2.5	-	-	-	-	-	(238,026,493)	(238,026,493)
Inventories	36.2.3	-	-	-	-	-	262,055,131	262,055,131
Trade & Other Receivables	36.2.7	-	-	-	-	-	4,238,408	4,238,408
Deposits amd Advances	36.2.8	-	-	-	-	-	(1,023,129)	(1,023,129)
Opening Capital Balance	36.2.1	-	-	568,675,608	-	-	(568,675,608)	-
Capital Grants	36.2.4	-	-	-	(8,032,948,034)	-	8,032,948,034	-
Restated Balance as at 1 January 2024		-	155,526,551,042	112,253,424,726	298,137,706,286	21,665,392	2,497,339,301	568,436,686,746
Net Profit for the Year		-	-	-	-	-	36,249,061,388	36,249,061,388
Assets Recognized and Derecognized	36.2.2	-	-	-	-	-	87,757,830	87,757,830
Financial Assets	36.2.6	-	-	-	-	-	(5,831,999)	(5,831,999)
Receipts / Transfers During the Year		-	10,387,503,124	-	6,841,335,495	(12,837,111)	-	17,216,001,508
Loan to Equity Conversion	36.2	-	-	24,406,679,946	-	-	-	24,406,679,946
Trade & Other Payables	36.2.5	-	-	-	-	-	37,422,495	37,422,495
Inventories	36.2.3	-	-	-	-	-	3,867,503	3,867,503
Trade & Other Receivables	36.2.7	-	-	-	-	-	5,590,124	5,590,124
Deposits amd Advances	36.2.8	-	-	-	-	-	(25,120,137)	(25,120,137)
Capital Grants	36.2.4	-	-	-	(388,648,239)	-	388,648,239	-
Transfers to Staff Welfare Fund		-	-	-	-	8,476,707	(8,476,707)	-
Restated balance as at 31 December 2024		-	165,914,054,166	136,660,104,672	304,590,393,542	17,304,988	39,230,258,036	646,412,115,404
Net Profit for the Year		-	-	-	-	-	20,876,781,820	20,876,781,820
Receipts / Transfers During the Year		-	14,172,788,290	-	11,567,227,074	(8,758,753)	-	25,731,256,611
Loans Conversion to Equity		-	-	42,184,544,521	-	-	-	42,184,544,521
Transfers to Staff Welfare Fund		-	-	-	-	7,652,319	(7,652,319)	-
Transfer to Consolidated Fund		-	-	-	-	-	(750,000,000)	(750,000,000)
Balances as at 31 December 2025		-	180,086,842,456	178,844,649,192	316,157,620,616	16,198,553	59,349,387,538	734,454,698,356

Accounting Policies & Notes from pages 7 to 39 form an integral part of these Financial Statements.

National Water Supply & Drainage Board

STATEMENT OF CASH FLOW

Year Ended 31 December 2025

	Note	Actual 2025 Rs.	Restated 2024 Rs.
Cash Flows from/(used in) Operating Activities			
Net Profit/(Loss) Before Tax		31,604,095,707	23,832,628,042
<i>Adjustments for</i>			
Interest Income	12	(3,057,762,686)	(2,273,301,157)
Profit/Loss on disposal of Fixed Assets	15.1.1	44,396,367	13,118,290
Depreciation	8/10.2	6,603,476,498	6,604,717,571
Retiring Gratuity Provision	32.1	695,695,800	904,717,570
Interest Expense	13	10,489,698,055	12,378,826,389
Operating Profit/ (Loss) before Working Capital Changes		46,379,599,741	41,460,706,705
(Increase)/Decrease in Inventories		(403,616,892)	(12,016,951)
(Increase)/Decrease in Debtors, Receivables & Deposits		7,143,658,620	(455,566,427)
Increase/(Decrease) in Creditors, Provisions & Deposits		(19,490,909,815)	(14,903,700,041)
Cash Generated from Operations		33,628,731,653	26,089,423,285
Gratuity Paid	32.1	(695,695,800)	(651,571,220)
Net Cash from/ (Used in) Operating Activities		32,933,035,854	25,437,852,065
Cash Flows from/(used) in Investing Activities			
Investments in Fixed Assets & Work-In-Progress		(30,561,896,678)	(10,332,257,681)
Sale Proceeds for Disposal Assets	15.1.1	5,514,975	600,410
Investment Income Received		3,104,329,568	2,665,263,283
(Investment) / Withdrawal of Investments		(16,228,887,178)	13,886,479,468
Net Cash Flows From/ (used in) Investing Activities		(43,680,939,314)	6,220,085,479
Cash Flows from/ (used in) Financing Activities			
Government Grant during the Period		14,192,597,978	10,386,800,745
Capital Grant during the period		18,502,310,623	13,105,974,401
Loans,Equity and currency conversions		59,418,408,703	26,704,451,493
Loan Repayments		(34,947,601,033)	(24,579,250,872)
Interest Paid		(18,926,092,645)	(41,260,066,623)
Net Cash Flows From/ (used in) Financing Activities		38,239,623,626	(15,642,090,856)
Net Increase in Cash & Cash Equivalents		27,491,720,166	16,015,846,688
Cash & Cash Equivalents at the Beginning of the Year		21,575,673,288	5,559,826,600
Cash & Cash Equivalents at the End of the Period		49,067,393,454	21,575,673,288

The Accounting Policies and Notes on pages 7 to 39 form an integral part of the Financial Statements.

NATIONAL WATER SUPPLY AND DRAINAGE BOARD

ACCOUNTING POLICIES & NOTES TO THE ACCOUNTS

31 DECEMBER 2025

1. CORPORATE INFORMATION

1.1 Domicile and legal form

National Water Supply & Drainage Board is a statutory board enacted by the National State Assembly under the National Water Supply & Drainage Board Act No. 2 of 1974. The registered office of the board and the principal place of business is located at Galle Road, Ratmalana.

National Water Supply & Drainage Board (NWSDB) is an institution under the purview of the Ministry of Housing, Construction and Water Supply.

1.2 Principal Activities and nature of operations

The principal activity of the Board is to supply treated drinking water to the community. The National Water Supply & Drainage Board engaged in developing infrastructures throughout the country to provide sustainable water & sanitation solutions and its accessibility among the people of Sri Lanka.

1.3 Going Concern

The Management has made an assessment of the Board's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Board's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Board. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2. BASIS OF PREPARATION

2.1 Statements of Compliance

The financial statements which comprise the statement of comprehensive income, statement of other comprehensive income, statement of financial position, statement of changes in equity, and the statement of cash flows, together with the accounting policies and notes have been prepared in accordance with Sri Lanka Accounting Standards (SLFRS/ LKAS) as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and with the requirements of the Accounting and Auditing Standards Act No. 15 of 1995. These Financial Statements, except information on Cash Flows, have been prepared following the accrual basis of accounting.

2.2 Approval of Financial Statements by Board of Directors

The Financial Statements were authorised for issue by the Board of Directors on February 2026.

2.3 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for financial instruments and other financial assets and liabilities held for trading that have been measured at fair value and liabilities for defined benefit obligation are recognized as at the present value of the defined benefit obligation.

2.4 Presentation of Currency

The financial statements are presented in Sri Lankan Rupees (LKR), which is the Board's functional and presentation currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee, unless stated otherwise.

2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1 - Presentation of Financial Statements.

2.6 Use of Estimates and Judgements

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards (LKASs) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates. Estimates and underlying assumption are reviewed on an on-going basis. Revision to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1.1 Property Plant and Equipment

Property, plant, and equipment are stated at cost, net of accumulated depreciation, and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the property, plant, and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant, and equipment are required to be replaced at intervals, NWSDB recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

3.1.2 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Plant Property and Equipment	Rate	Useful Life
Building & Structures	1.67%-2%	50-60 Years
Plant & Equipment Pumping Treatment	5%	20 Years
Service & Bulk Water Meter	10%	10 Years
Transmission & Distribution	1.67%	60 Years
Equipment	10%	10 Years
Furniture & Fittings	10%	10 Years
Computers Peripherals & Mobile Phones	20% - 33.3%	3-5 Years
Motor Vehicles	10% - 20%	5-10 Years
Investment Property	2%	50 Years

3.1.3 Capital Work In Progress

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon. Capital work- in-progress is transferred to the respective asset accounts at the time of first utilisation or at the time the asset is commissioned. Capital expenses incurred, which are not capitalized as of the reporting date are shown as capital work in progress.

Borrowing costs that are directly attributable to acquisition, construction of a qualifying asset which takes a substantial period of time to get ready for its intended use, are included in the Capital work- in-progress as a part of the asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - Borrowing Costs.

3.1.4 Investment Property

When the use of a property changes from owner-occupied to another party is classified as Investment Property and the Investment Property is measured at cost less accumulated depreciation. Such activity is disclosed to comply with the LKAS 40.

3.1.5 Leases

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

3.1.6 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the income statement in the year in which the expenditure is incurred. Acquisition of computer software is recognized as an intangible asset and amortized over the period of 7 years.

3.1.7 Research and Development Costs

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when NWSDB can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is completed and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

3.1.8 Impairment of Non-Financial Assets

The NWSDB assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the NWSDB estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an assets or cash-generating unit (CGU) 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 or CGU 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 assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

3.2.1 Foreign Currency

Foreign Currency Transactions

Transactions in currencies other than the Company's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items measured at fair value are translated at the rates prevailing on the date when the fair value was determined.

3.2.2 Inventories

Measurement of Inventories

Inventories are valued at cost or net realizable value whichever is lower after making allowance for obsolete items and unserviceable which are valued at a 'weighted average cost basis. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Materials and other supplies held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. However, when a decline in the price of materials indicates that the cost of the finished products exceeds net realizable value, the materials are written down to net realizable value. In such circumstances, the replacement cost of the materials may be the best available measure of their net realizable value.

3.3. Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, call deposits, money market deposit, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to

insignificant risk of changes in value net of bank overdrafts that are repayable on demand for the purpose of the Statement of Cash Flows

4. LIABILITIES, PROVISIONS, AND EQUITY

4.1. Retirement Benefit Obligation (LKAS 19)

a) Retirement Benefit Cost – Retirement Gratuity

Provision has been made for retiring gratuity from the first year of service for all employees, in conformity with Sri Lanka Accounting Standard No. 19 (LKAS 19). The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, it is considered the interest rates of Sri Lanka Government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on the expected future salary increase rate of the Board.

b) Defined Contribution Plans- EPF & ETF

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the comprehensive income in the periods during which services are rendered by employees.

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective Statutes and Regulations. The Board contributes 12% and 3% of the gross emoluments of employees to EPF and ETF respectively.

4.2 Liabilities and Provisions

All material liabilities as at the reporting date have been included in the Statement of Financial Position and adequate provisions have been made for liabilities which are known to exist but the amount of which cannot be determined accurately. The expense relating to provisions presented in the income statement net of any reimbursement. Liabilities classified as current liabilities on the Statement of Financial Position are those which fall due for payment on demand or within one year from Statement of Financial Position date. Non-current liabilities are those balances that fall due for payment after one year from Statement of Financial Position date. All known liabilities have been accounted for in preparing these Financial Statements.

A provision is recognised if, as a result of a past event, the Board has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefit will be required to settle the obligation.

4.3 Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs or deducted in reporting related expense, Which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

When NWSDB receives non-monetary grants, the asset and the grant are recorded at nominal amounts and released to profit or loss over the expected useful life in a pattern of consumption of the benefit of the underlying asset by equal annual instalments. When loans or similar assistance are provided by

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS (Contd...)

Year ended 31 December 2025

governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant.

The Cabinet Paper No 20/0974/204/029-VI dated 2nd July 2020 is to provide necessary budgetary allocations as equity contributions for the NWSDB to settle interest and other costs which will be arisen from special loans facilitated by the General Treasury for the period of 15 years and the respective transactions are recorded accordingly.

4.4 Mechanism for regularizing the financing of Water Supply and Sewerage Projects

As per Cabinet Paper No. 16/0158/719/005 dated 26th January 2016, the Cabinet of Ministers approved the mechanism to address NWSDB's debt service capacity issues by water supply and Sewerage Project Categorization into three. Urban Water Supply (Municipal/Urban Councils), Rural Water Supply (Pradeshia Sabha areas), Sewerage & Wastewater.

NWSDB will be the primary borrower, but the Government may intervene if direct lending is unavailable. This policy ensures financial sustainability in project implementation.

Project Category	Basis Of Debt Servicing Contribution by Treasury
Urban Water Supply	50% borne by Treasury, NWSDB covers 50%.
Rural Water Supply	75% borne by Treasury, NWSDB covers 25%.
Sewerage & Wastewater	100% borne by Treasury
CKD-Related Water Projects	100% borne by Treasury for five years

4.5 Trade and Other Payables

Trade and other payables are obligations to pay for goods or services that have been acquired in ordinary course of business from Suppliers. Trade and other payables are stated at cost

5. STATEMENT COMPREHENSIVE INCOME

For the presentation of the Income Statement, the function of the expenses method is adopted, as it represents fairly the elements of NWSDB performance. Hence such presentation method is adopted in line with the provisions of LKAS 1 - Presentation of Financial Statements

5.1.1 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the NWSDB and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable taking into account contractually defined terms of payment.

5.1.2 Sale of Goods- Sale of Water

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from the sale of water is recognized according to the number of consumed units within 30 days of the time by the consumer, when the meters are read, and when bills are processed within the system.

5.1.3 Other Income

Other income is recognized on an accrual basis.

5.1.4 Interest Income

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income or expense is recorded using the effective interest rate (EIR). Interest income is included in finance income in the income statement.

5.1.5 Gain and Losses on Disposal

Gains and losses on disposal of an item of Property, Plant and Equipment are determined by comparing the net sales proceeds with the carrying amounts of Property, Plant and Equipment and are recognised within other operating income in the Statement of Comprehensive Income.

5.1.6 Rechargeable Works

Revenue from fixed-price construction contracts is recognized on the full completion of the contract.

5.1.7 Expenditure Recognition

All expenses incurred in the day-to-day operations of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to the Statement of Comprehensive Income in arriving at the profit/(loss) for the period.

Finance costs comprise interest expense on external borrowings and payments made under Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

5.2 Deferred Tax

The NWSDB is having heavy deductible brought forward tax losses and other deductible expenses including interest against the tax liability. Therefore, NWSDB does not adjust deferred tax in Financial Statement.

6. FINANCIAL INSTRUMENTS- INITIAL RECOGNITION AND SUBSEQUENT MEASUREMENT

6.1 Financial Asset

6.1.1 Initial Recognition and Measurement

Financial assets within the scope of SLFRS 9 are classified as financial assets at amortized cost, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss, as appropriate and determine the classification of its financial assets at initial recognition.

All financial assets are recognized initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable to transaction costs.

The financial assets of NWSDB include cash and short-term investment, trade and other receivables, staff loans, and other receivables.

6.1.2 Subsequent Measurement

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

6.1.2.1 Financial Assets at Fair value Through Profit or Loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired to sell or repurchase in the near term. NWSDB did not have any financial assets at fair value through profit or loss during the years ended.

6.1.2.2 Financial Assets at Amortized Cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The NWSDB measures financial assets at amortized cost if both of the following conditions are met. (i) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows and (ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified, or impaired. The NWSDB's financial assets at amortized cost include trade receivables and short-term investments.

6.1.2.3 Financial Assets at Fair Value through Other Comprehensive Income

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. The NWSDB measures debt instruments at fair value through OCI if both of the following conditions are met. (i) The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling and; (i) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income, and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line items in the income statement.

6.1.2.4 De recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when,

i) The rights to receive cash flows from the asset have expired

ii) NWSDB 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; and either

(a) NWSDB has transferred substantially all the risks and rewards of the asset, or

(b) NWSDB has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

6.1.2.5 Impairment of Financial Assets

The NWSDB assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset 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 are experiencing significant financial difficulty, default, or delinquency, the probability that they will enter bankruptcy or other financial reorganization, and where 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.

6.2 Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of LKAS/SLFRS are classified as financial liabilities at fair value through profit or loss, at amortized cost, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. NWSDB determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, carried at amortized cost. This includes directly attributable transaction costs. NWSDB's financial liabilities include trade and other payables.

Subsequent Measurement

Subsequent measurement of financial liabilities is at amortized cost.

De recognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

		Actual 2025 Rs.	Restated 2024 Rs.
7. REVENUE			
Water Sales	7.1	77,399,850,915	77,538,803,097
Water Reclamation	7.2	1,260,103,363	1,145,108,916
Income from Main Operations	7.3	5,858,951,404	5,342,616,350
		84,518,905,683	84,026,528,363
7.1 Water			
Metered Sales		76,340,345,139	76,438,971,045
Bulk Sales		930,381,641	967,555,446
Bowser Supply		129,124,135	132,276,606
		77,399,850,915	77,538,803,097
7.2 Water Reclamation			
Metered Sales		1,015,619,519	923,952,223
Service Income		1,973,490	23,521,180
Gully Unloading Income		242,510,354	197,635,513
		1,260,103,363	1,145,108,916
7.3 Income from Main Operations			
Income Related to New Connection		3,021,694,004	2,800,152,876
Expense Related to New Connection		(1,853,344,806)	(2,057,557,828)
Income from Late Payment Penalties		3,389,400,196	3,462,608,515
Income from Other Main Operations		495,371,135	345,450,169
Capital Recovery Charges		805,830,875	791,962,618
		5,858,951,404	5,342,616,350
8. COST OF SALES			
Personnel Cost		9,773,296,724	9,649,852,809
Pumping Cost		7,189,115,264	11,461,542,855
Chemicals		2,193,314,971	2,780,865,623
Repairs & Maintenance		3,667,516,858	3,852,630,110
Establishment Expenses		1,470,829,785	1,519,341,147
Depreciation		4,851,616,628	4,838,122,967
Rent, Rates, Taxes, Security & Other Expenses		3,077,557,534	2,825,705,776
Rebates		329,314,632	297,748,583
		32,552,562,395	37,225,809,869
9. OTHER OPERATING INCOME			
Other Income	9.1	1,746,632,778	1,960,876,924
Staff Loan Benefit		61,583,029	33,245,428
		1,808,215,808	1,994,122,352
9.1 Other Income			
Water Reclamation		406,755,097	349,631,267
Ground Water		37,438,820	42,082,660
Miscellaneous Income including Surcharge, Penalties etc.		1,302,438,862	1,569,162,997
		1,746,632,778	1,960,876,924

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

		Actual 2025 Rs	Restated 2024 Rs.
10. ADMINISTRATIVE EXPENSES			
Repairs & Maintenance		512,934,432	480,584,009
Establishment Expenses		1,693,266,657	1,874,322,764
Rent,Rates,Taxes, Security & Other Expenses		1,439,984,290	1,204,271,285
Staff Cost	10.1	7,913,780,164	7,753,300,093
Depreciation	10.2	1,751,859,871	1,766,594,604
Audit Fee to National Audit Office		10,000,000	10,000,000
		13,321,825,414	13,089,072,755
10.1 Staff Cost			
Cost on Loan Granted		61,583,029	33,245,428
Personnel Cost		7,852,197,135	7,720,054,665
		7,913,780,164	7,753,300,093
10.2 Depreciation			
Building and Structures		2,818,067,261	2,821,218,233
Investment Property		-	5,012,085
Plant & Machinery		8,545,678,738	8,065,600,219
Equipment's		1,474,616,043	1,303,134,317
Furniture and Fittings		88,527,554	79,510,111
Computers & Peripherals		213,548,368	186,386,623
Motor Vehicles		426,690,523	425,641,706
Total Depreciation		13,567,128,488	12,881,491,209
Less: Depn. for Grant funded Assets		(7,183,882,528)	(6,264,078,211)
Depn. for Rechargeable funded Assets		(27,677,572)	(17,034,152)
Depn. Related to the Cost Sale		(4,851,616,628)	(4,838,122,967)
Add: Amortization of Intangible Assets		247,908,111	4,338,725
		1,751,859,871	1,766,594,604
11. OTHER OPERATING EXPENSES			
Provision Impairment of Bad & Doubtful Debts		633,901,630	826,657,798
Provision for Obsolete & Unserviceable Stock		87,105,176	36,239,449
Provision for Retiring Gratuity		695,695,800	904,717,570
		1,416,702,606	1,767,614,817
12. FINANCE INCOME			
Investment Income		3,057,762,686	2,273,301,157
		3,057,762,686	2,273,301,157
13. FINANCE COST			
Interest On Loans		12,392,942,794	27,585,315,879
Less: WIP charged/Capitalized Interest on Construction Projec		(1,903,244,739)	(15,206,489,489)
		10,489,698,055	12,378,826,389
14. INCOME TAX			

As per the tax computation for the year of assessment 2024/25, the NWSDB has accumulated tax losses amounting to LKR 44,843,219,049. Accordingly, no income tax liability has been recognized for the current financial year.

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

15. PROPERTY, PLANT AND EQUIPMENT

		2025 Rs	2024 Rs
Freehold Assets - Carrying Amounts	15.1	586,664,792,836	527,557,960,733
Freehold Assets -Accumulated Depreciation	15.2	(99,173,850,006)	(83,733,720,461)
Freehold Assets -Net Book Values	15.3	487,490,942,830	443,824,240,271

15.1 Freehold Assets - Carrying Amounts

	Restated Balance	Additions after	Transfers	Disposals	Balance
	As at	Adjustments			As at
	01.01.2025				31.12.2025
	Rs.	Rs.	Rs.	Rs.	Rs.
Land Freehold	8,803,937,275	114,715,240	138,359,534	-	9,057,012,049
Land Leasehold	669,739,954	1	(9,050,001)	-	660,689,954
Infrastructure	16,022,445,131	2,118,709,673	72,139,741	(663,675)	18,212,630,870
Building - Freehold	44,260,704,271	963,533,068	164,368,845	(4,468,392)	45,384,137,793
Structures	100,942,320,027	2,458,544,135	(85,399,913)	(39,329,549)	103,276,134,700
Plant & Equipment-Pumping & Treatment	79,363,976,397	2,723,405,360	(1,227,828)	(69,323,533)	82,016,830,396
Service Meter	505,327	-	(300,000)	-	205,327
Bulk Water Meter	1,658,722,369	2,268,509,262	2,817,890	(12,382,072)	3,917,667,449
Transmission & Distribution	251,098,290,389	45,108,679,466	1,260,914,475	(215,176)	297,467,669,154
Mobile Equipment's	2,163,635,945	102,487,034	5,443,889	(6,709,119)	2,264,857,749
Survey Equipment's	186,469,616	85,000	0	(171,000)	186,383,616
Laboratory Equipment's	1,610,339,634	90,290,115	(2,964,694)	(3,410,965)	1,694,254,090
Other Equipment	11,198,168,900	1,513,450,982	(6,600,711)	(3,664,341)	12,701,354,830
Furniture & Fittings-Computer	1,097,071,315	83,859,174	15,331,952	(4,024,076)	1,192,238,365
Computers & Periparels	1,695,310,785	128,632,963	(4,089,952)	(8,136,247)	1,811,717,550
Motor Vehicles Cars	2,827,114,842	24,760,000	14,573,922	(800,000)	2,865,648,764
Vans Busses & Jeeps	386,115,738	4,000,000	-	(300,000)	389,815,738
Lorries & Trucks	1,216,758,991	11,038,000	(46,733,000)	-	1,181,063,990
Tractors & Trailers	67,854,567	-	-	-	67,854,567
Water Bowsers,Heavy Vehicles	2,200,751,267	9,785,470	20,095,530	-	2,230,632,267
Motor Cycles	31,490,515	2,848,149	(425,001)	(68,598)	33,845,065
Three Wheelers	56,237,477	-	(4,088,922)	-	52,148,555
Total Value of Depreciable Assets	527,557,960,733	57,727,333,090	1,533,165,755	(153,666,741)	586,664,792,836

15.1.1 Profit/ Loss on disposal of Assets

During the year, the Board disposed of certain items of property, plant and equipment, generating sales proceeds of RS. 5,514,975 (2024: Rs. 600,410). These disposals resulted in a loss on disposal of Rs. 44,396,367 (2024: Rs. 13,118,290).

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

15.2 Freehold Assets -Accumulated Depreciation

	Restated Balance As at 01.01.2025 Rs.	Charge for the Period Rs.	Adjustments Rs.	Disposal Rs.	Balance As at 31.12.2025 Rs.
Infrastructure	2,211,275,145	349,845,820	118,380,283	-	2,679,501,248
Building - Freehold	4,772,361,358	830,402,680	164,180,128	(356,250)	5,766,587,916
Structures	11,947,500,121	1,637,818,761	147,725,972	(1,835,018)	13,731,209,836
Plant & Equipment Pumpi	24,774,909,732	3,963,115,753	46,495,053	(5,532,850)	28,778,987,688
Service Meter	77,611	-	(300,000)	-	(222,389)
Bulk Water Meter	774,403,903	243,995,261	647,487,633	-	1,665,886,797
Transmission & Distributi	26,264,284,050	4,338,567,724	727,507,999	(1,981,827)	31,328,377,946
Mobile Equipment's	1,131,061,226	174,551,797	(25,861,832)	(578,975)	1,279,172,216
Survey Equipment's	86,092,786	17,313,472	0	(159,885)	103,246,373
Laboratory Equipment's	861,717,085	127,725,377	(79,233)	(2,346,004)	987,017,226
Other Equipment	5,047,006,053	1,155,025,397	23,670,355	(522,591)	6,225,179,213
Furniture & Fittings-Comp	579,521,268	88,527,554	19,794,138	(2,744,494)	685,098,466
Computers & Peripherals	1,221,859,291	213,548,368	(6,414,656)	(10,157,129)	1,418,835,875
Motor Vehicles Cars	2,201,412,168	231,076,307	538,088	(760,000)	2,432,266,563
Van Busses & Jeeps	339,520,488	17,980,879	2,395,250	(122,265)	359,774,353
Lorries & Trucks	609,932,004	59,812,247	(122,807)	(195,938)	669,425,507
Tractors & Trailers	49,394,325	3,459,332	-	-	52,853,657
Water Bowsers, Heavy Ve	826,957,259	111,326,974	32,266,849	(320,625)	970,230,458
Motor Cycles	19,821,899	1,815,520	764,441	(14,809)	22,387,050
Three Wheelers	14,612,689	1,219,263	2,202,057	-	18,034,008
	83,733,720,461	13,567,128,488	1,900,629,717	(27,628,660)	99,173,850,006

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

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

15.3 Freehold Assets -Net Book Values

	Actual 2025 Rs.	Restated 2024 Rs.
Land Freehold	9,057,012,049	8,803,937,275
Land Leasehold	660,689,954	669,739,954
Infrastructure	15,533,129,622	13,811,169,987
Building - Freehold Structures	39,617,549,877 89,544,924,864	39,488,342,913 88,994,819,906
Plant & Equipment-Pumping & Treatment	53,237,842,709	54,589,066,665
Service Meter	427,716	427,716
Bulk Water Meter	2,251,780,652	884,318,466
Transmission & Distribution	266,139,291,208	224,834,006,339
Mobile Equipment's	985,685,533	1,032,574,719
Survey Equipment's	83,137,243	100,376,830
Laboratory Equipment's	707,236,863	748,622,549
Other Equipment's	6,476,175,617	6,151,162,847
Furniture & Fittings-Computer	507,139,898	517,550,047
Computers & Peripherals	392,881,675	473,451,494
Motor Vehicles Cars	433,382,202	625,702,674
Van Busses & Jeeps	30,041,385	46,595,249
Lorries & Trucks	511,638,482	606,826,986
Tractors & Trailers	15,000,910	18,460,242
Water Bowsers, Heavy Vehicles	1,260,401,809	1,373,794,007
Motor Cycles	11,458,015	11,668,616
Three Wheelers	34,114,547	41,624,788
Total Carrying Amount of Property, Plant & Equipment	487,490,942,830	443,824,240,271

Property, Plant and Equipment with a gross carrying amount of LKR 5,902,700,461.28 (2024: LKR 3,990,106,999) have been fully depreciated but remain in active use by the Company as at the reporting date.

15.3.1 Impact of Ditwa Cyclone on Property, Plant and Equipment

During the latter part of November 2025, the Ditwa Cyclone affected several RSC offices/regions of the National Water Supply and Drainage Board, including RSC (Central), Kandy South, Kandy North, Kurunegala, Polonnaruwa, RSC (Uva), Bandarawela, and RSC (Western Central) which caused damage to Property, Plant and Equipment. As at the reporting date, committees have been appointed to assess the financial impact of the cyclone. The assessment is ongoing, and the damage or loss cannot be reliably measured due to limited information available at the reporting date. Accordingly, no adjustments have been made in the financial statements for the year ended 31 December 2025. Any required adjustments will be recognized in the financial statements for the year 2026 upon completion of the assessment.

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

16. INTANGIBLE ASSETS

	Opening Balance	Additions during the year	Transfers during the year	Balance as at 31.12.2025	Restated Balance as at 31.12.2024
	Rs.	Rs.	Rs.	Rs.	Rs.
Carrying Amounts	2,019,736,120	763,889	(1,346,304,239)	674,195,770	2,019,736,120
Accumulated Amortization	22,908,061	278,668,272	165,958,657	467,534,990	22,908,061
	1,996,828,059	(277,904,383)	(1,180,345,582)	206,660,781	1,996,828,059

17. CAPITAL WORK IN PROGRESS

Construction Work		36.2.2	434,034,274,813	454,101,246,789
Rehabilitation		36.2.2	10,846,198,727	8,988,430,786
			444,880,473,540	463,089,677,575

18. INVESTMENT PROPERTY

The building located at Sunil Mawatha, Battaramulla, which was previously leased to the Ministry of Water Supply and Estate Infrastructure Development and accounted for as Investment Property under LKAS 40, has been reclassified to Property, Plant and Equipment during the year following commencement of owner-occupation by the NWS&DB.

19. FINANCIAL ASSETS

	Rs.	Rs.
Investment in HDFC Shares (Number of Shares - 120,000)	434,368	434,368
Fair Value Adjustments		
Opening Balance	5,832,000	3,792,000
Gain/ (Loss) for the Year	1,128,000	2,040,000
Closing Balance	6,960,000	5,832,000
	7,394,368	6,266,368

20. NON OPERATING ASSETS AND LIABILITIES

Non Operating Assets	149,748,448	149,748,448
Non Operating Liabilities	(51,287,805)	(51,287,805)

The non operating asset balance of Rs.149,748,448 and non operating liability balance of Rs.51,287,805 appear from the year 1999, action is in progress to write off the said balances.

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

		Actual	Restated
		2025	2024
		Rs.	Rs.
21 INVENTORIES			
PVC & Steel Pipes	36.2.3	13,521,984,906	12,956,026,469
Water Meter & Fitting & Brass Items		1,122,800,804	1,355,072,388
Chemical Materials		457,167,383	435,137,843
Electricals		1,610,568,796	1,376,499,200
Building Materials		304,127,918	418,383,482
Pump & Spare Parts		1,739,284,426	1,783,144,159
Vehicle Spare Parts		194,811,627	193,480,831
Stationary & Office Equipment's		84,266,114	77,167,167
Other Items		1,369,644,333	1,331,771,663
Stock Adjustments	36.2.3	99,380,157	87,387,185
		20,504,036,466	20,014,070,387
Less- Major Spares			
Property Plant and Equipment at Stores		(383,973,784)	(384,729,774)
Provision for Obsolete Stock		(365,452,607)	(278,347,431)
		19,754,610,074	19,350,993,182

21.1 Impact of Ditwa Cyclone on Inventories

During the latter part of November 2025, the Ditwa Cyclone affected several stores locations of the National Water Supply and Drainage Board, including Mewathura, Giriulla, Polgahawela, Gallalla, Badulla, Diyathalawa, Walimada, Mahiyanganaya, Divithotawela, RSC (Uva) Construction Stores, and RSC (Western Central Construction Stores which caused damage to Inventories. As at the reporting date, committees have been appointed to assess the financial impact of the cyclone. The assessment is ongoing, and the damage or loss cannot be reliably measured due to limited information available at the reporting date. Accordingly, no adjustments have been made in the financial statements for the year ended 31 December 2025. Any required adjustments will be recognized in the financial statements for the year 2026 upon completion of the assessment.

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

		Actual 2025 Rs.	Restated 2024 Rs.
22 TRADE AND OTHER RECEIVABLES			
Trade Debtors	36.2.7	22,417,741,031	23,661,495,504
Other Debtors	36.2.7	503,409,076	556,772,316
Less : Debtors Impairment		(3,241,677,116)	(2,607,777,665)
Debtors Collection Control	36.2.7	(5,309,797,751)	(4,776,479,235)
VAT Receivable		22,365,345	23,479,808
WHT Receivable		679,041,149	476,563,876
Advances to Staff		6,332,632	7,283,890
Loans to Employees		4,030,303,191	3,519,822,776
Receivable on Interest & Others		329,109,987	375,676,869
Ineter regional CA		-	(35,231,348)
		19,436,827,543	21,201,606,791

23 DEPOSITS AND ADVANCES

Pre Payments		45,000	105,000
Mobilization and Other Advances	36.2.8	10,276,660,915	15,793,133,771
Deposits	36.2.8	570,928,885	479,842,283
		10,847,634,800	16,273,081,054

24 INVESTMENTS

Financial Assets (Including rechargeable project funded investments	36.2.6	33,142,208,546	16,905,768,952
		33,142,208,546	16,905,768,952

Fair value gains arising from HDFC Investment, which were previously classified under Investments, have been reclassified and are now disclosed under Note 19 - Financial Assets.

25 ESCROW ACCOUNT

Following Board and Cabinet Decision No. 4465(b) dated 17 December 2024, the Escrow Account maintained with respect to the China Development Bank loan facility was closed during the year. The balance of USD 51,209,296.00 (LKR 15,519,629,253.16) as at 20 December 2024 was utilized to settle the corresponding loan in accordance with the amended loan agreement for reallocation of funds. Accordingly, no Escrow Account balance is reflected as at 31 December 2025.

26 CASH AND CASH EQUIVALENTS

Cash at Bank		43,786,311,633	20,964,022,151
Cash Imprests Head Office		7,250,000	75,000
Cash Imprests Regions		9,754,790	8,385,390
Cash in Transit		632,470,876	369,264,281
Bank of Ceylon Saving - II		1,612,184	1,575,863
Saving Accounts		4,629,993,971	232,350,603
		49,067,393,454	21,575,673,288

NWSDB is required to maintain adequate cash reserves to meet debt obligations maturing within twelve months from the reporting date. As at 31 December 2025, such obligations amount to Rs. 20 billion.

27 GOVERNMENT EQUITY

Loans to Equity Conversion	36.2.1	164,759,184,880	122,574,640,359
Government Contribution (Bond)		14,085,464,312	14,085,464,312
		178,844,649,192	136,660,104,672

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

		Actual 2025 Rs.	Restated 2024 Rs.
28. STAFF WELFARE & OTHER ACCOUNTS			
Opening Balance		17,304,988	21,665,392
Received/(Paid) During the Year		(1,106,434)	(4,360,404)
		16,198,553	17,304,988
29. GOVERNMENT GRANT			
Treasury Grant	36.2.4.1	180,086,842,456	165,894,244,478
		180,086,842,456	165,894,244,478
30. CAPITAL GRANTS			
Foreign Grants	36.2.4.2	313,602,522,123	302,011,537,362
Local Grants		2,555,098,493	2,598,665,868
		316,157,620,616	304,610,203,230
31. LOAN PAYABLE			
Foreign Loans		224,435,806,677	203,244,488,124
Local Loans		17,565,078,557	24,900,918,477
Long term Portion of Loan Payable		242,000,885,234	228,145,406,601
Current Portion of Loan Payable		41,771,486,631	58,126,984,912
	31.1	283,772,371,865	286,272,391,512
32. OTHER DEFERRED LIABILITIES			
Provision for Defined Benefit Plan	32.1	5,478,385,379	5,478,385,379
Customer and Employee Security Deposits		53,188,840	28,101,778
		5,531,574,219	5,506,487,157
32.1 Movement of Retiring Gratuity Provision			
Balance at the Beginning of the Period		5,478,385,379	4,368,425,143
Add Provision for the Period		695,695,800	1,761,531,456
Less: Gratuity Payments During the Period		(695,695,800)	(651,571,220)
Provision for Defined Benefit Plan		5,478,385,379	5,478,385,379
33. TRADE AND OTHER PAYABLES			
Rechargeable Work - Customer Advances	36.2.5	4,659,497,429	3,999,427,446
Contractors Retention		11,197,757,721	14,664,004,197
Creditors Control	36.2.5	6,603,809,348	8,754,932,580
Other Creditors		247,624,461	207,571,444
Accrued Expenses		5,078,491,902	19,300,742,184
Refundable and Security Deposits		2,359,220,378	2,354,083,255
VAT Payable		705,961,490	896,631,529
With Holding Tax		444,046	746,868
Salaries and Other Payables	36.2.5	1,029,518,994	470,183,144
		31,882,325,769	50,648,322,647

The board has recognized a provision of Rs. 750 million payable dividends to the consolidated Fund. This amount is classified under Other Payables. Further, Rs. 200 million was paid to the consolidated fund as dividends for the year 2023 declared by the annual performance review meeting held in the year 2025.

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

31.1 Loan Details

Rs.

No.	Description	Balance As At 31.12.2025	Balance As At 31.12.2024
31.1.1	Bank Loans-NSB	25,350,000,000	28,010,000,000
31.1.2	Local bank Fully Funded Project Loans	36,998,565,076	44,472,990,658
31.1.3	Foreign bank Funded Project Loans	151,102,217,186	140,924,864,767
31.1.4	Counter Part Funded Project Loans- (Local Portion)	31,234,727,195	35,342,332,291
31.1.5	Treasury Settled Equity Convertible Loans	39,086,862,408	37,522,203,796
		283,772,371,865	286,272,391,512

31.1.1 Bank Loans-National Savings Bank

Rs.

Bank	Financed	NWSDB Liability %	Interest Rate	Balance As At 31.12.2025	Balance As At 31.12.2024
NSB I	Financed by Treasury	100%	AWPLR + 2.25% p.a.	11,875,000,000	13,125,000,000
NSB II	Financed by Treasury	100%	AWPLR + 2.25% p.a.	11,875,000,000	13,125,000,000
NSB II	Financed by Treasury	100%	AWPLR + 2.25% p.a.	1,600,000,000	1,760,000,000
				25,350,000,000	28,010,000,000

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

31.1.2 Local bank Fully Funded Project Loans

Rs.

Bank / Lending Institution	Project Name	NWSDB Liability %	Treasury Liability %	Interest Rate	Balance As At 31.12.2025	Balance As At 31.12.2024
PEOPLES BANK	Laggala New Town WSP	100%	-	AWPLR + 2.25%	1,826,746,131	1,836,601,062
PEOPLES BANK	Uragasmanhandiya , Gonainuwala , Weligama WSP	100%	-	AWPLR + 2.25%	137,280,988	232,519,084
PEOPLES BANK	Ettampitiya WSP	25%	75%	AWPLR + 2.25%	1,189,783,953	1,403,488,413
PEOPLES BANK	Giridara WSP	25%	75%	AWPLR + 2.10%	56,194,782	97,257,321
NSB	Benthota WSP	100%	-	AWPLR + 2.25%	331,618,504	426,366,649
NDB	Matara Stage IV WSP	25%	75%	AWPLR + 2.25%	11,342,926,890	12,477,219,578
NDB	Ampara Distribution Network WSP	100%	-	AWPLR + 2.25%	1,265,937,311	1,582,421,626
NDB	Wilgamuwa WSP	100%	-	AWPLR + 2.25%	1,042,832,163	1,230,813,597
HNB	Laggala New Town WSP	100%	-	AWPLR + 2.25%	1,018,942,604	1,182,426,944
DFCC	Ampara Distribution Network WSP	100%	-	AWPLR + 2.25%	1,311,142,014	1,638,927,518
DFCC	Galagedra / Mawathagama WSP	100%	-	AWPLR + 2.25%	1,709,214,647	2,019,980,946
CB	Ruhunupura WSS	100%	-	AWPLR + 2.25%	427,645,373	556,765,373
BOC	Ampara Distribution Network WSP	100%	-	AWPLR + 2.25%	572,471,479	715,979,074
BOC	Colombo City Water Supply Improvement Project - Phase 1	100%	-	AWPLR + 2.25%	-	2,386,429,002
BOC	Madirigiriya WSP	100%	-	AWPLR + 2.25%	1,089,517,247	1,167,339,907
BOC	Implementation of 22 WSP	100%	-	AWPLR + 2.25%	1,932,222,693	2,146,050,471
BOC	Package III	100%	-	AWPLR + 2.25%	5,377,562,382	5,991,693,543
BOC	Town East of Colombo District WSP - Package I	100%	-	AWPLR + 2.25%	3,355,001,908	3,678,126,908
BOC	Avissawella & Kosgama Intergrated WSP	100%	-	AWPLR + 2.25%	462,424,399	635,228,303
BOC	Town East of Colombo PACKAGE II	100%	-	AWPLR + 2.25%	2,292,603,163	2,594,038,643
BOC	Greater Ratnapura WSP	25%	75%	AWPLR + 2.25%	201,672,725	334,627,490
BOC	Uragasmanhandiya , Gonainuwala , Weligama WSP	100%	-	AWPLR + 2.25%	34,110,588	117,976,075
	UDA Project - ADB Loan				20,713,132	20,713,132
					36,998,565,076	44,472,990,659

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

31.1.3 Foreign bank Funded Project Loans

Rs.

Bank / Lending Institution	Project Name	NWSDB Liability %	Treasury Liability %	Interest Rate	Balance As At 31.12.2025	Balance As At 31.12.2024
Exim Bank of India	Polgahawela, Pothuhera and Alawwa Integrated WSP	25%	75%	Libor + 1.75%	19,451,298,269	18,062,923,785
China Development Bank Coporation	Gampaha, Attanagalla & Minuwangoda Integrated Water Supply Scheme	25%	75%	Libor + 2.95%	34,589,744,758	35,200,456,282
Exim Bank of India	Aluthgama, Mathugama and Agalawatta Integrated WSP	25%	75%	Libor + 1.75%	29,439,265,732	27,199,702,774
China Development Bank Coporation	Thambuttegama WSP	-	100%	Libor + 2.95%	11,834,846,615	12,043,801,051
China Development Bank Coporation	Katana WSP	25%	75%	Libor + 2.95%	14,374,932,501	13,604,722,750
12Mn ING BANK N.V.	Hemmathagama WSP	25%	75%	Euribor + 1.95%	19,909,538,254	15,715,910,203
70Mn ING BANK N.V.	Hemmathagama WSP	25%	75%	Euribor + 0.90%	6,408,174,143	6,408,174,143
Unicredit Bank Astria	Orugodawatta WSP	50%	50%	Euribor + 1.00%	15,094,416,914	12,689,173,779
					151,102,217,186	140,924,864,767

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

31.1.4 Counter Part Funded Project Loans- (Local Portion)

Rs.

Bank / Lending Institution	Project Name	NWSDB Liability %	Treasury Liability %	Interest Rate	Balance As At 31.12.2025	Balance As At 31.12.2024
BOC	Polgahawela, Pothuhera and Alawwa Integrated WSP	100%	-	AWPLR + 2.25% p.a.	1,493,901,795	1,765,520,304
BOC	Gampaha, Attanagalla & Minuwangoda Integrated WSP	100%	-	AWPLR + 2.25% p.a.	4,638,678,158	4,911,541,579
BOC	Aluthgama, Mathugama and Agalawatta Integrated WSP	100%	-	AWPLR + 2.25% p.a.	3,895,120,588	4,154,795,294
BOC	Kelani Right Bank WSP - Stage II	100%	-	AWPLR + 2.25% p.a.	4,840,105,180	5,041,776,229
BOC	Thambuttegama WSP	100%	-	AWPLR + 2.25% p.a.	2,770,166,768	2,915,965,019
BOC	Katana WSP	100%	-	AWPLR + 2.25% p.a.	1,114,128,664	1,262,679,153
HNB	Kelani Right Bank WSP- Stage II	100%	-	AWPLR + 2.25% p.a.	3,818,545,447	4,454,969,697
HNB	Greater Matale WSP	100%	-	AWPLR + 2.25% p.a.	1,976,776,247	2,336,190,117
People's Bank	Orugodawatta WSP	100%	-	AWPLR + 2.25% p.a.	-	975,677,508
People's Bank	Conterparty Finance for Several projects		100%	AWPLR + 2.25% p.a.	6,687,304,348	7,523,217,391
					31,234,727,195	35,342,332,291

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

31.1.5 Treasury Signed Equity Convertible Project Loans

Rs.

Bank / Lending Institution	Project Name	Treasury Liability %	Balance As At 31.12.2025	Balance As At 31.12.2024
ADB	ADB Fifth - Project	100%	904,570,300	904,570,300
ADB	Jaffna kilinochchi - Project	100%	1,761,201,252	1,761,201,252
ADB	Greater Colombo W W M- Project	100%	6,047,374,532	6,047,374,532
ADB	Greater Colombo W W M 11 - Project	100%	2,729,494,398	2,729,494,399
ADB	Anuradapura North 11 - Project	100%	81,386,611	81,386,611
ADB	Greater Colombo W W M - Project	100%	11,024,563,784	11,011,544,566
ADB	Waste W M Project (ADB IV)	100%	72,499,829	72,499,829
ADB	Jaffna kilinochchi WSP	100%	7,177,313,115	5,625,673,720
AFD	AFD Loan Contribution PRO2 - Project	100%	9,288,458,587	9,288,458,587
			39,086,862,408	37,522,203,796

31.1.6 Exchange Gain/ Loss - Foreign bank Funded Project Loans

Currency	Currency of the Loan	Exchange Rate Difference 31.12.2025	Total Exchange Gain/ (Loss)	
			31.12.2025	31.12.2024
Euro	Hemmathagama WSP	58.94	(4,193,628,051)	3,904,527,859
	Orugodawatta WSP	58.94	(2,405,243,136)	2,239,426,074
USD	Polgahawela, PAIWSS	16.82	(599,660,917)	1,931,605,743
	Gampaha, AMIWSS	2.89	(1,475,503,036)	2,372,292,133
	Aluthgama, MIWSS	16.82	(853,045,095)	1,745,202,584
	Katana WSP	16.82	(770,209,751)	1,283,594,578
	Retention - Aluthgama, MIWSS	16.82	(45,493,276)	(205,441,719)
	Retention - Polgahawela, PAIWSS	16.82	(429,447,506)	
	Retention/ Advance -Gampaha, Attanagalla & Minuwangoda Integrated Water Supply Scheme	16.82	43,788,881	
			(10,728,441,887)	13,271,207,251

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

34 RELATED PARTY TRANSACTIONS

Transactions with State and State Controlled Entities

The NWS&DB identifies individuals and entities as "related parties" where their connection may influence, or appear to influence, the Board's activities. This includes Board Directors, General Manager, Additional General Manager, and Key Management Personnel, as well as individuals who can influence decisions, approve contracts, or direct operations. Related parties also include those with close family members who may benefit from NWS&DB transactions, and those with ownership, directorship, or voting power in entities that transact with the NWS&DB. All related party transactions are conducted at arm's length.

34.1 Details of Board Members and Payments

Rs.

No	Name	Designation	Period Of The Position	Gross Payment In 2025	Gross Payment In 2024	Previous Employment In NWSDB
1	Eng. D.U Sumanasekara	Chairman	03.10.2024 to 31.05.2025	500,000	293,548	Retired as GM of NWSDB on 31.08.2019
2	Eng. A.M.P.C.T Bandara	Chairman	From 02.06.2025 to date	729,363	-	No
3	Mr. K.S.M de Silva	Board Member	From 12.01.2024 to date	316,935	375,000	No
4	Mrs. K.A.S Maheshika	Board Member	From 10.17.2022 to date	340,550	333,700	No
5	Eng.(Prof.) Tushara Char	Board Member	From 04.11.2024 to date	37,500	265,680	No
6	Mr. W.S.K Liyanagama	Board Member	2024.11.20 to 2025 September	25,000	75,000	No
7	Mr. B.A.T Rodrigo	Board Member	From 29.10.2025 to date	-	50,000	No
8	Mr. D.M.R Dissanayake	Board Member	2024.11.04 to 2025 September	51,344	312,836	No
9	Eng. R.M Upali Senarath	Board Member	From 07.11.2024 to date	26,358	227,716	Retired as CE of NWSDB on 20.10.2017
10	Dr. Chandanee Withana	Board Member	From 10.03.2025 to date	-	112,500	No
11	Mr. R.A.S Ranawaka	Observer	From 02.09.2025 to date	-	62,500	No
12	Eng. N.M.M Mariikkar	Observer	2022.12.13 to 2025 January	226,840	25,945	No
Total				2,253,890	2,134,425	

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

34.2 Key Management Personnel & Payments

Rs.

No	Name	Designation	Gross Benefits During Employment Period		Gross Post Employee Benefits	Gross Total Employment And Post Employment Benefits	
			2025	2024	2025	2025	2024
1	Eng. T. Barathithasan	General Manager	7,964,879	3,953,468	-	7,964,879	3,953,468
2	Eng. N. Suthesan	Addl. General Manager	5,742,010	6,082,535	6,607,508	12,349,518	6,082,535
3	Eng. W.G.C.L Weerasekara	Addl. General Manager	5,276,053	6,102,324	6,407,280	11,683,333	6,102,324
4	Mr. R.M.A.S Weerasena	Addl. General Manager	7,025,424	6,015,066	-	7,025,424	6,015,066
5	Eng.H.M.P.N Herath	Addl. General Manager	1,326,329	-	-	1,326,329	-
6	Eng. H.K.P.K Jinadasa	Addl. General Manager	1,430,384	-	-	1,430,384	-
7	Eng. S. L. Mohan	Addl. General Manager	1,578,999	-	-	1,578,999	-
8	Eng. D.V. Medawatte	Addl. General Manager	1,564,319	-	-	1,564,319	-
9	Eng. K. Pratheepan	Addl. General Manager	927,567	-	-	927,567	-
10	Eng. (Mrs.) S. Jayasingha	Addl. General Manager	910,865	-	-	910,865	-
11	Mr. M.A.S.S.K Chandrasiri	Addl. General Manager	854,014	-	-	854,014	-
12	Eng. K.G N.S. Kumara	Addl.General Manager	541,276		5,258,543	5,799,818	
			27,177,241	18,199,925	18,273,330	45,450,571	18,199,925

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

34.3 Related Party Transaction Declaration - Key Manage Board of Directors

Related party transaction declarations were obtained from all Board of Directors for the year ended 31 December 2025. The disclosures received are summarized in the following table:

No.	Name	Designation	Potential link to NWSDB								
			Close Family Members				Related Entities			Transactions/ Guarantees	
			Spouse	Children	Parents	Siblings	Entities Name	Ownership %	Nature of Involvement	Type	Value (LKR)
1	Eng. A M P C T Bandara	Chairman	No	No	No	No	No	No	No	No	No
2	Mr. B A T Rodrigo	Board Member	No	No	No	No	No	No	No	No	No
3	Eng.(Prof.) T Chaminda	Board Member	No	No	No	No	No	No	No	No	No
4	Eng.(Dr.) I.M.S. Bandara	Board Member	No	No	No	No	No	No	No	No	No
5	Mr. D.M.R Dissanayake	Board Member	No	No	No	No	No	No	No	No	No
6	Mr. S De Silve	Board Member	No	No	No	No	No	No	No	No	No
7	Ms. K.A.A. Maheshika	Board Member	No	No	No	No	No	No	No	No	No
8	Mr. R.M.S. Upali	Board Member	No	No	No	No	No	No	No	No	No
9	Mr. R.A.S Ranawaka	Observer	No	No	No	No	No	No	No	No	No

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

34.4 Related Party Transaction Declaration - Key Management Person

Related party transaction declarations were obtained from all Key Management Personnel for the year ended 31 December 2025. The disclosures received are summarized in the following table:

No.	Name	Designation	Potential link to NWSDB								
			Close Family Members				Related Entities			Transactions/ Guarantees	
			Spouse	Children	Parents	Siblings	Entities Name	Ownership %	Nature of Involvement	Type	Value (LKR)
1	Eng. T Barathithasan	General Manager	No	No	No	No	No	No	No	No	No
2	Eng. R M A S Weerasena	Addl GM(Finance)	No	No	No	No	No	No	No	No	No
3	Eng. (Mrs) S Jayasinghe	Addl GM(CAM)	No	No	No	No	No	No	No	No	No
4	Eng. H K P K Jinadasa	Addl GM(Water Reclamation)	No	No	No	No	No	No	No	No	No
5	Eng. H N P N Herath	Addl GM (E & S)	No	No	No	No	No	No	No	No	No
6	Eng. S L Mohan	Addl GM(Wetern)	No	No	No	No	No	No	No	No	No
7	Eng. D V Medawatta	Addl GM(WSP)	No	No	No	No	No	No	No	No	No
8	Eng. K Pratheepan	Addl GM(Centra/NW/ Saba)	No	No	No	No	No	No	No	No	No
9	Mr. MASSK Chandrasiri	Addl GM(H R M)	No	No	No	No	No	No	No	No	No
10	Eng. Lalith Wijesinghe	Addl GM(N/NC)-Covering	No	No	No	No	No	No	No	No	No
11	Eng. N R S Wickramasinghe	Addl GM(P & P)	No	No	No	No	No	No	No	No	No
12	Eng. E M K Ekanayaka	Addl GM(CS)	No	No	No	No	No	No	No	No	No

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

35 CONTINGENT LIABILITIES

All the material events after the balance sheet date have been considered and appropriate adjustments and disclosures have been made to the financial statement, where necessary.

Followings are existing court cases,

RS.

Nos	Case No	Date of Initial Filing	Court	Outside Party or Employee (Current/ Previous)	Current Status	Possible Outcome (Amount Payable)
1	DMR/5834/19	15/11/2019	District court Colombo	Outside party	Trial	(5,000,000)
2	34383/M	02/09/2020	District court Anurdhapura	Outside party	Trial	(600,000)
3	M/R/1207/23	30/10/2023	District court Theldeniya	Employee	Trial	(10,000,000)
4	M/9675	01/02/2017	District court Galle	Outside Party	Trial	(600,000)
5	486/24	24/10/2024	Appeal Court	Employee	Support	(10,818,935)
Total						(27,018,935)

Legal Cases – Recovery of Defrauded Amounts

- 35.1** NWSDB has obtained favourable District Court Judgments in three fraud-related cases for recovery of amounts totaling LKR 248.44 Mn (LKR 190.34 Mn, LKR 53.33 Mn, LKR 4.78 Mn). In Case No. 7156/M/2012 (LKR 190.34 Mn) the accused has expired and recovery is uncertain. In Case No. 7158/M/2012 (LKR 53.33 Mn) recovery is pending as the accused is currently imprisoned for another case. In Case No. 7157/M/2012 (LKR 4.78 Mn) the accused has agreed to settle the amount and recovery is in progress.
- 35.2** Indemnity liability of Rs.1,208 million recommended by the Committee appointed by the Mathara District Secretary to decide the indemnity for the farmers affected inundation due to the construction of Nilwala salinity barrier from 2019 to 2022 will be forwarded to the Cabinet of Ministers approval after obtaining the approval from the Board of Directors. This is not considered as a liability of NWSDB.

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

36 PRIOR YEAR ADJUSTMENTS

36.1 NWSDB assets were revalued by obtaining the service of the Department of Valuation in which NWSDB involves an immense assets base. Accordingly, the revalued amount of assets was taken to the books in the year 2010 and those values have been continuing as deemed the cost of PPE at present to which some adjustments were required retrospectively. Further, under the Assets Management System (AMS) implementation, some asset categorizations were amended in 2024. Hence, the net effect of Rs. 65,922,662 had been adjusted to the gross carrying amount of PPE, and Rs.1,269,291,781 had been adjusted for depreciation as of 31.12.2025 as follows.

36.1.1 Gross Carrying Amounts of PPE

Cost	Balance As at 31.12.2024 Rs.	Prior Year Adjustments Rs.	Restated Balance As at 31.12.2024 Rs.
Freehold Assets			
Land Freehold	8,803,937,282	(7)	8,803,937,275
Land Leasehold	669,739,955	(1)	669,739,954
Infrastructure	16,020,810,997	1,634,134	16,022,445,131
Building - Freehold	44,256,049,227	4,655,044	44,260,704,271
Structures	100,939,391,995	2,928,032	100,942,320,027
Plant & Equipment Pumping & Treatment	79,327,396,284	36,580,113	79,363,976,397
Service Meter	505,327	-	505,327
Bulk Water Meter	1,656,167,330	2,555,039	1,658,722,369
Transmission & Distribution	251,104,201,539	(5,911,150)	251,098,290,389
Mobile Equipment	2,162,629,467	1,006,478	2,163,635,945
Survey Equipment	186,399,608	70,008	186,469,616
Laboratory Equipment	1,608,406,440	1,933,194	1,610,339,634
Other Equipment	11,175,235,689	22,933,211	11,198,168,900
Furniture & Fittings-Computer	1,092,492,071	4,579,244	1,097,071,315
Computers & Peripherals	1,693,886,044	1,424,741	1,695,310,785
Motor Vehicles Cars	2,823,249,839	3,865,003	2,827,114,842
Van Busses & Jeeps	383,115,738	3,000,000	386,115,738
Lorries & Trucks	1,227,796,991	(11,038,000)	1,216,758,991
Tractors & Trailers	67,854,567	-	67,854,567
Water Bowsers, Heavy Vehicles	2,205,025,737	(4,274,470)	2,200,751,267
Motor Cycles	31,508,466	(17,951)	31,490,515
Three Wheelers	56,237,477	-	56,237,477
Total Value of Depreciable Assets	527,492,038,070	65,922,662	527,557,960,733

36.1.1.1 Prior Year Adjustments

Assets recognized/ derecognized recognised Prior Years	(16,275,789)
Depreciation adjustments for assets recognised last year (Restated)	82,198,452
	65,922,662

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

36.1.2 Accumulated Depreciation

	Balance As at 31.12.2024 Rs.	Prior Year Adjustments Rs.	Restated Balance As at 31.12.2024 Rs.
Infrastructure	2,142,015,660	69,259,485	2,211,275,145
Building - Freehold	4,758,441,436	13,919,922	4,772,361,358
Structures	11,957,616,676	(10,116,555)	11,947,500,121
Plant & Equipment Pumping & Treatment	24,613,617,071	161,292,662	24,774,909,732
Service Meter	77,611	-	77,611
Bulk Water Meter	739,953,230	34,450,673	774,403,903
Transmission & Distribution	25,532,652,960	731,631,090	26,264,284,050
Mobile Equipment's	1,095,687,318	35,373,908	1,131,061,226
Survey Equipment's	86,092,786	-	86,092,786
Laboratory	859,360,190	2,356,896	861,717,085
Other Equipment	4,803,764,794	243,241,259	5,047,006,053
Furniture & fittings-computer	579,521,268	-	579,521,268
Computers & Peripherals	1,206,592,637	15,266,654	1,221,859,291
Motor Vehicles Cars	2,195,548,791	5,863,376	2,201,412,168
Van Busses & Jeeps	339,028,223	492,265	339,520,488
Lorries & Trucks	617,270,279	(7,338,275)	609,932,004
Tractors & Trailers	49,394,325	-	49,394,325
Water Browsers, Heavy Vehicles	852,606,000	(25,648,741)	826,957,259
Motor Cycles	20,618,385	(796,486)	19,821,899
Three Wheelers	14,569,039	43,650	14,612,689
Total Value of Depreciation	82,464,428,680	1,269,291,781	83,733,720,461

36.1.2.1 Prior Year Adjustments

Depreciation adjustments for assets recognised Prior Years	913,009,668
Depreciation adjustments for assets recognised last year (Restated)	356,282,113
	1,269,291,781

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

36.2 In addition to the prior year adjustments for Property Plant & Equipment's, the following items also have been adjusted retrospectively.

	Balance As at 31.12.2024 Rs.	Prior Year Adjustments Rs.	Adjustments For 2024 Rs.	Restated Balance As at 31.12.2024 Rs.
36.2.1 GOVERNMENT EQUITY (Note 27)				
Loans to Equity Conversion	122,005,964,751	568,675,608	-	122,574,640,359
36.2.2 Assets/Capital Works in Progress (Note 17)				
Rehabilitation	9,372,240,899	(389,369,472)	5,559,359	8,988,430,786
Construction Work	454,093,151,382	8,095,408	-	454,101,246,789
Assets Recognized Derecognized	527,492,038,070	(16,275,789)	82,198,471	527,557,960,752
36.2.3 Inventories (Note 21)				
PVC Steel Pipes	12,949,485,142	3,375,246	3,166,081	12,956,026,469
Stock Adjustments	(171,994,123)	258,679,885	701,423	87,387,185
36.2.4 GRANTS				
36.2.4.1 Treasury Grant (Note 29)	165,914,054,166	(16,925,162)	(2,884,526)	165,894,244,478
36.2.4.2 Foreign Grants (Note 30)	310,413,323,947	(8,016,022,872)	(385,763,712)	302,011,537,362
36.2.5 Trade And Other Payable (Note 33)				
Rechargeable Work - Customer Advances	3,953,750,130	44,932,300	745,017	3,999,427,446
Creditors Control	8,764,774,551	(6,905,807)	(2,936,163)	8,754,932,580
Salaries and Other Payables	305,414,493	200,000,000	(35,231,349)	470,183,144
36.2.6 INVESTMENTS (Note 24)				
Financial Assets (Including rechargeable funded investments)	16,911,600,951	(3,792,000)	(2,040,000)	16,905,768,952
36.2.7 Trade And Other Receivable (Note 22)				
Trade Debtors	23,655,905,380	-	5,590,124	23,661,495,504
Other Debtors	555,333,856	1,438,460	-	556,772,316
Debtors Collection Control	(4,779,279,183)	2,799,948	-	(4,776,479,235)
36.2.8 Deposits & Advances (Note 23)				
Deposits	480,865,412	(1,023,129)	-	479,842,283
Mobilization and Other Advances	15,818,253,908	-	(25,120,137)	15,793,133,771
36.2.9 INTANGIBLE ASSETS (Note 16)				
Accumulated Amortization	327,776,375	(60,808,352)	(244,059,962)	22,908,061

National Water Supply & Drainage Board

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 December 2025

	Actual 2025 Rs.	Restated 2024 Rs.
37. Summarized Statement of Income		
Revenue		
Metered, Bulk Supply and Water Reclamation	78,659,954,278	78,683,912,013
New Connection and Others	5,858,951,404	5,342,616,350
Total	84,518,905,683	84,026,528,363
Cost of Sales		
Personnel Cost	9,773,296,724	9,649,852,809
Pumping Cost	7,189,115,264	11,461,542,855
Chemicals	2,193,314,971	2,780,865,623
Repairs & Maintenance	3,667,516,858	3,852,630,110
Establishment Expenses	1,470,829,785	1,519,341,147
Depreciation	4,851,616,628	4,838,122,967
Rent, Rates, Taxes, Security & Other Expenses	3,077,557,534	2,825,705,776
Rebates	329,314,632	297,748,583
Total	32,552,562,395	37,225,809,869
Gross Profit	51,966,343,288	46,800,718,494
Other Operating Income and Gains	1,808,215,807	1,994,122,352
Other Cost		
Administrative Expenses	(11,569,965,543)	(11,322,478,151)
Other Operating Expenses	(1,416,702,606)	(1,767,614,817)
Earning before Interest, Tax, Depreciation & Amortization (EBITDA)	45,887,415,685	40,547,209,571
Depreciation	(6,851,384,609)	(6,609,056,296)
Earning before Interest & Tax (EBIT)	39,036,031,076	33,938,153,275
Finance Income	3,057,762,686	2,273,301,157
Finance Cost	(10,489,698,055)	(12,378,826,389)
Profit / (Loss) Before Tax	31,604,095,707	23,832,628,042
Income Tax (Economic Service Charges)	-	-
Profit / (Loss) for the Year	31,604,095,707	23,832,628,042