

## **Trincomalee Power Company Limited – 2017/2018**

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The audit of financial statements of the Trincomalee Power Company Limited (“the Company”) for the year ended 31 March 2018 comprising the statement of financial position as at 31 March 2018 and the statement of 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**

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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**

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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 audit opinion.

## **2. Financial Statements**

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### **2.1 Opinion**

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In my opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2018 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards

#### **Emphasis of Matter**

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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 previous 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**

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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**

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### **3.1 Financial Result**

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According to the financial statements presented, the operations of the Company for the year ended 31 March 2018 had resulted in a pre-tax net Loss of Rs.351,157.542 as compared with the corresponding pre-tax net loss of Rs. 22,008,999 in the preceding year, thus indicating a deterioration of Rs. 329,148,543 in the financial results for the year under review. The written off the capital work in progress amounted to Rs: 343,915,606 had been written off during the year under review and it was the main reason for this deterioration in the financial results.

#### **4. Operating Review**

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##### **4.1 Performance**

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The principal activity of the Company is the generation and sale of electricity mainly to the National Grid of Ceylon Electricity Board. The following observation is made in this connection.

As per the Government decision, the Company ceased the development activities of the Sampoor Coal Power Plant from 2016. Since then previous expenses incurred for work-in-progress amounting to Rs. 343,915,606 had been impaired and written off to the statement of comprehensive income.

#### **5. Accountability and Good Governance**

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##### **5.1 procurement and Contract process**

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###### **Delayed Projects**

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The construction of Chain Link Fence had been awarded to contractor on 12 August 2015 and the Contract value was Rs. 48,282,120. The contract period was 06 months. Although the Company had given 11 extensions of time up to 31 May 2018 to complete the work the physical progress was only 83 per cent as at 31 March 2018. According to the company, cessation of the construction works in several times due to uncertainly, changes in project site and heavy rains etc. had caused for the delay Further, in several times, the fence had been damaged by elephants and therefore, it additional cost may be incurred in this connection.

##### **5.2 Annual Report**

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Annual report for the year 2016/2017 had not been tabled in the parliament..