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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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எனது இல.
My No.

PWR/A/CEB/FA/1/22/26

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Your No.

දිනය
திகதி
Date

30 September 2024



The Chairman
Ceylon Electricity Board

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ceylon Electricity Board for the year ended 31 December 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018

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


W.P.C. Wickramaratne

Auditor General

- Copies to: - 1. Secretary, Ministry of Finance, Economic Stabilization and National Policies
2. Secretary, Ministry of Power and Energy



GM / FM (SM)

03/10/2024





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Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Ceylon Electricity Board for the year ended 31 December 2023 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 Ceylon Electricity Board ("Board") for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018 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 2023, 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 Non-Compliance with Sri Lanka Accounting Standards (SLAS/SLFRS) and Accounting Policies

(a) LKAS 1 – Presentation of Financial Statements

- (i) Expenses of the Ceylon Electricity Board Employee Provident Fund (EPF) which was operated under the Board as a separate entity, amounting to Rs.54.44 million had been recognised as expenses of the Board in the income statement for the year under review in contrary to the definition and recognition criteria of Conceptual Framework for Financial Reporting in terms of the paragraph 15 of the standard.
- (ii) Receivable and payable balance each amounting to Rs.39,121.52 million relating to the sale of electricity transmitted by the transmission division to the distribution divisions had been identified and shown under current assets and current liabilities in the financial statements of the Board from this year contrary to the section 66 and 69 of the standard instead of considered as interdivisional transaction.
- (iii) Contrary to the paragraph 69 of the standard, the debit balance of stock adjustment account amounting to Rs.448.66 million had been shown under other debtors and the credit balance of stock adjustment account amounting to Rs.424.19 million had been shown under trade & other payables instead of showing under the balance of Inventory. Further, out of the above stock adjustment balances, debit balance relating to stock shortage amounting to Rs.138.52 million and a credit balance relating to stock excess amounting to Rs.128.1 million had been remained in the Stock Adjustment Account for more than one year without being cleared.

(b) LKAS 2 – Inventories, and LKAS 16 – Property, Plant and Equipment

The Board had applied the standard cost method for valuing overhead costs of its capital and maintenance jobs, instead of being applied the actual costs in line with the requirements of the above Standards. As a result, it was revealed that there were favourable overhead rate and material price variances aggregating to Rs.3,166.1 million and Rs.15,897.9 million respectively. And also, there was an

unfavourable stores price variance aggregating to Rs. 5,592.4 million. Accordingly, the impact occurred thereon to the operating results, assets and equity in the financial statements could not be properly ascertained due to required information relating to those jobs were not made available to audit.

(c) LKAS 8 – Accounting Policies, Changes in Accounting Estimates and errors

- (i) As per the paragraph 51 of the Sri Lanka Accounting Standard on Property, Plant & Equipment (LKAS 16), the useful life of the asset shall be reviewed at least at each financial year end and if expectations differ from previous estimates, the changes shall be accounted in accordance with LKAS 08. However, useful lives of the fully depreciated assets with a cost of Rs.214,809 million as at the end of the year under review, which are still in use, had not been reviewed and accounted accordingly.
- (ii) A sum of Rs.209.68 million had been charged by Public Utilities Commission of Sri Lanka as annual regulatory levy for the previous year. However, Board had accounted only a sum of Rs.167.25 for the year 2022 and the difference of Rs.42.43 million had been accounted as an expense of the year under review without being adjusted retrospectively in terms of the Section 41 and 42 of the standard. Hence, the profit for the year under review had been understated and retained loss at the beginning of the year under review had been overstated by similar amount.

(d) LKAS 10 – Events after the Reporting Period

According to the Cabinet decision taken on 01 January 2024, the Board of Directors of Ceylon Electricity Board at the meeting held on 01 February 2024 has decided to transfer 28 of 63 per cent share capital of LTL Holdings (Pvt) Limited for the settlement of part of the dues to the West Coast (Pvt) Limited by the Electricity Board. Accordingly, 919,517,200 numbers of shares were transferred to Westcoast Private Limited by LTL Holdings Private Limited on 07 February 2024 for a consideration of Rs.26,081.16 million. Due to this transaction, the stake of the Board in LTL Holdings (Pvt) Limited had been reduced from 63 per cent to 35 per cent and hence the Board had lost the control

of LTL Holding (Pvt) Limited. However, the relevant disclosures in this regard had not been made in the financial statements for the year under review in terms of the Section 21 and 22 of the standard.

(e) LKAS 12 – Income Tax

As per the Default Tax Report of the Board as at 31 December 2023, the amount payable as taxes and penalty for corporate income tax, PAYE tax and Value added tax from the year of assessments 2015/2016 to the end of the year 2022 was Rs.36.62 million, Rs.665.11 million and Rs.97.5 million respectively. However, a final determination had not been received for those taxes at the end of the year even though appeals have been lodged by the Board. Nevertheless, it had not been disclosed in the financial statements of the Board for the year under review in terms of the Section 88 of the Sri Lanka Accounting Standard on Income Tax (LKAS 12).

(f) LKAS 21 - The effects of changes in Foreign Exchange Rates

- (i) In terms of Section 23 (a) of the standard, foreign currency monetary items shall be translated using the closing rate at the end of the reporting period. However, the Board had not translated the value of six foreign currency denominated loans in relation to four projects obtained directly by the Board using the closing exchange rates that had been used to translate foreign currency monetary assets prevailed at the end of the year. Accordingly, as per the balance confirmations received for above loans it was observed that interest bearing loan balance at the end of the year under review had been overstated and profit for the year had been understated by Rs.1,847.9 million approximately.
- (ii) As per the Cabinet decision No. 21/1920/317/051 dated 16 November 2021 taken with respect to the cabinet memorandum dated 24 October 2021 submitted by the Minister of Irrigation on, it was decided to pay the claim amounting to USD 38.612 million to the contractor for the unexpected delays in Uma Oya Multi Purpose Development Project and this additional payment to be financed by the Board by considering the income generated through this project to the Board. Further, it was decided to pay 50 per cent initially and

balance 50 per cent to be paid after the expiration of the defect liability period. However, as per the books of accounts of the Board, a sum of Rs.6,227.3 million equivalent to the 50 per cent of total delay charge had only been accounted at the end of the year under review and no provision had been made even at the end of the year in terms of the Section 14 of SLAS 37 for the balance USD 19.306 million.

(g) SLFRS 09 - Financial Instruments

- (i) Even though the Board had introduced a specific approach and methodology to recognise the expected credit loss of trade debtors, no such approach and methodology had been introduced for other receivables which include sundry debtors, dues from sacred places etc. Accordingly, a sum of Rs.213.49 million and Rs.118.54 million had remained outstanding on other debtors over 1 to 5 years in distribution division 01 and 04 respectively. However, an amount equivalent to Rs.102.01 million and Rs.59.87 million had only been provided for impairment provision. Further, no provision had been made for balance outstanding over one year in distribution division 02 and 03 amounting to Rs.142.37 million and Rs.107.99 million respectively. Similarly for other receivables outstanding more than five years amounting to Rs.341.32 million, an amount equivalent to Rs.74.35 million had only been provided for impairment without recognising the expected credit loss properly. Due to these observations, the accuracy of carrying value of financial assets in the financial statement cannot be ascertained in audit.
- (ii) The Economic Service Charges (ESC) amounting to Rs. 3,914 million paid from the year of assessment 2016/17 to 2019/20 had exceeded the claimable period of two years at the end of the year. However, it had not been recognised as expenses in the statements of comprehensive income. Instead of that impairment provision of Rs.3,914 million had been made in the financial statements. However, it was observed that the receivable balance of ESC shown in the financial statements does not meet the definition of financial assets in terms provisions of the standard.

1.2.2 Accounting Deficiencies

- (a) According to the valuation given by the internal valuation team of the Board, the transformers removed from corporate division of distribution division 04 in the year 2016 have been debited and credited to stocks and other payables respectively in the books of accounts for the year under review by Rs.826.6 million. However, the respective cost and accumulated depreciation of those transformers had not been removed from the books of accounts and hence impact to the financial statements could not be ascertained during the audit due to lack of information.
- (b) The old coal stock as at 15 September 2023 was calculated from the survey conducted by the board of verification. Remaining thermal coal stock at coal yard as at 15 September 2023 was measured using the above calculated old coal stock and it was negative balance of 14,964.71 MT due to deaf coal stock exceeded the old coal stock calculated. Therefore, remaining thermal coal stock at coal yard as at 15 September 2023 should have been considered at least as zero. Accordingly, thermal coal stock shortage should be taken as 9,286.37 MT after considering remaining coal stock at Bunkers and new coal unloaded. However, thermal coal stock shortage of 24,251 MT valued at Rs.1,778.6 million had been charged to the income statements for the year under review considering the above negative balance of coal stock. Accordingly as per the calculations made by audit profit for the year under review and coal stock had been understated by Rs.924.3 million.
- (c) Revenue from Energy Sales to Lanka Electricity Company (Pvt) Ltd (LECO) for the year under review was understated by Rs.1,120.1 million due to not accounting or making any provision for Unit Price National Tariff Adjustment (UNT) estimates for third and fourth quarter 2023. Hence, profit for the year under review was understated by same amount.
- (d) A number of 8,574 of completed jobs valued at Rs.18,244.7 million had remained in work in progress account without being capitalised. However, the impact to the profit for the year under review and the retained earnings due to not making provision for depreciation could not be ascertained due to lack of information. Further, as per the random check conducted, it was observed that two jobs in the

Construction section (Southern Province 2) valued at 2.98 million, cost incurred on Ja-Ela Area Engineer Office amounting to Rs.113.99 million and cost incurred on construction of three buildings and Kataragama Street Lighting (KSTS) amounting to Rs.135.61 million in distribution division 04 had not been capitalised even at the end of the year even though all of above constructions had already been completed and utilised by the Board. Further, out of the above work in progress balance, a sum of Rs.40.15 million had remained in distribution division 04 for more than 5 years as jobs done using Ministry funds. However, action had not been taken to clear them even at the end of the year under review and details of them were not submitted to audit.

- (e) Total work in progress balance in distribution division 01, 02 and 03 had been understated by Rs.93.7 million due to offsetting of abnormal credit balances relating to 122 jobs without being cleared.
- (f) Six vehicles worth of Rs.124.30 million purchased for the Puttalam Coal Power Project (Phase ii) had not been capitalised even after the completion of the Project in 2014, and instead, that amount had been included in work in progress accounts. Further, no action had been taken to take over and keep the custody of these six vehicles and another 11 vehicles of Puttalam Coal Power Project (Phase i) to the Board even though cost of these vehicles had already been included in the cost of respective Projects.
- (g) Goods in transit balance amounting to Rs.113.87 million had remained in the books of accounts for over one year without being taken proper action to investigate and clear. Out of the total goods in transit balance of Rs.129.52 million in distribution division 01, a sum of Rs.34.56 million had represented stock with suppliers remained more than 5 years. Further, out of the goods in transit balance of Rs.432.3 million in distribution division 02, a sum of Rs.142.61 million or 33 per cent represent the value of unserviceable aluminium stock (918,830 Kg) that had been issued to Sri Lanka Energies (Pvt) Ltd and had remained approximately 2 years period. However, it had not being accounted as receivable balance from that company to the Board in terms of the provisions of the circular No.2021/GM/40/DCC dated 23 September 2021.

- (h) The Board had established a Project Management Unit for the Lakvijaya Power Plant Extension Project as per Cabinet Decision No. 19/2622/113/074 dated 24 September 2019. Subsequently the Board of Directors had taken a decision to close down the Project on 26 October 2021 based on the Government policy taken on 13 September 2021 by the Cabinet of Ministers even after spending a sum of Rs.167.31 million on that Project. However, a sum of 167.62 million had remained under the Capital Work in Progress as at 31 December 2023 without being charged against the profit of the year.
- (i) Value of 03 vehicles owned by the Board and accumulated depreciations thereon had not been recorded in the assets register of Lakvijaya Power Station, and as a result, it had not been included in the financial statements of the Board.
- (j) Dam Works valued at Rs.34,386.77 million had been shown under the civil works of Property Plant and Equipment of Mahaweli Complex. However, the accuracy of the said amount and ownership of the respective assets to the Board could not be verified in the Audit.

1.2.3 Un-reconciled Differences

- (a) As per the bank balance confirmation received from Peoples' Bank with respect to the loan outstanding balance of Broadland Hydro Power Project, a sum of Rs.5,444.76 million had been shown as the outstanding amount. However, as per the records of the Board, it was Rs.5,494.76 million and hence a difference of Rs.50 million was observed. Further as per the bank balance confirmation received from Asian Development Bank with respect to the loan outstanding balance of Supporting Electricity Supply Reliability Improvement Project, a sum of 57,338,901 USD had been shown as the outstanding amount. However, as per the records of the Board, it was 57,989,633 USD and hence a difference of 650,732 USD was observed.
- (b) According to the financial statements of the Company for the year under review amount payable to Ceylon Petroleum Corporation (CPC) was Rs. 308.1 million. However, as per the financial statements of the CPC, the corresponding receivable

balance was Rs. 3,529.6 million and difference of Rs. 3,221.5 million was observed.

However, reconciliation had not been prepared by the Board to identify the reasons for differences.

- (c) An unidentified debtor balance of Rs.423.76 million had remained outstanding since 2012 in distribution division 1. However, out of that, a sum of Rs.185.41 million had been transferred to debtors control accounts, other liability account etc. of distribution divisions from 2015 to 2023 without investigating and adjusting to the individual debtors accounts affected.
- (d) Collection Control Account had a debit balance of Rs.378.39 million and a credit balance of Rs.2,204.57 million as at 31 December 2023. However, reconciliation of unsettled debit balances of Rs.230.07 million and credit balance of Rs.465.81 million were not made available for audit. Hence, the accuracy of the Collection Control Account balances could not be satisfactorily verified in audit. Further it was observed that an unidentified opening debit balance of Rs.12.75 million in headquarters had remained more than 5 years and opening credit balance of Rs.95.27 million in WPS (ii) and Sabaragamuwa Province had remained in the same account for more than 1 year without being taken proper action to settle.
- (e) A sum of Rs.75.27 million collected during the period from 1998 to 2023 from debtors had been included in the suspense account of distribution divisions without being taken proper action to clear.
- (f) An aggregate difference of Rs.94.71 million was observed with regard to the balance receivables from five government institutions in respect of the jobs carried out by the Asset Management Division of the Board. However, action had not been taken to reconcile the balances with the relevant Government Institutions.
- (g) Differences aggregating to Rs.2,040.55 million and Rs.2,915.74 million in receivable from related parties and payable to related parties respectively were observed between the books of accounts of the Board and the corresponding figures shown in the financial statements of the respective companies.

1.2.4 Lack of Evidence for Audit

Balance confirmations on Lease Creditors amounting to Rs.39.8 million had not been furnished to audit.

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 opinion.

1.3 Other information included in the Board's 2023 Annual Report

The other information comprises the information included in the Board's 2023 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

Based on the work I have performed on the other information (draft annual report) that I have obtained prior to the date of this report auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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

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

In preparing the financial statements, management is responsible for assessing the 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 scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 following requirements.

2.1.1 Except for the effects of the matters described in the basis for Qualified Opinion section of my report, I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the 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 except the audit matters of 1.2.1(a)(i), a(iii), b, (c)(i), f, (g) (i), 1.2.2 (d), (e), (f), (h), (j), 1.2.3(b), (c), (d), (e) described in the basis for Qualified Opinion section of my report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

2.2 Based on the procedures performed and evidence obtained which 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 cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.

2.2.2 To state that the 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 Law/ Direction

Non Compliance

(a) Section 7(1) and 43(1) of Sri Lanka Electricity Act, No. 20 of 2009 as amended.	Without obtaining the authorization from the regulator, 27.31 Gwh of energy valued at Rs. 2,957.3 million had been purchased from two generation license expired retired Independent Power Producers during the year
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under review.

- (b) Operational Manual for State Owned Enterprises of Department of Public Enterprises dated 17 November 2021.

(i)Section 3.5

The Ministry of Power and Energy should reimburse an amount of Rs.288.66 million to the Board for the employees released from the year 2020 to 2023. Apart from that, a sum of Rs.24 million had been incurred by the Board as salaries and allowances of an officer released from the Board from the year 2014 to 2023 who is performing duties as General Manager of Sri Lanka Energies (Pvt) Ltd.

(ii)Section 7.7

A Subsidiary Reviewing Policy had not been established by the Board of Directors even at the end of April 2024 even though Board of Directors has a fiduciary duty to discuss the performance of the subsidiaries at least quarterly.

- (c) Section 17 of the Part V of the Social Security Contribution Levy Act, No.25 of 2022

The Social Security Contribution Levy (SSCL) amounting to Rs.1,224.1 million charged on the supply of electricity to the Lanka Electricity Company Limited from the fourth quarter of the year 2022 to August 2023 had not been remitted to the Department of Inland Revenue even at the end of May 2024.

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, except for;

- (a) Cabinet Memorandum No. 07/1955/332/045 dated 31 October 2007 submitted by the Minister of Power and Energy on “Payment of Allowances to Employees of the

Ceylon Electricity Board” was considered along with the Report of the National Salaries and Cadres Commission dated 31 March 2008 by the Cabinet of Ministers on 09 April 2008 and approval was granted to implement the recommendations of the Committee appointed for the purpose, subject to the conditions stipulated by the National Salaries and Cadres Commission in its report dated 31 March 2008. The following observations are made in this regard.

- i. Without obtaining the approval of Salaries and Cadres Commission and the Department of Management Services, a sum of Rs. 507.47 million had been paid as 11 types of allowances not included in the list of allowances approved by the Cabinet of Ministers on 09 April 2008 during the first nine months of the year under review.
 - ii. The exodus allowance should not be paid to the officers who are entitled to the professional allowance. However, contrary to that a sum of Rs.99.85 million had been paid as exodus allowance for 517 officers during the first 10 months of the year under review.
 - iii. As per the random test check carried out, it was observed that officers appointed to a post are also paid allowances for performing the duties of that post.
 - iv. Contrary to above Cabinet decision, no performance based incentive scheme had been introduced for officers recruited after 01 April 2008 even at the end of the year under review.
- (b) Without the approval of the General Treasury, the board had reimbursed 2/3 of the interest charged on property loans taken by employees under the subsidized housing loan scheme. The interest amount reimbursed from the year 2013 to 2023 was Rs.16,789.5 million.
- (c) According to Section 24(1)(c) of the Sri Lanka Electricity Act, No. 20 of 2009, as amended, the Board must ensure there is sufficient capacity from generation plants to meet reasonable forecasted electricity demand. In line with the Least Cost Long Term Generation Expansion Plan for 2018–2037, 2,032 MW of new generation capacity was planned for implementation between 2018 and 2021. However, only 661.6 MW of power plants were commissioned during that period. The Least Cost Long Term

Generation Expansion Plan for 2022–2041 included plans for 544 MW of renewable energy capacity additions in 2022, but only 211 MW of new renewable energy power plants were commissioned that year. Additionally, the approved Least Cost Long Term Generation Expansion Plan for 2023–2042 aimed to commission power plants with a total capacity of 607 MW in 2023; however, only 185.6 MW had been commissioned by 31 December 2023. Consequently, the implementation of the new generation plans was significantly below target, and the goal of providing a least-cost power supply was not achieved. As a result, 27.31 GWh of energy, valued at Rs. 2,957.3 million, had to be purchased as additional power during the review year, with an average cost per unit of Rs. 108.29. In comparison, the overall average cost per unit and the average cost of power purchased from the West Coast Power Plant were Rs. 40.92 and Rs. 68.29, respectively.

(d) Procurement of 100MW of Supplementary Power on Short Term basis

- (i) The Cabinet of Ministers declared an emergency on 7 August 2023, to release water from the Samanalawewa Reservoir for irrigation and approved the procurement of 100 MW of supplementary power for 4 to 6 months. Following this, the Public Utilities Commission authorized the procurement of an additional 100 MW capacity starting 18 August 2023. The Ceylon Electricity Board (CEB) signed Power Purchase Agreements with ACE Power Matara (23.75 MW) and ACE Power Embilipitiya (93 MW). However, it was noted that the total procurement amounted to 116.75 MW, exceeding the initially approved limit.
- (ii) PUCSL approval for the above supplementary power purchases under section 43(7) of Sri Lanka Electricity Act No. 20 of 2009 as amended had not been granted, due to procured generation capacity addition was exceeded the approved generation capacity addition (the letter No.PUC/LIC/2023/TL/21 dated 09 October 2023 sent by Director General of PUCSL) and the signed Power Purchase Agreement between CEB and ACE Power Embilipitiya (Pvt) Ltd had been submitted to PUCSL instead of being submitted the draft Power Purchase Agreement for the approval of PUCSL as per the Section 43(5) of Sri Lanka Electricity Act No. 20 of 2009 as amended. (the letter No.PUC/LIC/2023/TL/17 dated 02 October 2023 sent by Director General of PUCSL). Accordingly, the

license for generating electricity under Section 13 of Sri Lanka Electricity Act No. 20 of 2009 as amended had not been issued to the ACE Power Matara Power Plant and ACE Power Embilipitiya Power Plant by PUCSL.

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) The contract for constructing the board's headquarters was initially awarded on 22 October 2012, but due to the contractor's poor performance, it was re-awarded on 2 August 2021, for Rs. 4,774.6 million, with a completion date set for 15 August 2023. However, on 29 August 2023, the board decided to terminate the contract based on instructions from the Minister of Power. As of 31 July 2024, the contract had not been terminated, despite the contractor suspending work in August 2023. A substantial completion certificate was issued for a reduced scope of work on 16 October 2023, while the project's physical progress stood at only 13.9%. Consequently, Rs. 1,484.9 million spent on the project became idle.
- (b) The Seethawaka Ganga Hydropower Project, identified in the Board's Master Generation Plan in 1988, was set to be commissioned by 2022. Initially managed by Sri Lanka Energies (Pvt) Ltd, it was later transferred to the Board after incurring Rs. 1.3 million in preliminary expenses. By 30 September 2021, the Board had spent Rs. 301.19 million on preliminary activities but ultimately decided to wind up the project and transfer it back to Sri Lanka Energies (Pvt) Ltd to develop two mini hydro plants of 7 MW. This decision rendered the Board's expenditures uneconomical, and no efforts were made to recover these costs or account for them appropriately.
- (c) The eighteen (18) lands had been purchased at a cost of Rs.188.38 million for project activities, for the construction of regional engineer offices, consumer service centres and Grid Substations during the period from 2000 had not been utilized for the expected purposes even at the end of the year 2023. Out of those

lands, four (4) lands valued at Rs.36.48 million had not been recorded in the fixed asset registers of the distribution division 01, 02 and 04. Further, as per the random audit test check it was observed that the Board had failed to complete the acquisition activities of ten lands acquired for the various construction activities even though over 6 years had been passed after publishing the relevant Gazette Notifications.

- (d) As per the Electricity (Amendment) Act, No. 16 of 2022, the requirement to submit a tender on the publication of a notice shall not be applicable in respect of any new generation plant or to the expansion of any existing generation plant that is being developed or to be developed on a permit issued by the Sri Lanka Sustainable Energy Authority (SLSEA) for the generation of electricity through renewable energy sources. However, out of the projects with aggregating capacity of 598 MW forwarded to the Board by SLSEA during the year 2022, power plants with aggregating capacity of 4 MW had only been commissioned up to 31 December 2023.
- (e) The Generations constraints and Transmission Network constraints of the Southern Grid had been highlighted by CEB since 2016, when requesting the approval from the PUCSL for procuring emergency power. However, Polpitiya – Hambanthota 220 kV, 150km Transmission Line which was proposed to strengthen the Southern Grid had been energized on 22 August 2023 with a delay 2 years and 7 months. Also, Horana – Padukka 132kV, 25 km Transmission Line which was expected to be completed on 20 April 2022 and Kotmale – New Polpitiya, 220kv Transmission Line which was expected to be completed on 01 April 2021 to strengthen the Southern Grid had not been completed even at the end of the year under review. The physical progress of these projects as at 31 December 2023 was only 51.15 percent and 59 percent respectively. Further, the contract of Kotmale – New Polpitiya project had been terminated.
- (f) Due to delay in making payments on time, a sum of Rs.16,320 million and Rs.5,620.6 million had been incurred as delay interest on power purchases and fuel purchase (CPC) respectively during the year under review. Further, an

amount equivalent to Rs.10.33 million had also been incurred for the year under review as default interest due to delay in repayment of loan instalments by the Board in respect of local bank loans.

- (g) Due to the matters such as delay in implementation of the Least Cost Long Term Generation Expansion Plans, delay in implementations of NCRE projects, emergency power purchase without approval of the PUCSL, significant increase in the number of permanent employees of the CEB in 2016, unauthorized benefits made or being made to the CEB employees etc. the Board had to obtained short term loans and long-term loans for the procurement of oil, coal and spares, payment for the power purchases and capital expenses of the Board. As a result, the Board had to incur a sum of Rs.36,873.4 million as interest expenses during the year under review.
- (h) Procurement procedure should be followed for Non-Conventional Renewable Energy (NCRE) projects after 6 August 2013 as per the Sri Lanka Electricity Act, No. 20 of 2009 as amended. However, only 7 procurements for NCRE projects with aggregating capacity of 390 MW had been initiated up to 31 December 2021 by following procurement procedure and out of the said capacity, power plants with aggregating capacity of 102 MW had only been commissioned up to 31 December 2023.
- (i) The avoided cost-based tariff was introduced for Non-Conventional Renewable Energy (NCRE) projects before the year 2000. This tariff now applies only to NCRE projects approved before 2007, with 28 such projects currently in operation. The avoided cost method is based on thermal plant dispatch and varies according to fuel costs. According to letter No. DGM/SYC/TCH/41 from the DGM (System Control) dated January 16, 2020, the actual unit cost for hydro plants should be less than Rs. 10.00, even for new plants. However, the avoided cost method determined rates for mini hydro plants in 2023 at Rs. 25.09 for the wet season and Rs. 28.46 for the dry season. In comparison, the average CEB hydro cost per unit for the year was Rs. 3.52. Despite a Board decision on 16 August 2022, no actions were taken to apply a reasonable ceiling price for mini hydro plants based on the avoided cost method by the end of the review year.

- (j) With respect of three foreign funded projects with the aggregated estimated cost of Rs.32,719.06 million, a considerable delay ranging from 26 to 70 months was observed from the scheduled completion date to the end of the year under review. It was further observed that the said projects had not been completed within the first extension granted to the contractors and the physical progress as at the end of the year under review was ranging from 60 percent to 99.7 percent.

2.3 Other Matters

- (a) Trade debtor balance as at 31 December 2023 was Rs. 70,019.1 million. Out of that, a sum of Rs.6,181 million had remained outstanding over 6 months as at 31 December 2023. Further, a sum of Rs.2,252.2 million had remained outstanding over 5 years. The provision for impairment of trade debtors made by the board as at 31 December 2023 was Rs.4,625.9 million. Following further observations are made in this regard.
- Out of the above total debtor balance, a sum of Rs.2,773.3 million had been categorised and transferred to finalised debtors balance (inactive debtors) due to not recovering outstanding for long period and out of which, Rs.1,106.6 million was related to the distribution division 01.
 - Out of the finalised debtors in distribution divisions, a sum of Rs.1,983.3 million had remained outstanding for over 3 years period. Out of that, Rs.927.8 million represents finalised debtors in distribution division 01.
 - Out of finalised ordinary supply debtors of Rs.104.39 million in DGM (Southern Province 02) in relation to 41,441 connections, a sum of Rs.33.65 million had remained outstanding for over one year. Further, it was observed that out of above connections a sum of Rs.10.98 million had remained as credit balances in relation to 13,549 connections. However, action had not been taken to clear them in terms of the Circular DCC/COM/03/2009 of the Board. Apart from that it was observed that new connections had been given to finalized customers without taking action to recover the previous outstanding balances.
 - As per the audit test check conducted in relation to the outstanding debtors of Eastern, Northern and Sabaragamuwa province as at 31 October 2023, it was observed that action had not been taken to recover the outstanding balances of

Rs.39.65 million due from 357 number of customers whose bills were over Rs.50,000 and remained over one year.

- v. As per the audit test check, 46 electricity supply connections accounts given to quarters of parliamentary representatives had been categorised as finalized (inactive) debtors at the end of the year under review due to non-payment of outstanding electricity bills amounting to Rs.12.21 million for a long period. Out of that, a sum of Rs.11.66 million had remained outstanding for over one year and a sum of Rs.5.29 million had remained outstanding for over five years without being recovered.
- (b) Other debtors balance as at the end of the year under review was Rs.24,327.1 million. Following observations are made further in this regard.
- i. A sum of Rs.256.91 million had remained outstanding from sacred places on the supply of electricity at the end of the year under review. Out of that, a sum of Rs.70.14 million had remained outstanding for over five years without being recovered. Further, a sum of Rs.42.5 million due from sacred places with aging for over 5 years relating to the distribution division 01. Further, in relation to the Hambanthota regional engineer office, it was observed that some of the temporary connections had been given without obtaining security deposit or estimated fee contrary to the Guideline issued by Additional General Manager (DD 04) on 26 April 2010 with regard to the procedure to be followed on temporary connections.
- ii. Sundry debtors included in other debtors amounting to Rs.3,261.9 million had remained outstanding as at 31 December 2023. Out of that, a sum of Rs.677.59 million had remained outstanding for over one year and a sum of Rs.329.38 million had remained outstanding for over five years. Out of over five years receivable balances, a sum of Rs.14.34 million, Rs.155.61 million and Rs.2.66 million had remained receivable from consumer bulb loan, temporally electric supply for institutions and cash shortage of Colombo city revenue counter in the year of 2013 respectively. However, no action had been taken to recover them even at the end of the year under review.

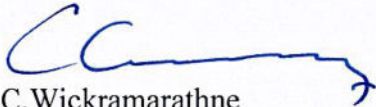
- iii. Stock shortages aggregated to Rs.65.81 million relating to all distribution divisions, generation division and asset management division had remained in sundry debtors for over 1 year and out of that stock shortage amounting to Rs.34.15 million related to Lakvijaya Power Plant in Generation division which had remained unsettled for over 5 years. Further, out of the above stock shortages, a sum of Rs.31.66 million had been identified with the responsible officers. Nevertheless, the recovery actions had been taken only for stock losses worth of Rs.2.8 million.
- iv. A sum of Rs.435.52 million had remained outstanding from 99 government institutions for the supply of lifts, air conditioners and power generators by the asset management Division of the board as at 31 December 2023. Out of that, a sum of Rs.153.03 million and a sum of Rs.83.41 million had remained outstanding for over one year and five years respectively without being recovered. Further, a sum of Rs.110.5 million had only been made as provision for impairment at the end of the year under review.
- v. A sum of Rs. 714.96 million due from Lanka Coal Company through Taurian Iron and Steel Company and Liberty Commodities Ltd had remained outstanding for over six years without being recovered.
- vi. A sum of Rs.241.72 million had remained outstanding from temporary electricity connections given by the Board as at 31 December 2023. Out of that Rs.189.67 million had remained outstanding for over one year for temporary electricity connections given to government institutions by Colombo city province.
- (c) A sum of Rs.1,270.8 million in relation to Deemed Dividend Tax for the year of assessment 2013/14 had not been settled to the Department of Inland Revenue even by the end of the year under review.
- (d) As per the report of the Chief Internal Auditor of the board, it was observed that the board had to incur an approximate loss of Rs.262.6 million to purchase additional private electricity as a result of releasing water in Randenigala & Rantambe reservoirs without generating electricity due to trade union action in 2022. However, no action had been taken to recover the loss from the responsible

officers even at the end of the year. Further, it was observed that a committee had been appointed by the board of directors on 25 July 2022 and the report had been submitted on 16 November 2022 and on 08 December 2022. However, the board of directors had rejected the report and appointed a new committee on 22 February 2023. Although, the committee had submitted their report to the board of directors on 22 November 2023, the recommendations made by the committee had not been implemented even by the end of May 2024. A sum of Rs.1.23 million had been paid by the board for the members of the above two committees.

- (e) As per the provisions in the draft collective agreement, the board had increased employee salaries by 25 per cent in the year 2021 based on the decision taken by the board of directors on 15 June 2021 in terms of Cabinet Decision 21/0786/318/025 dated 10 May 2021. Accordingly the personnel expenses had been increased approximately by Rs.9,629.9 million in 2021, Rs.6,725.9 million in 2022 and Rs.8,354.7 million in 2023 respectively compared to 2020.
- (f) The following observations are included in the Performance Audit report on Purchasing Containerized Mobile Diesel Generators with an estimated cost of Rs.3,000 million and the amount paid by the board to the contractor as at 31 August 2023 including 10 per cent advance of the contract value of Rs.2,373.32 million. The report had been tabled in parliament on 13 October 2023.
- (i) The bidding documents approved by the Technical Evaluation Committee (TEC) appointed by the Department of Public Finance and the Standing Cabinet Appointed Procurement Committee (SCAPC) for commencement of procurements for purchase of the aforesaid generators, has been additionally revised in two instances considering the requests of the bidders. The TEC had notified the Procurement Committee to refrain from making revisions in the conditions maintaining the quality of generators mentioned in the bidding documents as per the requests made by the bidders.
- (ii) Despite the recommendations made by the TEC, the contract had been awarded to the bidder who had not fill the requirements of the section 23(b) and 23(d) of the special conditions in the bidding documents and non-comply with the

percentage of sulphur contained in the fuel with the percentage of sulphur which should be used in generators not for the substantially responsive bidder.

- (iii) During the inspection of performance of the generators, it was observed that the generators had not been operated for a considerable number of hours due to Forced Outage instances, lack of fuel and lubricants and technical defects etc. Due to technical defects, the generators had not operated for 52,452 hours, 36,120 hours, 57,320 hours and 35,345 hours during the year 2019, 2021, 2022 and 2023 respectively. Further, the total repair cost and the cost of the spare parts incurred during 2020 to 2023 was Rs.245.71 million and Rs.591.88 million respectively.
- (iv) The machines were subject to occasional breakdowns due to technical defects and some generators were inactive for long period. According to inspection carried out on 13 November 2023 and the information received to the audit it was observed that the plant availability factor of those machines remained less than 80 percent during the months of July to September in Mathugama site and June in Kolonnawa site in the year 2022 and in the month of August 2023 in Mathugama and Hambanthota site.



W.P.C. Wickramaratne

Auditor General

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இலங்கை மின்சார சபை
CEYLON ELECTRICITY BOARD



FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2023

Finance Division
50, Sir Chittampalam A. Gardiner Mawatha,
Colombo 02.

CEYLON ELECTRICITY BOARD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 ST DECEMBER 2023

(All amounts in Sri Lanka Rupees Thousands)

1

	NOTE	2023	2022 Restated
Revenue	4	606,627,159	308,457,234
Concession provided to Domestic Customers		(113)	(765)
Cost of Sales	5	(506,965,962)	(444,624,784)
Gross Profit / (Loss)		99,661,084	(136,168,315)
Other Income & Gains	6	31,579,489	11,581,152
Administrative Expenses	7	(12,300,916)	(38,457,817)
Operating Profit / (Loss)		118,939,657	(163,044,980)
Finance Income		2,230,916	1,394,313
Finance Cost		(59,934,893)	(41,849,854)
Finance Cost-Net	8	(57,703,977)	(40,455,541)
Profit / (Loss) after Net Finance Cost	9	61,235,680	(203,500,521)
Exchange Loss resulting from Due to Equity conversion from the Government	23.1	-	(94,688,683)
Profit / (Loss) Before Income tax		61,235,680	(298,189,204)
Income Tax Expense	10	-	-
Profit/(Loss) for the period		61,235,680	(298,189,204)
Other Comprehensive Income			
Actuarial gain/(loss) on defined benefit obligations	11	(3,154,172)	(11,058,850)
Other Comprehensive Income for the period, net of tax		(3,154,172)	(11,058,850)
Total Comprehensive Income/ (Loss) for the period		58,081,507	(309,248,054)

The notes on pages 05 through 38 form an integral part of the financial statements



CEYLON ELECTRICITY BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2023

(All amounts in Sri Lanka Rupees Thousands)

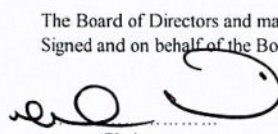
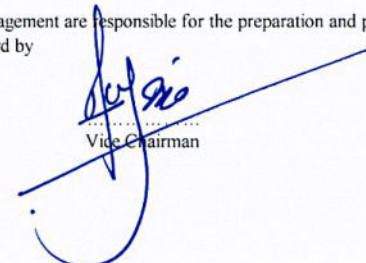
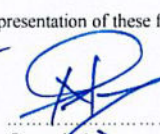

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			As At 1st January	
	Note	2023	2022 Restated	2022 Restated
ASSETS				
Non-Current Assets				
Property, Plant & Equipment	12	929,741,640	894,673,619	851,903,328
Intangible Assets	13	166,018	141,626	133,997
Investment in Subsidiaries	14	911,813	911,813	911,813
Investment in Joint Venture	15	348,606	348,606	328,606
Investments of Insurance Reserves Fund	16	15,111,471	12,460,351	10,657,598
Other Financial Assets	17	6,078,732	5,782,582	7,700,399
Other Non-Current Assets	18	3,094,503	2,495,752	851,383
		<u>955,452,782</u>	<u>916,814,349</u>	<u>872,487,124</u>
Non Current Assets Held For sale	19	<u>76</u>	<u>76</u>	<u>76</u>
Current Assets				
Inventories	20	97,213,145	67,026,536	63,926,113
Trade and Other Receivables	21	128,841,862	79,201,216	58,315,132
Other Financial Assets	17	2,958,920	2,358,209	2,601,739
Cash and Cash Equivalents	30	19,907,019	9,147,367	5,439,757
		<u>248,920,945</u>	<u>157,733,327</u>	<u>130,282,742</u>
Total Assets		<u>1,204,373,803</u>	<u>1,074,547,754</u>	<u>1,002,769,941</u>
EQUITY AND LIABILITIES				
Capital & Reserves				
Contributed Capital	22	991,430,291	865,159,372	413,054,569
Reserves	23	48,203,517	44,077,096	41,222,600
Retained Earnings/ (Loss)		<u>(541,335,938)</u>	<u>(598,047,175)</u>	<u>(287,477,317)</u>
Total Equity		<u>498,297,870</u>	<u>311,189,294</u>	<u>166,799,851</u>
Non-Current Liabilities and Deferred income				
Interest Bearing Loans & Borrowings	24	251,559,491	245,221,304	409,900,540
Consumer Deposits	25	17,080,993	16,719,938	16,299,865
Provisions & Other Deferred Liabilities	26	36,809,065	33,001,021	21,615,201
Government Grants	27	224,894	240,579	188,347
Contract Liabilities	28	107,622,267	102,613,053	99,518,157
		<u>413,296,711</u>	<u>397,795,894</u>	<u>547,522,111</u>
Current Liabilities				
Trade and Other Payables	29	227,620,042	277,031,957	227,433,734
Income Tax Liabilities		1,270,766	1,270,766	1,270,766
Interest Bearing Loans & Borrowings	24	63,888,414	87,259,844	59,743,483
		<u>292,779,222</u>	<u>365,562,568</u>	<u>288,447,983</u>
Total Equity and Liabilities		<u>1,204,373,803</u>	<u>1,074,547,754</u>	<u>1,002,769,941</u>

The notes on pages 05 through 38 form an integral part of the financial statements

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

Signed and on behalf of the Board by

 Chairman
 Vice Chairman
 General Manager
 Finance Manager
Date:

CEYLON ELECTRICITY BOARD



CEYLON ELECTRICITY BOARD
STATEMENT OF CHANGES IN EQUITY
AS AT 31ST DECEMBER 2023

(All amounts in Sri Lanka Rupees Thousands)

	Contributed Capital	Other Capital Reserves	Reserves				Total
			RHCP Reserve	Loan Redemption Reserve	Depreciation Reserves	Self Insurance Reserve	
Balance as at 31.12.2021	413,054,569	165,446	1,009,797	17,447,062	26,000	22,574,295	173,716,869
Prior year adjustment during the period						(6,917,017)	(6,917,017)
Profit/(Loss) for the period	413,054,569	165,446	1,009,797	17,447,062	26,000	22,574,295	166,799,852
Additional Equity Investment for CPC payments	-	-	-	-	-	-	(309,248,054)
Puttalam Coal Power Project	80,000,000						80,000,000
Debt to Equity Conversion	120,475,034						120,475,034
Interest income from Insurance Reserve Fund	251,629,768						251,629,768
Transferred to Depreciation reserve	-					1,523,707	1,523,707
Transfer to self insurance reserve	-				1,000	-	(1,000)
Interest received from customers	-				-	1,320,803	(1,320,803)
Balance as at 31.12.2022	865,159,372	165,446	1,018,783	17,447,062	27,000	25,418,805	311,189,293
Balance as at 01.01.2023	865,159,372	165,446	1,018,783	17,447,062	27,000	25,418,805	311,189,293
Profit/(Loss) for the period	-	-	-	-	-	-	58,081,507
Additional Equity Investment for CPC payments	126,270,920						126,270,920
Puttalam Coal Power Project	-						-
Debt to Equity Conversion	-						-
Interest income from Insurance Reserve Fund	-					2,754,729	2,754,729
Transferred to Depreciation reserve	-				1,000	-	(1,000)
Transfer to self insurance reserve	-				-	1,369,269	(1,369,269)
Interest received from customers	-		1,423		-	-	1,423
Balance as at 31.12.2023	991,430,291	165,446	1,020,206	17,447,062	28,000	29,542,803	498,297,870

The notes on pages 05 through 38 form an integral part of the financial statements



CEYLON ELECTRICITY BOARD
CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 ST DECEMBER 2023

(All amounts in Sri Lanka Rupees Thousands)

4

	2023	2022
Cash Flows From / (Used in) Operating Activities		
Profit/(loss) before tax	61,235,680	(298,189,204)
Adjustments for		
Depreciation and Amortization	34,928,235	34,004,239
Consumer Contribution	(4,548,194)	(4,281,308)
Government Grant	(15,685)	(15,685)
Electric Vehicle Charging Card utilization	(3,517)	(4,488)
WHT Expense on Dividends	131,626	
(Profit)/Loss on sales of Property, Plant and Equipment	(414,814)	25,654
Finance Income	(2,230,916)	(1,394,313)
Dividend Income	(877,507)	(274,221)
Foreign Currency Gain/Loss	(13,733,478)	144,062,716
Lease Interest	6,685	10,747
Finance Costs	59,928,208	41,839,107
Provision for Obsolete & Unserviceable Cost	865,136	(342,386)
Provision for price Variance	(10,305,501)	(13,197,379)
Provision for Impairment of Debtors	4,170,283	(1,578,762)
Bad debt written off	1,389,331	907,163
Defined Benefit Plans	1,688,012	1,380,133
Personnel cost on pension fund	174,174	(110,953)
Property, Plant and Equipment write-off	2,636	-
Prepaid staff cost	1,503,387	863,216
Operating Profit/(Loss) before Working Capital Changes	133,893,781	(96,295,724)
(Increase)/ Decrease in Inventories	(20,591,243)	10,844,322
(Increase)/ Decrease in Trade and Other Receivables	(56,289,747)	(19,323,187)
Increase/ (Decrease) in Trade and Other Payables	(51,357,374)	73,679,892
Cash Generated from Operations	5,655,416	(31,094,698)
Finance Cost paid	(59,928,208)	(40,467,431)
Retirement Benefit Obligation	(1,208,315)	(942,210)
Income Tax Paid	-	-
Net Cash From/(Used in) Operating Activities	(55,481,106)	(72,504,338)
Cash Flows from / (Used in) Investing Activities		
Acquisition of Property, Plant & Equipment	(3,591,224)	(1,612,244)
Acquisition of Intangible Assets	(76,970)	(57,075)
Capital work in progress incurred	(66,886,260)	(76,288,558)
Re-Investment in Insurance reserves Fund	(2,651,120)	(1,802,752)
Investment in Joint Venture	-	(20,000)
Interest Income on Insurance Escrow Fund	2,754,729	1,523,707
Dividend received	745,881	715,133
Interest Received	727,529	531,097
Sale Proceeds of Fixed Assets Disposals	480,584	120,374
Net Cash Flows from/(Used in) Investing Activities	(68,496,851)	(76,890,318)
Cash Flows from (Used in) Financing Activities		
Proceeds From Contributed capital	126,270,920	80,000,000
Consumer Contribution	11,502,413	7,642,888
Electric Vehicle E-card Prepayments	3,972	4,488
Fund Received for ADB-RHCP projects	1,423	8,986
Consumer Deposit Received	514,919	761,348
Consumer Deposit Refund	(153,864)	(341,275)
Lease Rentals Payment	(140,679)	(44,776)
Proceeds From Interest Bearing Loans & Borrowings	51,047,908	78,997,829
Repayment of Interest Bearing Loans & Borrowings	(50,236,608)	(35,705,960)
Net Cash Flows from/(Used in) Financing Activities	138,810,405	131,323,528
Net Increase/(Decrease) in Cash and Cash Equivalents	14,832,449	(18,071,129)
Cash and Cash Equivalents at the beginning of the year	(26,773,096)	(8,701,967)
Cash and Cash Equivalents As at 31.12.2023	(11,940,647)	(26,773,096)

The notes on pages 05 through 38 form an integral part of the financial statements

CEYLON ELECTRICITY BOARD



1. CORPORATE INFORMATION

1.1. Reporting Entity

Ceylon Electricity Board ("Board") was incorporated under Ceylon Electricity Board Act No.17 of 1969 and domiciled in Sri Lanka. The Head Office of the Board is situated at No.50, Sir Chittampalam A Gardiner Mawatha, Colombo 02.

1.2. Principal Activities and Nature of Operations

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

1.3. Parent Entity and the ultimate parent of the Board

The Board is under the purview of the Ministry of Power. In the opinion of the Directors, the Board's ultimate parent undertaking and controlling party is the Government of Sri Lanka.

1.4. Date of Authorization for Issue

The Financial statements of the Ceylon Electricity Board, for the period ended 31 December 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 21.02.2024.

2. Basis of Preparation and Significant Accounting Policies

2.1 Basis of Preparation

The Financial statements have been prepared on an accrual basis under the historical cost convention. The financial statements are presented in Sri Lanka Rupees and all values are rounded to the nearest thousand (Rs.000), except where indicated otherwise.

The financial statements provide comparative information in respect of the previous period. In addition, the Board presents an additional statement of financial position at the beginning of the preceding period when there is a retrospective restatement in financial statements. An additional statement of financial position as at 1 January 2022 is presented in these financial statements due to the reasons disclosed in Note 32.

2.2 Statement of Compliance

The financial statements which comprise the Statement of Profit or Loss, the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Statement of Cash flows together with the accounting policies and notes (the "Financial Statements") 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)

2.3 Going Concern

The directors have made an assessment of the Board's ability to continue as a going concern as the Board is the country's monopoly electricity transmitter, holding around 75% of power generation and accounting for more than 90% of electricity distribution, there is a very strong likelihood of support from its parent, Government of Sri Lanka.



2.4 Summary of Significant Accounting Policies

The Principal Accounting Policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.4.1 Current versus non-current classification

The Board presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Board classifies all other liabilities as non-current.

2.4.2 Foreign Currency Translation, Foreign Currency transactions and Balances

a) Functional and presentation currency

The financial statements are presented in Sri Lanka Rupees (LKR), which is the Board's functional and presentation currency. The functional currency is the currency of the primary economic environment in which the entity operates.

b) Transactions and balances

Foreign currency transactions are initially recorded by the Board at the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. All differences are taken to the Statement of Profit or Loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (Translation differences on items whose gain or loss is recognised in Other Comprehensive Income or Statement of Profit or Loss is also recognised in Other Comprehensive Income or Profit or Loss respectively).

In terms of sub-section 6 of section 42 of the Ceylon Electricity Board Act No.17 of 1969, Board does not account for any profits or losses arising from foreign exchange fluctuations, in



respect of the capital and interest on foreign currency loans obtained by the treasury on behalf of the Board, as the exchange rate risk is borne by the Government of Sri Lanka. With respect to those loans, the outstanding balances are valued at the agreed exchange rate at the time of receipt of the loan by the Board.

2.4.3 Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax

Current income tax assets and liabilities for the current and prior periods are measured at the amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date the Board generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss.

Provision for taxation is made on the basis of the accounting profit for the year, as adjusted for taxation purposes, in accordance with the provisions of the Inland Revenue Act No. 24 of 2017, effective from 01 April 2018 and the subsequent amendments there to.

Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences except,

(i) Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of taxable temporary differences associated with investments in Subsidiaries, Associates and interests in Joint Ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except,

(i) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(ii) In respect of deductible temporary differences associated with investments in Subsidiaries, Associates and interests in Joint Ventures, deferred tax assets are only



recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred tax relating to items recognised outside the Statement of Profit or Loss is recognised outside the Statement of Profit or Loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax on Dividend income

Tax on dividend income from subsidiaries is recognised as an expense in the Statement of Profit or Loss.

Unutilised tax losses

The carried forward unutilized tax loss of the Board as at 31st December 2023 is Rs. 378,067,082,396.

Applicable tax rates

As per the Inland Revenue Act No.24 of 2017 and amendments thereto, the Board was liable to Income Tax for the year ended 31st December at 30%.

2.4.4 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Inventory which are mostly used and listed in the annual price list are valued at Standard Prices in the Distribution Divisions and others (Generation and Transmission Divisions) such as consumables and spares are valued at First in First out valuation method.

However, the Board is in the process of making a provision for unrealized profit of the inventory which is valued at Standard Prices to enable to bring down the value to cost.



2.4.5 Financial assets and liabilities

Financial assets

2.4.5.1 Initial Recognition and Measurement

Financial assets within the scope of SLFRS 9 are classified as amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Board's business model for managing them. The Board has classified its financial assets, at initial recognition, as subsequently measured at amortized cost.

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at Fair Value Through Profit or Loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

2.4.5.2 Subsequently measured at amortized cost

The Board measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- and
- 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 amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Board's Financial Assets subsequently measured at amortized cost comprise of Trade and other Receivables, Loans to Customers and Loans to Employees

2.4.5.3 De- recognition

Financial assets are de-recognized when the right to receive cash flows from the investments have expired or have been transferred and the Board has transferred substantially all the risks and rewards of ownership.

2.4.5.4 Impairment of Financial Assets

Impairment of financial assets subsequently measured at amortized cost

The Board recognises an allowance for Expected Credit Losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Board expects to receive, discounted at an approximation of the original effective interest rate.



For trade receivables, the Board applies a simplified approach in calculating ECLs. Therefore, the Board does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors to the economic environment.

Financial liabilities

2.4.5.5 Initial Recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Board's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

2.4.5.6 Subsequent measurement

Loans and Borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. The EIR amortisation is included as finance costs in the statement of profit or loss.

2.4.5.7 Off Setting Financial Instruments

Financial Assets and Liabilities are offset and the net amount reported in the Statement of Financial Position when there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realise the asset and settle the liability simultaneously.

2.4.6 Property, Plant and Equipment

a) Basis of recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Board and the cost of the asset can be reliably measured.

b) Basis of measurement

Property, Plant and Equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Construction in progress is stated at cost net of impairment losses, if any. Such cost includes the cost of replacing component parts 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, the Board derecognises the net book value of replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if



the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Statement of Profit or Loss as incurred.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

c) Capital Work in Progress

Capital expenditure incurred in relation to fixed assets which are not completed as at the reporting date are shown as capital work-in progress and is stated at cost. On completion, the related assets are transferred to Property, Plant and Equipment.

d) De-recognition

An Item of Property, Plant & Equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Profit or Loss in the year the asset is de-recognised.

e) Depreciation

Depreciation is calculated by using a straight-line method on the cost or valuation of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.. The depreciation of the asset ceases at the earlier of the date that the asset is classified as held for sale as described under 2.4.8 and the date that the asset is derecognised.

The estimated useful lives of the property, plant and equipment is as follows:

Freehold Buildings & Lease hold Land & Buildings	40 Years
Civil Works:	
Spillway & Dams	100 Years
Steel water pipes & pen stock	40 Years
Substation & Switch Yard	35 Years
Generation Plants:	
Power Stations including Plant (Hydro)	35 Years
Power Stations including Plant (Thermal)	25 Years
Power Stations including Plant (Diesel)	12-15 Years
Power Stations including Plant (Gas Turbine)	12 Years
Power Stations including Plant (Coal)	30 Years
Power Stations including Plant (Wind)	20 Years
Transmission Lines at 220kV, 132kV and 66kV	35 Years
Distribution Lines:	
HT Underground -33kV	50 Years
HT Underground -132 kV	50 Years
HT Underground -11kV	40 Years
HT Overhead Lines	35 Years
LT Underground	40 Years
LT Overhead Lines	35 Years
LT Feeder Pillar	35 Years
Consumer Sub Station	35 Years
HT Switchgear	35 Years



Primary and Grid Substation	35 Years
Service Main - Overhead	35 Years
Service Main - Underground	40 Years
SCADA (Central Facilities) and communications equipment	15 Years
Vehicles-Passenger Transport – Two or three wheelers	15 Years
Vehicles-Passenger Transport – Other	14 Years
Heavy Vehicles	20 Years
Motor Boats	07 Years
Machinery and Tools	05 Years
Office Equipment	05 -15 Years
Furniture & Fittings	05 Years
Solar PV Plant	10 – 25 Years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

2.4.7 Borrowing Costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.4.8 Non-current Assets Held for Sale

The Board classifies non -current assets as held for sale if the carrying amounts will be recovered principally through a sale rather than through continuing use. Such non – current assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell . Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable on the approval granted by the management (Board of Directors) and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within six months from the date of the classification.

The Deprecation is ceased upon the classification of the Property Plant and equipment as held for sale.

Asset and liabilities classified as held for sale are presented separately from other assets in the statement of financial position.



De-recognition

The failure to dispose the assets which are classified as “non-current assets held for sale” within six months from the Board decision, to be reclassified again under Property Plant & Equipment (PPE) along with the depreciation adjustment for the period cease for depreciation.

2.4.9 Impairment of Non Financial Assets

Board assesses at each reporting date whether there is an indication that an asset may be impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or Cash-Generating Unit (CGU) to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risks specific to the asset.

For the purposes of assessing impairment, Board as a whole is considered as a separate Cash Generating Unit.

Impairment losses of continuing operations are recognised in the statement of profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the assets is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the assets in prior years. Such reversal is recognised in the Statement of profit or loss.

2.4.10 Investment in Subsidiaries

Investments in Subsidiaries are initially recognised at cost in the financial statements of the Board. Any transaction cost relating to acquisition of investment in subsidiaries is immediately recognized in the income statement. After initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses.

2.4.11 Investment in joint ventures

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



2.4.12 Leases

At inception of a contract, the Board assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Board uses the definition of a lease in SLFRS 16.

Board as a Lessee

The Board applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Board recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right of Use Assets

The Board recognises right of use assets when the underlying asset is available for use. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Board is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right of use assets are subject to impairment.

The Board's Right of Use Assets are included in the Property, Plant & Equipment.

Lease Liabilities

At the commencement date of the lease, the Board recognises Lease Liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Board uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of Lease Liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of Lease Liabilities is re measured if there is a modification, a change in the lease term, a change in the substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Board's Lease Liabilities are included in Interest-Bearing Loans and Borrowings.

2.4.13 Intangible Assets

Basis of Recognition

Intangible Assets are recognised if it is probable that the future economic benefits associated with the asset will flow to the Board and the cost of the asset can be reliably measured.



Basis of Measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recognised at their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

Amortisation/Impairment

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embedded in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets. Software is amortised over a useful life of 5 years and Licenses are amortized over the useful life time stipulated in the term of agreements.

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

Derecognition

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

2.4.14 Provisions

Provisions are recognised when the Board has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the passage of time is recognised as finance cost.

All contingent liabilities are disclosed as a note to the financial statements (Note 37) unless the outflow of resources is remote.



2.4.15 Employee Benefits

a) Defined Benefit Plan – Pension Obligation

An employee will receive the pension benefit on retirement, usually dependent on one or more factors such as age, years of service and remuneration.

The liability recognised in the statement of Financial Position in respect of defined benefit pension plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for unrecognised past –service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds in the absence of high quality deep corporate bond market in Sri Lanka. The government bonds are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Any actuarial gains or losses arising are recognised immediately in other comprehensive income.

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

b) Defined Benefit Plan – Gratuity

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

The gratuity liability recognised in the statement of financial position, is the present value of the defined benefit obligation at the date of the statement of financial position measured using the projected unit credit method by independent actuaries.

Any actuarial gains or losses arising are recognised immediately in other comprehensive income.

The gratuity liability is not externally funded.

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

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

2.4.16 Self Insurance Reserve

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



2.4.17 Government Grant

Government Grant received for acquisition of Plant & Machinery are treated deferred income. Government grant in note 27 represent the value of Grid substation and Transmission lines located at Seethawaka Industrial Park received from the Ministry of Industrial development which is to be amortised over 35 years based on the income approach.

Government grants are recognised 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 recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

2.4.18 Cash and Cash Equivalents

Cash and Cash Equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consists of cash in hand and deposits in banks net of outstanding bank overdrafts.

2.4.19 Revenue from contracts with customers

The Board recognises revenue from contracts with customers when it satisfies a performance obligation by transferring the control of the promised service to the customer at the amount of consideration to which the Board expects to be entitled in exchange for those services.

Accordingly, the Board recognizes Revenue as follows.

2.4.19.1 Sale of Electricity

Board's performance obligation of delivering electricity represents a promise to deliver a series of distinct services that should be accounted for as a single performance obligation. The performance obligation is satisfied over time. The Board recognizes the Revenue from Sale of Electricity when the customers use the electricity through the service connections provided by the Board. The price at which the revenue is recognized will be decided based on the tariff category and the rates gazetted by the Public Utility Commission of Sri Lanka.

Board measures the progress of performance obligations using the output method. Output method recognised revenue is based on direct measurements of value transferred to the customer. Accordingly Board records turnover on a monthly basis, based on the amount of KWh of electricity delivered.

2.4.19.2 Consumer Contribution

The consideration received from the customers at the inception to create the asset which facilitate the provision of electricity over the period is recognized as revenue over time, since the customers simultaneously receive and consume the benefit of the asset



provided by the Board in consuming electricity over the period. Hence, the consideration received is recognized as revenue over the useful life of the asset.

2.4.19.3 Electric Vehicle Charging Revenue

The electricity consumed by the customers who charge their electric vehicles in the Electric Vehicle Charging Stations established by the Board through the use of prepaid e-cards provided for the same are recognized as revenue once the electric vehicles are charged.

2.4.19.4 Contract Liabilities

A contract liability is an obligation to transfer services to a customer to whom the Board has already received consideration. Hence, the remaining prepaid balance in the e-card for electric vehicle charging and the un-amortized balance in the consumer contribution for service connections are considered as contract liabilities of the Board. Contract liabilities are recognised as revenue when the Board performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4.20 Finance cost and Income

Interest income or expense is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability

2.4.21 Dividend Income

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

2.4.22 Other Operating income and expenses

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non-current assets, including investments in subsidiaries, joint ventures and associates, are accounted in the statement of profit or loss, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Other income and expenses

Other income and expenses are recognised on an accrual basis.

2.4.23 Expenditure Recognition

- a) Expenses including expenses arising on power purchase agreement (PPA) are recognized in the Statement of comprehensive income on the basis of a direct association between, the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to the statement of profit or loss.
- b) For the purpose of presentation of Statement of profit or loss the directors are of the opinion that "Function of Expenses" method present fairly the element of the Board's performance and hence such presentation method is adopted.



3. Significant accounting judgements, estimates and assumptions

The preparation of the financial statements of the Board require the management to make judgments, estimates and assumptions, which may affect the amounts of income, expenditure, assets, liabilities and the disclosure of contingent liabilities, at the end of the reporting period.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Board's accounting policies, management has made various judgements. Those which management has assessed to have the most significant effect on the amounts recognised in the financial statements have been discussed below;

a) Estimated impairment of non-current assets

The Board tests annually the indicators to ascertain whether non-current assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.4.9 The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Management believes that any reasonably possible change in the estimated future cash flows of the operations on which the recoverable amounts of the cash-generating units is based would not cause the cash-generating units' carrying on amount to exceed its recoverable amount.

b) Defined benefit plans

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit plan.

The Board determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions. Additional information is disclosed in Note 26.

c) Estimated useful lives of Property, Plant and Equipment (PPE)

The Board reviews the estimated useful lives of PPE based on factors such as business plan and strategies, expected level of usage and future developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

4. REVENUE	2023	2022
Electricity Sales Heavy Supply	249,823,040	127,810,210
Electricity Sales Heavy Supply - LECO	57,947,990	29,651,359
Electricity Sales Ordinary Supply	246,237,964	126,681,218
Fixed Charge on Electricity Bills	52,618,165	24,314,447
	606,627,159	308,457,234

5. COST OF SALES	2023	2022
Generation - Fuel	120,961,374	68,875,176
- Coal	158,207,509	135,125,743
- Direct O&M	16,374,579	43,386,334
- Indirect O&M	1,185,551	1,170,635
- Depreciation	15,472,214	15,351,551
Purchased Power - IPP Thermal	80,504,224	78,423,182
- Renewable Energy	35,603,097	33,237,785
- Net Accounting /Net Plus/Net Plus Plus (Note 5.1)	11,896,840	9,583,011
Transmission - Direct O&M	6,321,987	13,738,215
- Indirect O&M	41,524	51,867
- Depreciation	5,126,400	5,002,978
Distribution - O&M	39,520,536	25,345,102
- Indirect O&M	1,687,211	1,922,376
- Depreciation	14,062,917	13,410,830
	506,965,962	444,624,784

5.1 Purchase Power - Net Accounting /Net Plus/Net Plus Plus

The net metering includes three options as Net Metering (No payment or receipt is liable and only the units are carried forward), Net Accounting (A payment is made for the net energy export) and Net Plus (Total energy exported and imported are separately accounted). Accordingly, net energy exported under Net Accounting and the gross energy export under Net Plus are recorded in this balance

6. OTHER INCOME & GAINS	2023	2022
Dividends Income - LECO	877,507	274,221
Recoveries on House Rent	23,687	24,377
Recoveries on Telephone	3	70
Recoveries on Use of Motor Vehicle	836	970
Recoveries on Circuit Bungalow	13,850	10,006
Recoveries of Damages to the CEB Assets	198,808	131,357
Sale of Fixed Assets (Disposal)	452,859	208,330
Sale of Scrap	529,460	431,714
Miscellaneous Income	442,025	421,778
G.D. Income / G.I. Income	227,980	527,969
Liquidated Damages	192,262	1,291,086
Rental Income Generated from hiring mobile Diesel Generators in	35,209	43,665
Income from providing Testing Services to Third Parties	122,494	13,620
Re-usable Material	1,000,117	484,905
Sale Of Ash	1,149,180	669,461
Tender Fee/Non Refundable Deposits/ Forfeiture of Guarantees	431,610	291,747
Penalty on illicit Electricity Consumption	5,374	35,073
Income on Cost Recovery Jobs	1,608,660	1,346,180
Income on Meter Damage Job	35	829
Income on Temporary Connection / Illumination	47,420	6,167
Income on Meter Testing	25,041	9,743
Income on Re-connection / Processing Net Metering	2,164,509	576,871
Net Metering Application Fee	176,684	48,576
Income on Pole Shifting	58	-
Service Main Application Fee	9,685	6,337
Surcharge on Electricity Bill	1,304,290	425,755
Deferred Income - Consumer Contribution	4,548,194	4,281,308
Deferred Income - Government Grant	15,685	15,769
Income on Cost Recovery Training	2,608	678
Income for Hostel Fee	1,254	740
Income From Recreational Activities On Reservoir	3,565	1,850
Deposit confiscated on Finalised Debtors	156	-
Foreign Exchange Gain	15,968,383	-
	31,579,489	11,581,152



7. ADMINISTRATIVE EXPENSES

	2023	2022
Personnel Expenses	6,102,078	5,851,276
Material Cost	14,395	3,042
Accommodation Expenses	264,639	245,961
Transport & Communication Expenses	545,148	407,839
Depreciation	266,703	238,881
Other Expenses	5,107,953	31,710,818
	12,300,916	38,457,817

Note 7.1

Accordingly to the Clause No.05 of the Provident Fund Rules, gazetteed 31. 12. 2003, the funds managed and administered by a committee appointed by the Board, therefore it is the responsibility of the Board to manage and administer the Fund. Hence the cost of managing and administering the Fund is born by CEB. This amounts to Rs. 54.44 Mn which is included in the Administration Cost.

8. FINANCE INCOME AND COST

FINANCE INCOME

	2023	2022
Interest on Samurdhi loan	15,670	57,714
Interest on Staff Loans	531,369	445,506
Interest on Investment	174,131	221
Interest on Domestic Service Connection Loan	4,225	3,288
Interest on Industrial & Commercial Business Loan	2,135	2,165
Interest on Related Party Loans	-	22,202
Finance income	2,230,916	1,394,313

FINANCE COST

	2023	2022
Overdraft Interest	4,909,672	4,399,216
Long / Short Term Interest	26,513,635	18,579,029
Interest on Project loans	3,571,937	1,419,582
Debenture Interest Account	1,871,507	1,870,266
Lease Interest	6,685	10,747
Delayed Interest on IPP Payments	12,097,926	6,547,727
Delayed Interest on CPC Payments	5,620,636	8,922,460
Delayed Interest on NCRE Payments	4,222,096	100,827
Interest Payment for Bulk Customers	546,396	-
Interest Payment for Retail Customers	574,403	-
Total Finance Cost	59,934,893	41,849,854
Net Finance Cost	(57,703,977)	(40,455,541)

9. LOSS BEFORE TAX

Stated after charging /(crediting)

	2023	2022
Auditor's Remuneration -Current Year Fees & Expenses	3,062	9,038
Directors Emoluments	3,498	3,580
Depreciation	34,928,235	34,004,240
Personnel Cost includes-		
- Defined benefit plan costs- Gratuity	1,688,012	1,380,133
- Defined contribution plan costs - EPF& ETF	4,272,236	4,404,433
- Other staff costs	40,583,256	39,130,466
(Profit) /Loss on disposal of Property Plant & Equipment	(414,814)	25,654
Amortised Consumer Contribution	(4,548,194)	(4,281,308)
Amortised Grant	(15,685)	(15,685)

10. INCOME TAX

	2023	2022
Current Income Tax Charge	-	-
Under / (Over) Provision in Respect of Previous years	-	-
Income tax expense reported in the comprehensive income statement	-	-

Reconciliation between current tax expenses and the product of Accounting Profit multiplied by the statutory tax rate is as follows.

10.1 Reconciliation between current tax expenses and Accounting Profit

	2023	2022
Profit/(Loss) before tax	61,235,680	(261,868,690)
Disallowable Expenses / (Income) for Taxation	23,600,161	128,938,436
Net impact of Pension Fund	174,174	(110,953)
Allowable Expenses / (Income) for Taxation	(56,446,265)	(78,772,407)
Non business income/Exempted income	(1,073,667)	(359,812)
Statutory Profit / (Loss) from Board	27,490,083	(212,173,426)
Other sources of Income - Investment Income	5,074,977	1,013,401
Total Statutory Income	32,565,060	(212,173,426)
Qualifying Payments		
Tax loss utilized during the year	(32,565,060)	(1,013,401)
Taxable Profit / (Loss)		
Income tax expense at 30%		
Current Tax Charge	-	(213,186,827)
11. OTHER COMPREHENSIVE INCOME	2023	2022
Actuarial loss on defined benefit Obligation	(3,154,172)	(11,058,850)
	(3,154,172)	(11,058,850)



12 PROPERTY, PLANT & EQUIPMENT

12.1 Gross Carrying Amounts

Freehold Assets	Balance as at 01.01.2023	Additions/ Transfers/ Acquisitions	Transfer from held for sale	Additions Adjustments	Disposals/ Transfers	Disposals Adjustments	Transfer to asset held for sale	Balance as at 31.12.2023
At Cost or Valuation								
Land	9,579,504	167,534	-	759,266	-	-	-	10,506,303
Building	22,872,716	848,751	-	-	-	-	-	23,721,466
Civil works	234,385,399	4,708	-	-	-	-	-	234,390,107
Plant & Machinery	779,432	14,940	-	3,164,680	(4,325)	(3,164,680)	-	790,048
Generation power plant	327,006,319	12,196,993	-	3,164,680	(619,154)	(3,164,680)	-	338,584,158
Solar Systems	124,969	19,207	-	3,803	-	-	-	147,978
Transmission & distribution lines	698,339,767	33,817,020	-	11,015	(387,340)	(9,379)	-	731,771,084
Motor Vehicles	12,855,666	830,538	-	314,106	(335,973)	-	-	13,664,338
Office & Other Equipment	3,767,132	413,973	-	15,370	(23,781)	(3,844)	-	4,168,852
Furniture and Fittings	588,877	20,274	-	2,069	(982)	-	-	610,238
Machinery and Tools	7,410,296	532,572	-	49,289	(914)	(1,982)	-	7,989,262
	<u>1,317,710,076</u>	<u>48,866,512</u>	<u>-</u>	<u>7,484,280</u>	<u>(1,372,469)</u>	<u>(6,344,565)</u>	<u>-</u>	<u>1,366,343,834</u>

12.2 Project Assets

Gross Carrying Amounts	Balance as at 01.01.2023	Additions/ Transfers/ Acquisitions	Transfer from held for sale	Additions Adjustments	Disposals/ Transfers	Disposals Adjustments	Transfer to asset held for sale	Balance as at 31.12.2023
At Cost or Valuation								
Land	238,287	114,891	-	-	(146,847)	-	-	206,331
Building	194,030	-	-	-	-	(793)	-	193,237
Civil works	-	-	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-	-	-
Generation power plant	-	-	-	-	-	-	-	-
Solar Systems	-	-	-	-	-	-	-	-
Transmission & distribution lines	-	-	-	-	-	-	-	-
Motor Vehicles	2,724,871	515,353	-	185,198	(712,734)	(314,106)	-	2,398,581
Office & Other Equipment	117,319	6,335	-	-	(3,968)	(15,370)	-	104,315
Furniture and Fittings	7,955	569	-	-	(150)	(2,069)	-	6,304
Machinery and Tools	61,769	3,575	-	-	-	(49,289)	-	16,055
	<u>3,344,229</u>	<u>640,722</u>	<u>-</u>	<u>185,198</u>	<u>(863,699)</u>	<u>(381,628)</u>	<u>-</u>	<u>2,924,822</u>
Total Value of Depreciable Assets	<u>1,321,054,305</u>	<u>49,507,234</u>	<u>-</u>	<u>7,669,478</u>	<u>(2,236,168)</u>	<u>(6,726,193)</u>	<u>-</u>	<u>1,369,268,656</u>

12.3 Capital Work in Progress

	Balance as at 01.01.2023	Prior Year Adjustment made during the period	Incurred During the Year	Transfer to PPE	Reclassified/ Transferred	Balance as at 31.12.2023
Capital Work in Progress	201,089,070	-	67,041,740	(38,065,750)	(7,189,720)	222,875,340
Total Gross Carrying Amount	<u>201,089,070</u>	<u>-</u>	<u>67,041,740</u>	<u>(38,065,750)</u>	<u>(7,189,720)</u>	<u>222,875,340</u>



12 PROPERTY, PLANT AND EQUIPMENT (Contd....)
12.4 Depreciation

Freehold Assets	Balance as at 01.01.2023	Charge for the year	Adjustments	Disposals/ Transfers	Adjustments	Transfer to asset held for sale	Balance as at 31.12.2023
Land	-	-	-	-	-	-	-
Building	8,618,175	647,058	117	-	-	-	9,265,351
Civil works	90,249,367	3,576,709	-	-	-	-	93,826,076
Plant & Machinery	677,715	27,267	805,383	-	(812,554)	-	697,811
Generation power plant	202,785,813	11,107,100	811,421	-	(805,383)	-	213,898,952
Solar Systems	21,652	8,706	-	-	45	-	30,403
Transmission & distribution lines	306,975,641	17,859,170	3,149	(170,722)	-	-	324,667,237
Motor Vehicles	7,606,958	1,128,139	200,198	(235,492)	-	-	8,699,802
Office & Other Equipment	3,145,069	289,626	9,913	(5,904)	(53)	-	3,438,651
Furniture and Fittings	485,449	41,687	1,232	(982)	(200)	-	527,186
Machinery and Tools	5,791,359	592,375	47,893	(738)	(15)	-	6,430,873
	626,357,198	35,277,837	1,879,306	(413,838)	(1,618,160)	-	661,482,343
Depreciation							
12.5 Project Assets	Balance as at 01.01.2023	Charge to WIP /Transfers	Adjustments	Disposals/ Transfers	Adjustments	Transfer to asset held for sale	Balance as at 31.12.2023
Land	-	-	-	-	-	-	-
Building	4,948	4,833	-	-	(117)	-	9,663
Civil works	-	-	-	-	-	-	-
Plant & Machinery	-	-	-	-	-	-	-
Generation power plant	-	-	-	-	-	-	-
Solar Systems	-	-	-	-	-	-	-
Transmission & distribution lines	-	-	-	-	-	-	-
Motor Vehicles	1,190,935	203,528	185,198	(259,223)	(200,192)	-	1,120,245
Office & Other Equipment	88,793	9,701	-	(3,497)	(9,757)	-	85,242
Furniture and Fittings	5,535	992	-	(150)	(1,224)	-	5,153
Machinery and Tools	58,293	1,830	-	-	(47,684)	-	12,439
	1,348,504	220,884	185,198	(262,870)	(258,974)	-	1,232,743
Total Depreciation	627,705,702	35,498,721	2,064,504	(676,708)	(1,877,134)	-	662,715,086

12.6 Net Book Values

At Cost or Valuation	2023	2022
Land	10,712,634	9,817,790
Building	14,639,688	14,443,622
Civil works	140,564,031	144,136,032
Plant & Machinery	92,237	101,718
Generation power plant	124,685,206	124,220,505
Solar Systems	117,575	103,317
Transmission & distribution lines	407,103,847	391,364,126
Motor Vehicles	6,242,871	6,782,644
Office & Other Equipment	749,274	650,589
Furniture and Fittings	84,203	105,848
Machinery and Tools	1,562,004	1,622,413
	706,553,571	693,348,603
Capital Work-In-Progress	222,875,340	201,089,070
Total Carrying Amount of Property, Plant & Equipment	929,428,911	894,437,673

12.7 Capital Work in Progress

Capital Work in Progress represents the following	2023	2022
Project		
Generation Projects	5,405,064	5,037,469
Transmission projects	402,255	202,949
Distribution Projects	38,117,922	42,395,464
Renewable Energy Absorption Transmission Development Project	14,128	19,574
Green Power Dev. & Energy Efficiency Improvement Project - I/II	41,743,686	33,778,351
Pattukottam Coal Power Project	124,303	124,303
Habarara Vevangoda Transmission Line Project	17,067,589	16,948,983
Uma ova multi purpose development project	665,002	599,296
Clean Energy & Network Efficiency Project - Munuar Transmission Infrastructure Project - PI	-	15,483
Clean Energy & Network Efficiency Project - 132kv Transmission Infrastructure Project - PII	1,850,582	1,879,956
Clean Energy & Network Efficiency Project - 220kv Transmission Infrastructure Project - PIII	3,331,223	9,033,564
Green power Development & Energy Efficiency Improvement Project- II	7,339,672	7,345,230
Seethawaka Hydro power project	301,192	301,192
National Transmission Development, Network Development & Efficiency Improvement Project	46,277,271	43,123,274
Munuar wind power project	1,793,180	1,335,951
Liquid Natural Gas (LNG) Project	124,662	96,218
Munuar wind power project phase I/II	-	138,113
Munuar Nadrukula and Embilipitiya Grid Sub Aug Project	75,252	67,248
Transmission Construction Projects	8,821,357	6,184,639
Margalla Hydro Power Project	13,946,547	8,205,772
Broadland Hydro Power Project	24,171,062	22,521,401
Power System Reliability Strengthening Project	867,809	741,525
New Coal Power Plant	167,618	167,618
Greater Colombo Transmission and Distribution loss reduction Project	87,539	474,462
Clean Energy Absorption Transmission Project- PMU 1	142,966	69,583
Clean Energy Absorption Transmission Project- PMU 2	22,232	25,511
Enterprise Resource Planning System	155,337	155,159
Projects in Asset Management Division	11,015	95,497
Power System Reliability Strengthening Project Phase- II Package 2 - PMU 1	23,782	1,803
Power System Reliability Strengthening Project Phase- II Package 2 - PMU 2	22,064	1,210
Power System Reliability Strengthening Project Phase- II Package 2 - PMU 3	140,731	2,274
SFSRIP (Package 4)	8,126,422	-
Valdapa Project	1,484,939	-
SCADA Supported Advance Distribution Control Center for WPS	377	-
Sampur Kaappalthurai Transmission Development Project	50,563	-
Total Value of Capital Work-In-Progress	222,875,340	201,089,070



CEYLON ELECTRICITY BOARD
NOTES TO THE STATEMENTS OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2023

(All amounts in Sri Lanka Rupees Thosands)

12.8 Right of use assets

12.8.1 Cost

	Balance As At 01.01.2023	Additions / Adjustments	Terminations/ Adjustments	Balance as at 31.12.2023
Land	32,609	95,723	-	128,332
Motor Vehicles	256,138	17,592	(17,592)	256,138
	<u>288,746</u>	<u>113,315</u>	<u>(17,592)</u>	<u>384,470</u>

12.8.2 Depreciation

	Balance As At 01.01.2023	Charge for the year	Terminations / Adjustments	Balance as at 31.12.2023
Land	-	-	-	-
Motor Vehicles	52,800	24,177	(5,236)	71,741
	<u>52,800</u>	<u>24,177</u>	<u>(5,236)</u>	<u>71,741</u>

12.8.3 Net Book Values

	2023	2022
Land	128,332	32,609
Motor Vehicles	184,397	203,338
	<u>312,728</u>	<u>235,946</u>

12.9 Property, Plant & Equipment including Right of Use Assets

	2023	2022
Net Book Values		
Property, Plant & Equipment (12.6)	706,553,571	693,348,603
Capital Work in Progress (12.7)	222,875,340	201,089,070
Right of use Assets (12.8.3)	312,728	235,946
Total Value of Property Plant & Equipment including Right-of-use Assets	<u>929,741,640</u>	<u>894,673,619</u>

12.10 Property plant equipments were not pledged for any liabilities of the board.

12.11 Total Gross Carrying value of fully depreciated Property Plant and equipment as at 31.12.2023 Rs 214,809 Mn. (31.12.2022 Rs 211,811 Mn)



	Balance as at 01.01.2023	Additions/ Transfers	Adjustments	Disposals/ Transfers	Balance as at 31.12.2023
13. INTANGIBLE ASSETS					
At Cost					
Licenses	-				-
Enterprise Resource Planning System (ERP)					
Software	360,287	76,970	-	-	437,257
Total	360,287	76,970		-	437,257
Amortization					
Licenses	-				-
Enterprise Resource Planning System (ERP)					
Software	(218,661)	(40,082)	(12,496)	-	(271,239)
Total	(218,661)	(40,082)	(12,496)	-	(271,239)
Net Book Value					
				2023	2022
				166,018	141,626
14. INVESTMENT IN SUBSIDIARIES		Holding		2023	2022
Lanka Coal Company (Pvt) Ltd	60%		12,000	12,000	
Lanka Electricity Company (Pvt) Ltd	55.2%		628,003	628,003	
LTL Holdings (Pvt) Ltd	63%		96,900	96,900	
Sri Lanka Energy (Pvt) Ltd	100%		174,910	174,910	
			911,813	911,813	
15. INVESTMENT IN JOINT VENTURE				2023	2022
Trincomalee Coal Power Co. Ltd			348,606	348,606	
			348,606	348,606	
16. INVESTMENTS OF INSURANCE RESERVES				2023	2022
Balance at the Beginning of the Period			12,460,351	10,657,598	
Interest Received During the Period			2,651,120	1,802,752	
Withdrawals During the Period			-	-	
Balance as at the end of the Period			15,111,471	12,460,351	
17. OTHER FINANCIAL ASSETS				2023	2022
Loans to CEB Employees (17.1)			8,968,978	7,890,783	
Loans to consumers (17.2)			68,655	250,009	
			9,037,633	8,140,791	
17.1 Loans to CEB Employees					
Distress Loan			11,140,565	9,429,009	
Transport Loan			902,809	936,410	
Other Staff Loans			13,772	16,507	
Advances			6,334	4,608	
Total Staff Loans and Advances			12,063,481	10,386,535	
Less: Fair value adjustment on loans granted below market rates			(3,094,503)	(2,495,752)	
Staff Loan balance at amortized cost			8,968,978	7,890,783	
17.2 Loans to Consumers				2023	2022
Samurdhi Loan I			16,018	15,579	
Samurdhi Loan II			13,760	128,989	
Domestic Service Connection Loan			2,434	46,955	
Industrial & Commercial Business Loan			13,495	16,910	
RHCP Loan			20,211	37,337	
LED Bulb Loan			2,736	4,238	
			68,655	250,009	
Other Financial Assets - Non-current					
Loans to CEB Employees			6,021,092	5,548,258	
Loans to Consumers			57,641	234,324	
			6,078,732	5,782,582	
Other Financial Assets - current					
Loans to CEB Employees			2,947,906	2,342,525	
Loans to Consumers			11,014	15,685	
			2,958,920	2,358,209	



18. OTHER NON-CURRENT ASSETS

Prepaid Staff Cost

	2023	2022
Balance at the Beginning of the Period	2,495,752	851,383
Fair value adjustment on loans granted/terminated	2,041,929	2,536,428
Amortization of staff cost	(1,443,178)	(892,059)
Closing Balance at the end of the Period.	3,094,503	2,495,752

19. NON CURRENTS ASSET HELD FOR SALE

	2023	2022
Balance at the Beginning of the Period	76	76
Closing Balance at the end of the Period	76	76

20. INVENTORIES

	2023	2022
Consumables	59,540,518	45,766,143
Spares	9,695,467	9,962,839
Fuel		
- Coal-	21,686,211	6,006,902
- Naptha	507,392	234,808
- Diesel	3,401,434	3,371,170
- Heavy Fuel	1,700,991	1,692,376
- Lube Oil	346,373	432,330
Goods in Transit	2,603,205	1,161,553
Provision for Obsolete & Unserviceable Stocks (20.1)	(2,268,444)	(1,601,585)
	97,213,145	67,026,536

20.1 Provision for Obsolete & Unserviceable Stock

	2023	2022
Balance at the Beginning of the Period	1,601,585	1,986,013
Additional Provision/(Reversal) made During the Year	865,073	(342,047)
Transfer to other division	-	(339)
Charged Against the Provision During the Period	(198,214)	(42,041)
Closing Balance at the end of the Period.	2,268,444	1,601,585

21. TRADE AND OTHER RECEIVABLES

	2023	2022
Trade Debtors (21.1)	104,514,722	41,797,341
Other Debtors (21.2)	24,327,140	37,403,874
	128,841,862	79,201,216

21.1 Trade Debtors

	2023	2022
Electricity Debtors (21.1.1)	109,140,590	46,409,039
Less		
Provision for impairment of Trade debtors (21.1.2)	(4,625,868)	(4,611,698)
	104,514,722	41,797,341



21.1.1 Electricity Debtors	2023	2022
Related Party - Lanka Electricity Company (Pvt) Ltd	6,661,875	2,912,677
Other Electricity Debtors	63,357,198	43,496,363
Debtors (Distribution Group)	39,121,517	-
	<u>109,140,590</u>	<u>46,409,039</u>
21.1.2 Provision for impairment of Trade debtors	2023	2022
Balance at the Beginning of the Period	4,611,698	6,609,564
Additional Provision/(Reversal) made During the Period	14,785	(1,610,939)
Written off During the Period	(615)	(386,927)
Closing Balance at the end of the Period.	<u>4,625,868</u>	<u>4,611,698</u>
21.2 Other Debtors	2023	2022
Related Party - Ante LECO Metering Company (Pvt) Ltd	406,934	143,881
Lanka Coal Company Ltd	1,506,486	10,248,093
Trincomalee Power co Ltd	58,938	-
Sri Lanka Energies (Pvt) Ltd	23,941	-
Mobilization advance	3,713,353	6,184,702
Advance & Prepayments	9,575,636	6,463,777
Deposits	2,441,522	1,144,010
Street Lighting	32,345	32,345
Collection Control	(1,826,180)	(1,240,571)
Rebate on Religious Tariff	11	11
Dues from Sacred places	256,914	253,729
Government Institution Receivables	4,684,571	4,442,624
Receivable for Free Services Connection	258,804	258,348
Sundry Debtors	3,261,858	5,682,770
Cash given to Treasury in lieu of Treasury Bills	1,500,000	2,000,000
Less		
Provision for impairment of other Debtors (21.2.1)	(4,351,923)	(196,989)
WIP Non capital	2,335,274	1,796,624
Stock Shortage (L 6010)	448,658	190,521
	<u>24,327,140</u>	<u>37,403,874</u>
21.2.1 Provision for impairment of other Debtors	2023	2022
Balance at the Beginning of the Period	196,989	164,891
Additional Provision/(Reversal) made During the Year	4,155,497	32,177
Written off During the Year	(563)	(79)
Balance at the end of the Period.	<u>4,351,923</u>	<u>196,989</u>
22.CONTRIBUTED CAPITAL	2023	2022
Balance at the Beginning of the Period	865,159,371	413,054,569
Puttalam Coal Power Project	-	120,475,034
Debt to equity conversion	-	251,629,768
Additional Equity Investment for CPC payments	126,270,920	80,000,000
Balance as at the end of the Period	<u>991,430,291</u>	<u>865,159,371</u>

Note 22.1 - Additional Equity Investment for CPC payments

As per the Cabinet Decision, the action was taken to release to Ceylon Electricity Board Rs. 126,270,919,566 as government equity investment in CEB to settle the outstanding balances of Ceylon Petroleum Corporation.



CEYLON ELECTRICITY BOARD
NOTES TO THE STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2023

(All amounts in Sri Lanka Rupees Thousands)

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23. Reserves	2023	2022
Capital Reserves (23.1)	18,632,714	18,631,292
Depreciation Reserves (23.2)	28,000	27,000
Self insurance Reserves (23.3)	29,542,803	25,418,804
	<u>48,203,517</u>	<u>44,077,096</u>

23.1 Capital reserves

	2023	2022
Loans Redemption Reserve	17,447,062	17,447,063
Other Capital Reserves	165,446	165,446
ADB- RHCP Reserve (23.1.1)	1,020,206	1,018,783
Balance as at the end of the Period	<u>18,632,714</u>	<u>18,631,292</u>

Loan Redemption Reserve

Loan Redemption Reserve has been established under the provisions of Section 47 (1) (b) of the CEB Act No.17 of 1969 which states that CEB may maintain a sinking fund. The nature and the purpose of the sinking fund is the repayment of loans taken by the Board. No additional appropriations were made since year 2000 due to the operational losses incurred by CEB throughout the period. The balance carried forward since year 2000 is Rs. 17,447Mn.

Other Capital Reserve

A General Reserve has been established under the provisions of Section 47 (2) (b) of the CEB Act No.17 of 1969 which require CEB to maintain a reserve, for the purpose of financing the capital works from revenue moneys, ensuring the financial stability of the Board. No additional appropriations were made since year 2000 due to the operational losses incurred by CEB throughout the period. The balance carried forward since year 2000 is Rs. 165Mn.

23.1.1 ADB-RHCP Reserve

	2023	2022
Balance at the Beginning of the Period	1,018,783	1,009,796
Funds received from ADB	-	-
Interest received from customers	1,423	8,986
Balance as at the end of the Period	<u>1,020,206</u>	<u>1,018,783</u>

ADB - RHCP Loan Reserve

This reserve represents the funds retained for the continuation of the RHCP (Rural Household Connections Project) loan scheme.

23.2 Depreciation Reserve

	2023	2022
Balance at the Beginning of the Period	27,000	26,000
Transfers During the Period	1,000	1,000
Balance as at the end of the Period	<u>28,000</u>	<u>27,000</u>

Depreciation Reserve

Depreciation Reserve has been established under the provisions of Section 47 (2) (a) of the CEB Act No.17 of 1969 . The nature and the purpose of the fund is to cover the depreciation of movable and immovable property of the Board.

23.3 Self insurance Reserve

	2023	2022
Balance at the Beginning of the Period	25,418,804	22,574,294
Transfers from the Retained Earnings	1,369,269	1,320,803
Income Received from Investment	2,754,729	1,523,707
Balance as at the end of the Period	<u>29,542,803</u>	<u>25,418,804</u>

Self insurance Reserve

Insurance Reserve has been established under the provisions of Section 47 (1) (a) of the CEB Act No.17 of 1969 . The nature and the purpose of the fund is to cover the insurance of movable and immovable property of the Board to meet third party risks and liabilities arising under the Workmen's Compensation Ordinance. Up to year 2000 , Investment in Insurance Reserve balance was equal to the Reserve Balance. No additional investment made other than reinvestment of interest due to adverse financial conditions of the CEB throughout the period.



CEYLON ELECTRICITY BOARD
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24. INTEREST BEARING LOANS & BORROWINGS

(All amounts in Sri Lanka Rupees Thousands)

	2023 Repayable			2022 Repayable		
	Within 1 Year	After 1 Year	2023 Total	Within 1 Year	After 1 Year	2022 Total
	Within 1 Year	After 1 Year	2023 Total	Within 1 Year	After 1 Year	2022 Total
Bank Loans (24.1)	23,184,663	61,852,870	85,037,533	41,769,764	60,241,833	102,011,597
Project Loans (24.2)	8,826,809	169,695,282	178,522,092	9,532,969	164,937,235	174,470,204
Debentures (24.3)	-	20,000,000	20,000,000	-	20,000,000	20,000,000
Lease Creditors (24.4)	29,275	11,339	40,614	36,649	42,236	78,884
Loans from Related Party (24.5)	-	-	-	-	-	-
Bank Over Draft (30.2)	31,847,666	-	31,847,666	35,920,462	-	35,920,462
	63,888,414	251,559,491	315,447,904	87,259,844	245,221,304	332,481,148
24.1 Bank Loans						
Original Loan Amount						
Term Loans*	As At 01.01.2023	Enhanced Loan	Repayment	As At 31.12.2023	Repayable Within 1 Year	Repayable After 1 Year
National Savings Bank (Rs. 10 000 Mn)	625,000	-	625,000	-	-	-
People's Bank (Rs. 10000 Mn - CPC Payments)	1,880,000	-	140,000	1,740,000	1,680,000	60,000
People's Bank - OD Loan	1,328,000	-	87,000	1,241,000	1,044,000	197,000
National Savings Bank+Samapath+Seylan (Rs 10 000)	3,560,000	-	2,817,335	742,665	742,665	-
Bank of Ceylon (15000Mn)	11,710,000	-	2,470,000	9,240,000	3,030,000	6,210,000
Seylan Bank 2000 Mn	1,648,000	-	352,000	1,296,000	603,000	693,000
Peoples Bank (Rs. 35000 Mn)	28,200,000	-	400,000	27,800,000	5,400,000	22,400,000
Bank of Ceylon (Rs. 5000 Mn)	4,820,000	-	240,000	4,580,000	310,000	4,270,000
Peoples Bank (Rs. 10000 Mn)	9,133,333	-	75,000	9,058,333	1,275,000	7,783,333
NTB Loan (1000 Mn)	272,000	-	272,000	-	-	-
NSB Loan (5000 Mn)	5,000,000	-	-	5,000,000	500,000	4,500,000
People's Bank - Coal Loan 5	14,522,764	-	14,522,764	-	-	-
NTB Loan (3Bn)	2,312,500	-	687,500	1,625,000	750,000	875,000
People's Bank (Rs. 17B)	17,000,000	-	1,062,500	15,937,500	4,249,998	11,687,502
Coal Loan 6	15,000,000	-	15,000,000	-	-	-
Seylan Bank	-	-	-	2,000,000	-	2,000,000
NTB Loan (3Bn)-2023	-	-	1,333,333	1,666,667	1,666,667	-
BOC 3BN	-	-	300,000	1,665,923	600,000	1,065,923
NTB 2BN	-	-	555,556	1,444,444	1,333,333	111,111
	102,011,597	23,965,923	40,939,988	85,037,533	23,184,663	61,852,870
* All loans have been obtained on floating interest rates						
24.2 Projects Loans						
24.2.1 Loans from Treasury						
Provider of funds	As At 01.01.2023	Loan Disbursed During The Period	Repayment During The Period	Transferred to Equity	Repayable Within 1 Year	Repayable After 1 Year
National Transmission & Distribution						
Network Development	28,822,545	-	-	-	-	28,822,545
Green Power Dev. & Energy Efficiency Improvement Project	12,106,113	7,779,809	-	-	-	19,885,922
Green Power Dev. & Energy Efficiency Improvement Project	3,793,638	-	-	-	-	3,793,638
Construction of four grid Substation	4,450,099	-	-	-	-	4,450,099
Green Power Dev. & Energy Efficiency Improvement Project (Tranche 2)	5,279,581	-	-	-	-	5,279,581
	54,451,976	7,779,809	-	-	-	62,231,785

CEYLON ELECTRICITY BOARD



CEYLON ELECTRICITY BOARD

CEYLON ELECTRICITY BOARD

AS AT 31ST DECEMBER 2023									
(All amounts in Sri Lanka Rupees Thousands)									
	Granted Date	Interest rate Per annum	As At 01.01.2023	New Loans Obtained	Exchange gains/(Losses)	Repayment	As At 31.12.2023	Repayable Within 1 Year	Repayable After 1 Year
24.2.2 Loans From Banks		06 months LIBOR + 6.3%	1,882,705	-	(500,600)	430,261	951,843	475,923	475,920
	Broadland Hydro Power Project (HNB)	06 months LIBOR + 3.2%	9,858,845	-	(1,136,251)	-	8,722,594	1,453,766	7,268,828
	Broadland Hydro Power Project (ICB)	06 months LIBOR+0.6%-LIBOR+1.5%							
	Green Power Dev. & Energy Efficiency Improvement Project (ADB)	0.1%+Premium	26,347,168	6,890,461	(4,449,961)	1,371,529	27,416,139	1,453,788	25,962,351
	Green Power Dev. & Energy Efficiency Improvement Project (ADB)	2%	10,291,821	1,018,995	178,168	893,114	10,595,870	904,141	9,691,730
	Supporting Elec supply reliability improvement project (ADB)	06 months LIBOR+0.6%-LIBOR+0.6%-AWPLR+1.5%	18,163,908 49,242,719 4,231,063 170,018,228 174,470,204	3,969,780 3,459,241 1,263,699 16,602,176 24,381,985	(2,156,581) (5,668,253) (13,733,478) (13,733,478)	911,368 2,990,347 - 6,596,620 6,596,620	19,065,739 44,043,359 5,494,762 116,290,307 178,522,092	948,489 2,990,702 600,000 8,826,809 8,826,809	18,117,249 41,052,657 4,894,762 107,463,498 169,695,282
Total Project Loans									
24.3 Debentures		Interest per annum (%)	As At 01.01.2023	Debenture Issued	Repayment	As At 31.12.2023	2023 Repayable Within 1 Year	2023 Repayable After 1 Year	Total 2022
	2 Bn Senior Secured Listed Redeemable Rated debenture	9.35%	20,000,000 20,000,000	- -	- -	20,000,000 20,000,000	- -	20,000,000 20,000,000	20,000,000 20,000,000
24.4 Lease Creditors			As At 01.01.2023	2023 Repayable Within 1 Year	2023 Repayable After 1 Year	2023 Repayable Within 1 Year	2023 Repayable After 1 Year	Total 2022	
	Lanka Electric Company (Pvt) Ltd		29,275	11,339	40,614	40,614	82,115	82,115	
	Lanka Electricity Company (Pvt) Ltd - Short term loan 2023		29,275	11,339	40,614	40,614	82,115	82,115	
24.5 Loans From Related Party			As At 01.01.2023	Loan Disbursed During The Period	Repayment During The Period	As At 31.12.2023	2023 Repayable Within 1 Year	2023 Repayable After 1 Year	Total 2022
	Lanka Electricity Company (Pvt) Ltd	6.5%	-	-	-	-	-	-	-
	Lanka Electricity Company (Pvt) Ltd - Short term loan 2023	20.0%	-	2,700,000	2,700,000	-	-	-	-

25.CONSUMER DEPOSITS

	2023	2022
Balance as at Beginning of the Period	16,719,938	16,299,865
Deposits Received During the Period	514,919	761,348
Refund made During the Period	(153,864)	(341,275)
Balance as at the End of the Period	17,080,993	16,719,938

26.PROVISIONS & OTHER DEFERRED LIABILITIES**26.1 Balance Sheet Obligation for:**

	2023	2022
- Pension benefits	28,087,371	26,083,942
- Commuted Pension Fund Liability- non funded	30,000	30,000
- Gratuity benefits	8,691,695	6,887,079
Liability in the balance sheet	36,809,066	33,001,021

Income statement charge for

	2023	2022
- Pension benefits	2,035,865	1,786,406
- Gratuity benefits	1,688,012	1,380,133
	3,723,877	3,166,539

Actuarial (gains)/losses recognised

- in the statement of other comprehensive income	3,154,173	11,058,850
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Cumulative actuarial losses recognised

- in the statement of other comprehensive income	6,878,050	14,225,389
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26.2 Pension benefit

The Board operates defined benefit pension plan on employee pensionable remuneration and length of service. The board pays contributions to a separately administrated fund and such monies are invested. The pension obligation is actuarially valued by an external party

The amounts recognised in the balance sheet are determined as follows;

	2023	2022
Present value of obligations (26.2.1)	59,765,594	53,968,380
Fair value of plan assets (26.2.2)	31,678,223	27,884,438
Deficit of funded plans	28,087,371	26,083,942
Contribution receivables	-	-
Present value of unfunded obligations	-	-
Liability/ asset in the balance sheet	28,087,371	26,083,942

26.2.1 The movement in the pension fund liability over the year is as follows;

	2023	2022
At beginning of year	53,968,380	39,247,514
Current service cost	1,967,819	1,851,757
Interest cost	4,857,154	3,532,276
Actuarial (Gain)/Losses	1,835,324	11,981,754
Benefit paid	(2,863,084)	(2,644,921)
At end of year	59,765,594	53,968,380

26.2.2 The movement in the fair value of planned assets of the year is as follows;

	2023	2022
At beginning of year	27,884,438	25,021,199
Expected return on plan assets	4,789,108	3,597,628
Actuarial gain/ (loss)	6,070	13,174
Contributions paid (Employee + Employer)	1,861,691	1,897,358
Benefit paid	(2,863,084)	(2,644,921)
At end of year	31,678,223	27,884,438

The amounts recognised in the income statement are as follows;

	2023	2022
Current service cost	1,967,819	1,851,757
Interest cost	4,857,154	3,532,276
expected return on plan assets	(4,789,108)	(3,597,628)
Recognised in income statement	2,035,865	1,786,406

The principle actuarial assumptions were as follows;

	2023	2022
Discount rate	9.0%	9%
Expected return on plan assets		14%
Future salary increases	24%	24%
Future pension increases	0%	0%
Retirement age	60	60

Plan assets are comprised as follows;

	2023	2022
Fixed deposits	26,428,513	22,802,318
Other	5,249,712	5,082,121
Total	31,678,225	27,884,439



26.3 Gratuity benefits

The movement in the gratuity liability over the year is as follows;

	2023	2022
At beginning of year	6,887,079	7,358,886
Current service cost	448,338	533,861
Interest cost	1,239,674	846,272
Actuarial loss/(Gain)	1,324,919	(909,730)
Benefit paid	(1,208,315)	(942,210)
At end of year	8,691,695	6,887,079

The amounts recognised in the income statement are as follows;

	2023	2022
Current service cost	1,239,674	533,861
Interest cost	448,338	846,272
Recognised in income statement	1,688,012	1,380,133

The principle actuarial assumptions were as follows;

	2023	2022
Discount rate	13%	18.0%
Future salary increases	24%	36.0%
Future gratuity increases	0%	0.0%
Retirement age	60	60

27.GOVERNMENT GRANTS

	2023	2022
Balance at the beginning of the Period	240,579	233,347
Government contribution During the Period	-	23,000
Amount amortized During the Period	(15,685)	(15,769)
Balance at the end of the Period	224,894	240,579

28.CONTRACT LIABILITIES

	2023	2022
Consumer Contribution(28.1)	107,620,655	102,611,896
Prepaid Electric Vehicle charging Revenue (28.2)	1,612	1,157
	107,622,267	102,613,053

28.1 Consumer Contribution

	2023	2022
Balance at the beginning of the Period	102,611,896	99,517,000
Consumer Contribution During the Period	9,556,954	7,376,203
Amount Amortised During the Period	(4,548,194)	(4,281,308)
Balance at the end of the Period	107,620,655	102,611,896

28.2 Prepaid Electric Vehicle Charging Revenue

	2023	2022
Balance at the beginning of the Period	1,157	1,157
Cash received for prepaid e-Cards	3,972	3,812
Utilization for the year	(3,517)	677
Refund made during the period	-	(4,488)
Balance at the end of the Period	1,612	1,157



29. TRADE & OTHER PAYABLES

	2023	2022
Trade Payables (29.1)	157,007,483	200,637,423
Other Payables (29.2)	70,612,559	76,394,534
	227,620,042	277,031,957

29.1 Trade Payables

Trade Payables (Distribution Group)	39,121,517	-
Related Parties (29.1.1)	33,682,665	5,706,616
IPP - Thermal	46,505,597	81,191,299
- Renewable Energy	25,439,943	39,670,008
Delayed Interest IPP	6,160,432	7,073,521
Delayed Interest CPC	-	8,582,366
Payables to CPC	308,056	55,252,195
Trade Payables - Others	5,789,274	3,161,418
	157,007,483	200,637,423

29.1.1 Related Parties

	2023	2022
LTL Holdings (Pvt) Ltd (Including IPP)	552,971	611,601
LTL Transformers (Pvt) Ltd	927,295	457,505
LTL Galvanizers (Pvt) Ltd	1,027,859	140,952
Ante LECO Metering Company (Pvt) Ltd	484,696	221,495
Lanka Coal Company Ltd	30,330,803	4,008,659
Kumbalgamuwa Mini Hydro (Pvt) Ltd	144,446	238,194
Deduru Oya Mini Hydro (Pvt) Ltd	120,941	-
Sri Lanka Energies HR (Pvt) Ltd	796	-
Sri Lanka Energies (Pvt) Ltd	92,858	28,210
	33,682,665	5,706,616

29.2 Other Payables

Retention	12,773,064	15,652,612
Debenture Interest Payable	1,324,579	1,324,579
Sundry Creditors	13,985,657	18,154,338
Accrued expenses	9,080,588	13,844,567
Tax Payable	3,192,869	764,779
Deposits (29.2.2)	29,831,606	26,602,617
Stock Surplus	424,196	51,041
	70,612,559	76,394,534

29.2.2 Deposits

	2023	2022
Deposits against Capital Jobs	20,644,380	18,698,920
Tender Deposits	643,663	628,569
Security Deposits	40,594	136
Other Deposits	8,502,969	7,274,991
	29,831,606	26,602,617

30. CASH AND CASH EQUIVALENTS

Cash & Cash equivalent of board and the cash & cash equivalent for the cash flow statement includes the followings.

30.1 Favourable Cash & Cash Equivalent

	2023	2022
Petty Cash & Cash in Hand	418,401	166,515
Call Deposit	400,529	529,830
Cash at Bank (collection A/C)	2,381,735	1,247,822
Cash at Bank (Current A/C)	5,049,390	131,100
Cash AT Bank (Online PIV Collection A/C)	1,157,006	2,186
Bank Savings account	10,499,958	7,069,914
	19,907,019	9,147,367

30.2 Unfavourable Cash & Cash Equivalent

Bank Disbursement A/c	(28,589,982)	(7,591,928)
Cash at Bank (Current A/C)	(3,256,379)	(28,327,229)
Samurdhi Special Bank AC	(1,306)	(1,306)
	(31,847,666)	(35,920,462)
	(11,940,647)	(26,773,096)

The Bank Saving account include a Saving account balance of Euro 1,263,453/- and USD 6,088,751/- as at 31.12.2023



31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

31.1 Overview

The Board has exposure to the following risks from its use of financial instrument.

Credit Risk
Liquidity Risk
Market Risk

This note presents information about the Board's objectives, procedures and processes for measuring and managing risk.

31.2 Risk Management Framework

The Board of directors has the overall responsibility for the establishment and effective oversight of the Board's risk management framework. The primary objectives of establishing a risk management policy is to identify and analyse the risk faced by the Board, to set appropriate risk limits and controls and to monitor risk and adherence to limits.

31.3 Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The credit policy of the Board is as follows:

For bulk consumers 15 days credit period is allowed to settle the bill and thereafter, a disconnection notice will be issued and further 10 days granted from the day of notice, if not acceded to this, supply will be disconnected.

Ordinary consumers will be given 30 days credit period to settle the bill. Subsequent to this a red notice will be issued and further 10 days given after 40 days if not accede to this, a disconnection order will be issued for the disconnection of supply.

The Board has implemented an effective credit control process, whereby age wise analysis of outstanding debtors are carried-out for effective control and timely recovery.

31.4 Liquidity risk

The liquidity risk of the Board arises from having insufficient cash resources to meet its obligations as they arise. Insufficient liquidity resources could have an adverse impact on the main operation of the CEB which is providing uninterrupted power supply to the nation.

The Board has implemented a strategic working capital management plan whereby the receivables are closely monitored and debtors' periods are minimized. Careful vendor evaluations and procurement strategies ensure that correct prices are paid for inputs and maximum credit periods are negotiated with vendors to optimize the working capital cycle.

31.5 Market risk

'Market risk' is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

Market risk comprises Currency risk and Interest rate risk. The financial instruments affected by the market risk includes loans & borrowings.

31.5.1 Foreign currency risk

The Board is exposed to currency risk on foreign currency borrowings and IPP payments that are denominated in a currency other than the respective functional currencies of the Board. The currency in which these transactions primarily are denominated in U.S.Dollars or Euro currencies. Devaluation of foreign currencies over the period has resulted in incurring additional cost for CEB.

31.5.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Board's exposure to risk of changes in market interest rates primarily to the Board's long-term debt obligations with floating interest rates and overdraft rates. Ceylon Electricity Board, being a government organization negotiates with banks for favourable interest rates to minimise the exposure in interest rates.



32. PRIOR YEAR ADJUSTMENT MADE DURING THE YEAR

Following adjustments were made in the financial statements which are relevant to the prior periods.

01) Being capitalizing the VAT and NBT payable on Overhaul Services of Lakwijaya Power Plant		
	Dr	Cr
	Rs	Rs
Property, Plant & Equipment - Before 2022	250,850	
Trade and Other Payables		250,850
02) Being recording the depreciation expense on capitalized VAT and NBT payable on Overhaul Services of Lakwijaya Power Plant		
	Dr	Cr
	Rs	Rs
Retained Earnings - Before 2022	250,850	
Accumulated Depreciation - Before 2022		250,850
03) Being recording the VAT and NBT with respect to the operational and maintenance service expenditure of Lakwijaya power plant		
	Dr	Cr
	Rs	Rs
Retained Earnings - Before 2022	1,452,652	
Trade and Other Receivables - Before 2022		1,162,845
Trade and Other Payables - Before 2022		289,806
04) Being writting off the Long outstanding Balance Payable to Northern Power Company (Pvt) Ltd (NPCPL)		
	Dr	Cr
	Rs	Rs
Trade and Other Payables - Before 2022	2,886,676	
Retained Earnings - Before 2022		2,886,676
05) Being recognising the unrealized exchange gain with respect to the foreign currency loans obtained by the Board		
	Dr	Cr
	Rs	Rs
Retained Earnings - Before 2022	6,308,533	
Retained Earnings - In 2022	49,430,315	
Interest Bearing Loans and Borrowings - Before 2022		6,308,533
Interest Bearing Loans and Borrowings - In 2022		49,430,315
06) Being Correcting VAT amount recognized on coal shipments during 2021-2022 Lakwijaya Power Plant		
	Dr	Cr
	Rs	Rs
Trade and Other Payables - In 2022	30	
Trade and Other Payables - Before 2022	561,282	
Retained Earnings - In 2022		30
Retained Earnings - Before 2022		561,282
07) Being recording the cost of the 23 vehicles which were not recorded in Lakwijaya Power Plant		
	Dr	Cr
	Rs	Rs
Property, Plant & Equipment - Motor Vehicles - Before 2022	190,463	
Property, Plant & Equipment - Generation Power Plants- Before 2022		190,463
08) Being recording depreciation expense with respect to the recognized 23 Vehicles in Lakwijaya Power Plant		
	Dr	Cr
	Rs	Rs
Retained Earnings - Before 2022	34,214	
Retained Earnings - In 2022	10,588	
Accumulated Depreciation - Before 2022		34,214
Accumulated Depreciation - In 2022		10,588
09) Being recording the martial price variance with respect to the Distribution Divisions for 2022		
	Dr	Cr
	Rs	Rs
Inventories - In 2022	13,221,187	
Retained Earnings - In 2022		13,221,187
10) Being recording delayed interest payment for NCRE suppliers		
	Dr	Cr
	Rs	Rs
Retained Earnings - In 2022	100,827	
Retained Earnings - Before 2022	2,318,725	
Trade and Other Payables - In 2022		100,827
Trade and Other Payables - Before 2022		2,318,725



32.1 Impact of the prior year adjustment for the Board as at 31 December 2022

Statement of Financial Position	2022 Before Restatement	Adjustments	2022 After Restatement
ASSETS			
Non-Current Assets			
Property, Plant & Equipment -Cost	894,718,422	(44,802)	894,673,619
Intangible Assets	141,626		141,626
Investment in Subsidiaries	911,813		911,813
Investment in Joint Venture	348,606		348,606
Investments of Insurance Reserves Fund	12,460,351		12,460,351
Other Financial Assets	5,782,582		5,782,582
Other Non current Assets	2,495,752		2,495,752
	916,859,151	(44,802)	916,814,349
Non Current Assets Held For sale	76		76
Current Assets			
Inventories	53,805,349	13,221,187	67,026,536
Trade and Other Receivables	80,173,540	(1,162,845)	79,010,695
Other Financial Assets	2,358,209		2,358,209
Cash and Cash Equivalents	9,147,367		9,147,367
	145,484,465	12,058,341	157,542,806
Total Assets	1,062,343,693	12,013,539	1,074,357,232
EQUITY AND LIABILITIES			
Capital & Reserves			
Contributed Capital	865,159,371		865,159,371
Reserves	44,077,096		44,077,096
Accumulated Profit	(554,809,644)	(43,237,531)	(598,047,175)
Total Equity	354,426,822	(43,237,531)	311,189,291
Non-Current Liabilities and Deferred income			
Interest Bearing Loans & Borrowings	193,477,786	51,743,518	245,221,304
Consumer Deposits	16,719,938		16,719,938
Provisions & Other Deferred Liabilities	33,001,021		33,001,021
Government Grants	172,662		172,662
Contract Liabilities	102,613,053		102,613,053
	345,984,460	51,743,518	397,727,978
Current Liabilities			
Trade and Other Payables	277,397,131	(487,779)	276,909,352
Income Tax Liabilities	1,270,766		1,270,766
Interest Bearing Loans & Borrowings	83,264,514	3,995,330	87,259,844
	361,932,411	3,507,552	365,439,963
Total Equity and Liabilities	1,062,343,693	12,013,539	1,074,357,232

32.2 Impact of the prior year adjustment for the year ended 31 December 2022

Statement of Comprehensive Income	2022 Before Restatement	Adjustments	2022 After Restatement
Revenue	308,457,234		308,457,234
Concession provided to Domestic Customers	(765)		(765)
Cost of Sales	(430,509,030)	(14,115,754)	(444,624,784)
Gross Profit / (Loss)	(122,052,561)	(14,115,754)	(136,168,315)
Other Income	11,581,152		11,581,152
Administrative Expenses	(16,353,884)	(22,103,933)	(38,457,817)
Operating Profit / (Loss)	(126,825,293)	(36,219,687)	(163,044,980)
Finance Income	1,394,313		1,394,313
Finance Costs	(41,749,027)	(100,827)	(41,849,854)
Finance Cost-Net	(40,354,714)	(100,827)	(40,455,541)
Profit / (Loss) After Net Finance Cost	(167,180,007)	(36,320,514)	(203,500,521)
Exchange Loss resulting from Debt to Equity conversion from the Government	(94,688,683)		(94,688,683)
Profit / (Loss) Before Income tax	(261,868,690)		(298,189,204)
Income Tax Expense	-		-
Profit/(Loss) for the period	(261,868,690)	(36,320,514)	(298,189,204)
Other comprehensive income			
Actuarial gain/(loss) on Defined benefit obligations	(11,058,850)		(11,058,850)
Other comprehensive income for the period, net of tax	(11,058,850)	-	(11,058,850)
Total comprehensive income for the period	(272,927,540)	(36,320,514)	(309,248,054)



32.3 Impact of the prior year adjustment for the Board as at 01 January 2022

Statement of Financial Position	1st January 2022 Before Restatement	Adjustments	1st January 2022 After Restatement
ASSETS			
Non-Current Assets			
Property, Plant & Equipment -Cost	851,937,542	(34,214)	851,903,328
Intangible Assets	133,997		133,997
Investment in Subsidiaries	911,813		911,813
Investment in Joint Venture	328,606		328,606
Investments of Insurance Reserves Fund	10,657,598		10,657,598
Other Financial Assets	7,700,399		7,700,399
Other Non current Assets	851,383		851,383
	<u>872,521,338</u>	<u>(34,214)</u>	<u>872,487,124</u>
Non Current Assets Held For sale	<u>76</u>		<u>76</u>
Current Assets			
Inventories	63,926,113		63,926,113
Trade and Other Receivables	59,477,978	(1,162,845)	58,315,132
Other Financial Assets	2,601,739		2,601,739
Cash and Cash Equivalents	5,439,757		5,439,757
	<u>131,445,587</u>	<u>(1,162,845)</u>	<u>130,282,742</u>
Total Assets	<u>1,003,967,001</u>	<u>(1,197,059)</u>	<u>1,002,769,942</u>
EQUITY AND LIABILITIES			
Capital & Reserves			
Contributed Capital	413,054,569		413,054,569
Reserves	41,222,600		41,222,600
Accumulated Profit	(280,560,300)	(6,917,017)	(287,477,317)
Total Equity	<u>173,716,867</u>	<u>(6,917,017)</u>	<u>166,799,850</u>
Non-Current Liabilities and Deferred income			
Interest Bearing Loans & Borrowings	403,592,007	6,308,533	409,900,540
Consumer Deposits	16,299,865		16,299,865
Provisions & Other Deferred Liabilities	21,615,201		21,615,201
Government Grants	188,347		188,347
Contract Liabilities	99,518,157		99,518,157
	<u>541,213,578</u>	<u>6,308,533</u>	<u>547,522,111</u>
Current Liabilities			
Trade and Other Payables	228,022,309	(588,576)	227,433,734
Income Tax Liabilities	1,270,766		1,270,766
Interest Bearing Loans & Borrowings	59,743,483		59,743,483
	<u>289,036,559</u>	<u>(588,576)</u>	<u>288,447,983</u>
Total Equity and Liabilities	<u>1,003,967,001</u>	<u>(1,197,059)</u>	<u>1,002,769,941</u>



34. Related Party Disclosures

34.1 Transactions with the Government of Sri Lanka and its related entities.

Since the Government of Sri Lanka directly controls the CEB, it has considered the Government of Sri Lanka and other government related entities which are controlled, jointly controlled or significantly influenced by the Government of Sri Lanka as related parties according to LKAS 24, "Related Party Disclosures".

The Board entered into transactions, arrangements and agreements with the Government of Sri Lanka and its other related entities and significant transactions have been reported in follows.

	Nature of Transaction	2023	2022
Ceylon Petroleum Corporation	Purchase of Fuel	119,776,753	71,825,617
Department of Public Enterprises	Obtain Project Loans	7,779,809	23,348,396
Peoples Bank	Obtain Bank Loans	15,000,000	41,975,584
Bank of Ceylon	Obtain Bank Loans	1,965,923	-

Further, transaction as detailed below, relating to the ordinary course of business, are entered into with the Government of Sri Lanka and its related entities:

- Maintaining bank accounts and obtaining Bank Loans from Peoples Bank
- Payments of statutory rates, taxes.
- Payment for employment retirement benefit - ETF
- Payment for utilities mainly comprising of telephone and water
- Payments for Motor Vehicle insurance premiums to Sri Lanka Insurance Corporation

34.2 Related Party Transactions with the related companies of CEB

Related party transactions carried out by the Board with its related entities during the course of the business is listed below.

	Relationship	Nature of the Transaction	2023	2022
Lanka Electricity Company	Subsidiary	Sale of Electricity	57,947,990	29,651,359
		Dividend Income	877,507	274,221
		Dividend receipt	745,881	(274,221)
		Loan Obtained	-	817,049
		Loan Settlement	-	(1,597,590)
ANTE LECO Metering Co (Pvt) Ltd	Sub-subsidiary	Purchase of Goods	1,860,659	263,294
LTL Holdings (Pvt) Ltd	Subsidiary	Dividend Income	-	-
		Dividend receipt	-	(440,912)
Lanka Coal Company (Pvt) Ltd	Subsidiary	Purchase of Coal	158,207,509	117,411,210
LTL Transformers Ltd	Sub-subsidiary	Purchase of Goods	4,845,359	1,035,050
LTL Galvanizers (Pvt) Ltd	Sub-subsidiary	Receipt of Services	820,044	333,397
Nividu (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	81,798	166,940
Nividu Assupinella (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	122,112	174,919
Pawan Danavi Limited	Sub-subsidiary	Purchase of Electricity	283,506	396,904
Sri Lanka Energies (Pvt) Ltd	Subsidiary	Receipt of Goods & Services	825,009	542,517
		Reimbursement of		
	Sub-subsidiary	SLE GM salaries	3,838	3,838
Kumbalgamuwa Mini Hydro (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	114,778	109,203
Daduru Oya Mini Hydro (Pvt) Ltd	Sub-subsidiary	Purchase of Electricity	69,824	106,153

34.3 Transaction with Key Management Personnel of the Group

The Key Management Personnel's (KMPs) of the Board are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Board. Such key management personal of the Board are the members of its Board of Directors.

a) Key Management personnel Compensation

	2023	2022
Short-term employee benefits	3,498	3,580
	<u>3,498</u>	<u>3,580</u>

35. ASSETS PLEDGED

There were no assets pledged as at the balance sheet date.

36. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There were no material events occurred after the Balance Sheet date that require adjustments to or disclosure in the financial statements.

37. CONTINGENCIES

The contingent liability arising with regard to the litigation matters pending in the labour tribunal and other courts including court of appeal and supreme courts as at 31.12.2023, the CEB is defendant respondent. The contingent liability in the unlikely event that all these cases are adversely decided is estimated at Rs 59,476 Mn. (Rs. 59,475 Mn as at 31.12.2022).

