

Trincomalee Power Company Limited – 2016/2017

The audit of financial statements of the Trincomalee Power Company Limited (“the Company”) for the year ended 31 March 2017 comprising the statement of financial position as at 31 March 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka. This report is issued in terms of Article 154 (6) of the constitution of the Democratic Socialist Republic of Sri Lanka. In carrying out this audit I was assisted by a firm of Chartered Accountants in public practice.

1.2 Board’s Responsibility for the Financial Statements

The Board of Directors (“Board”) is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

1.3 Auditor’s Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards. Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

1.4 Basis for Qualified Opinion

Property, plant and equipment shown in the statement of financial position included an amount of Rs. 328,109,272 for capital work-in-progress relating to the abandoned Sampoor Coal Power Plant Project. A detailed impairment assessment was not performed by the management as at 31 March 2017 to assess the possible impairment that may have arisen. Had this balance being impaired, net profits and net assets of the Company would have been reduced by the amount of the assessed impairment.

2. Financial Statements

2.1 Qualified Opinion

In my opinion, except for the effects of the matter described in paragraph 1.4 of this report, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2017 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Emphasis of Matter

I draw attention to Note 4 to these financial statements, which states that the Company ceased development activities of the Sampoor Coal Power Plant during the current financial year. This, along with other matters as describe in Note 4, indicates the existence of a material uncertainty which may cast significant doubt about the ability of the Company to continue as a going concern. My opinion is not qualified in respect of this matter.

2.1.1 Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No.07 of 2007, I state the followings:

- (a) The basis of opinion and scope and limitations of the audit are as stated above.
- (b) In my opinion :
 - I have obtained all the information and explanations that were required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company.
 - The financial statements of the Company comply with the requirements of Section 151 of the Companies Act, No. 07 of 2007.

3. Financial Review

3.1 financial Result

According to the financial statements presented, the operations of the Company for the year ended 31 March 2017 had resulted in a net Loss of Rs.22,008,999 as against the net profit of Rs.10,590,592 in the preceding year, thus indicating a deterioration of Rs.32,599,591 in the financial results for the year under review. The increase of Preliminary Project Expenses by

Rs.30,574,226 relevant to feasibility studies was the main reason for this deterioration in the financial results.

4. Operating Review

4.1 Performance

The principal activity of the Company is to generate and sale of electricity mainly to the National Grid of Ceylon Electricity Board. Accordingly, the Company had done Environmental Impact Assessment Studies and obtained EIA Clearance in February 2016. However, construction of the power plant had not been commenced up to the end of the year under review.

The project of 500MW LNG fired plant, as per the Memorandum of Understanding signed between government of Sri Lanka and India on 26 April 2017, shall be undertaken by the Company with necessary restructuring.

5. Accountability and Good Governance

5.1 Annual Report

The Annual Report for the year under review had not been tabled in the Parliament.