2015 Annual Report

Stable & Focused

LECO LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED

LECO

LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED
AND ITS SUBSIDIARIES

Financial Statements
31 December 2015

OUR VISION
Enjoy being the light of the lives of people through innovative, eco-friendly business.

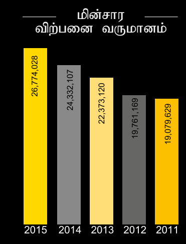
OUR MISSION
To provide the best energy solution to the society through continuous innovation.

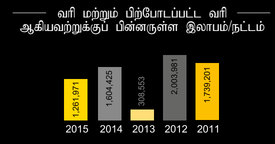
OUR VALUES
To amaze our customers through innovative services, driven by incessant curiosity to improve and innovate distribution services within an ecologically sustainable environment geared towards optimizing productivity and assuring profitability through a competent and contented staff.

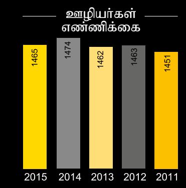
Our Path for Growth

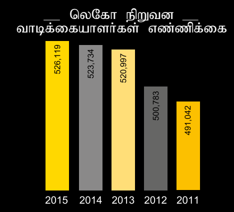
LECO is proud to announce that it has significantly improved its performance of the business with year-on-year growth in profit, better supply quality and consistency with higher customer satisfaction since its inception.

Performance Highlights









Content

An arrow fixed to a taut bowstring is stable, yet, ready to fly towards any target at which it is aimed. That's where LECO stands today. While we are strong and stable, we are perfectly focused and ready to fly towards our selected targets.

எமது திட்டங்களுக்கு நாம் ஐந்து இலக்குகளை இனங்கண்டுள்ளோம் லெகோ

CORPORATE INFORMATION
LANKA ELECTRICITY COMPANY (PRIVATE) LTD

LEGAL FORM
Private Limited Liability Company incorporated in 1983 under the provisions of the Companies Act No.17 of 1982 and the Companies Act No.7 of 2007.

The names of the Directors of the Company who held office as at 31.12.2015 are given below:

Mr. K R H L Gunasekara (Chairman)	Appointed w.e.f. 17 November 2015
Mr. W D A S Wijayapala	Appointed w.e.f. 27 January 2015
Mr. M C Wickramasekara	Appointed w.e.f. 27 January 2015
Mr. P Algama	Appointed w.e.f. 07 April 2015
Mr. D S P K Karunasekere	Appointed w.e.f. 16 November 2015

- Mrs P.K.A.D de Silva resigned with effect from 20th January 2015 and was replaced Mr P Algama appointed with effect from 07th April 2015

- Mr. J M V P Jayasooriya was appointed on 13.01.2016

Names of the Directors of the Subsidiary Companies as at 31.12.2015
Ante Leco Metering Company (Pvt) Ltd.
- Mr. M C Wickramasekara
- Mr. Liu Jianwu
- Mr. Shen Dingqing
- Mr. H N Gunesekera

COMPANY SECRETARIES
P.W. Corporate Secretarial (Pvt) Ltd
No.3/17, Kynsey Road, Colombo 8

REGISTERED OFFICE
411, Galle Road
E.H. Cooray Building
Colombo 3

BANKERS
Bank of Ceylon
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Nations Trust Bank PLC
Peoples Bank
Sampath Bank P.L.C
Seylan Bank PLC
Standard Chartered Bank
State Mortgage and Investment Bank
Housing Development Finance Corporation Bank
National Development Bank PLC
The Hongkong and Shanghai Banking Corporation Limited (HSBC)
National Savings Bank (NSB)
DFCC Vardana Bank PLC
Citibank N.A
Pan Asia Banking Corporation PLC PABC
Union Bank of Colombo PLC
NSB Fund Management Company Limited

Chairman's Message

As the 10th Chairman of LECO, I am pleased to welcome our valued Shareholders to the 32nd Annual General Meeting of the Company.

It was a great privilege for me to join LECO on 23rd November 2015, at a time, where the current developments in Sri Lanka open many new opportunities for the country to plan for nation building and economic development. In line with the Government's policy, LECO has also initiated to embark on smart metering and allied technologies. As an academic, I am pleased to state that I am proud of the opportunity I got to support these endeavors as the current Chairman.

Over the years, LECO has made tremendous progress and evolved as a major utility provider in the country. After three decades of existence, the very fact that the LECO is striving and continues to provide quality and reliable services to its consumers is a testimony of how well its foundation has been laid.

It is noteworthy to mention that in the year 2015 the Group recorded a profit of Rs 1.3 Billion.

The specific chapters provide detailed reports of the activities of the divisions.

"The longest journey starts with a single step", LECO's journey which was started in 1983 is not over and it still has a long way to go on. For this purpose, let me give my assurance and reaffirm my commitment that, despite the many challenges ahead , the LECO will continue to expand and work towards prosperity of our nation for many more years to come.

In conclusion, I would like to express my sincere appreciation to Hon. Minister, Hon. Deputy Minister and Secretary of the Ministry for the guidance and advice given. It is worth reiterating that LECO was able to be what it is today with the collective efforts and contributions of our dedicated staff members of all levels together with the valuable directions of the Board of Directors.

I also wish to place on record our gratitude to all valued consumers, shareholders, business associates, bankers, suppliers, company secretaries, auditors and individuals for the assistance rendered.

K.R.H. Lal Gunasekara
Chairman

General Manager's Message

2015 has been yet another profitable year for LECO. It was not just another year of business but was a year which entailed the vision of stepping into an era of smart metering technology in the organization. Smart Metering Technology is recognized by the world as a technology which facilitate energy conservation, absorption of green energy to the system and customer convenience.

Government of Sri Lanka has declared a policy on smart metering few years back. Our Research and Development arm has launched new design of software in this regard. Pilot project in Green Zone Kotte is another activity that was carried out to implement these novel technologies.

Company managed to further reduce the annual energy loss to 3.76.% , which is a reduction of 6.46% compared to previous year. Our energy trading and allied operations were within the tariff filing and managed our expenses within the allowed expenditure as budgeted. Company has added 669 Million worth of assets to network.

LECO management and employees have joined hands with the other organizations and religious establishments in providing services and sponsorships for social events. Rs. 5.3 Million was spent on CSR in the year 2015.

Tariff filing was submitted for five years which includes investments in smart technologies and we are on our journey to a smart system which will enable our customers to be smarter.

H N Gunasekera
General Manager

Board of Directors

Mr. P. Algama
Board Director

Mr. W.D.A.S. Wijayapala
Board Director

Mr. Lal Gunasekara
Chairman

Not in the Picture
- Mr. M. C. Wickramasekara
- Mr. D. S. P. K. Karunasekere
- Mr. J. M. V. P. Jayasooriya

New Opportunities for Growth

LECO recognizes the fact that a volatile business environment and global challenges in the management of energy resources create great opportunities for optimizing efficiency and exploring uncharted avenues to increase productivity, sustainability and profit. Towards this ultimate goal, LECO is committed to increase IT based innovation, improved management of its human resources, optimization of its operational capabilities and capacities and increasing its synergies with partners, regulators and business associates.

Our Strategy

Reinvent LECO as a customer inclusive utilities company, diversified in its energy related services and products while improving internal execution abilities via strong research and development exercises to ensure that it becomes a pivotal and catalytic organization in creating a competitive energy market while maximizing shareholder wealth and staff contentment.

Our Objectives

LECO aims to ensure an adequate source supply capacity, become a best-in-the-business customer and industrial relationships management company, boast of the best domain and technical staff in the sector and ensure that it adheres to the highest international product, service and environment standards.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

The Board of Directors of Lanka Electricity Company (Private) Limited has pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company and its subsidiaries for the year ended 31st December 2015.

This Annual Report on the affairs of the Company contains the information required in terms of Section 168 of the Companies Act, No. 7 of 2007 and certain additional information.

Principal activities of the Company and the Subsidiaries and review of performance during the year

The Company's principal activities, which remained unchanged during the year, were the business of retailing electricity. The Company purchases electricity in bulk from the national grid owned and managed by the Ceylon Electricity Board and distributes to customers through a modern distribution system managed by the Company.

The Subsidiary companies and their principal activities were as follows:

Leco Projects (Pvt) Ltd

To provide infrastructure facilities for electricity distribution within the Country, which operations have been currently scaled down.

Ante Leco Metering Company (Pvt) Ltd

Maintaining an energy meter manufacturing facility to meet the electronic meter requirements of Sri Lanka and for the export market.

Results of Operations

	2015		2014	
	Group Rs.'000	**Company Rs.'000**	**Group Rs.'000**	**Company Rs.'000**
Revenue	26,774,028	26,193,589	24,332,107	23,780,990
Gross Profit	3,367,009	3,309,308	3,808,905	3,730,862
Profit before tax	1,523,935	1,472,263	2,300,178	2,238,612
Total Comprehensive Income for the year Net of Tax	1,056,239	1,020,510	8,076,047	8,072,289

Financial Statements
The complete Financial Statements of the Company are duly signed by Mr K R H Lal Gunasekera and Mr. P Algama, Directors on behalf of the Board.

Auditors' Report
The Report of the Auditors on the Financial Statements of the Company is attached with the Financial Statements.

Accounting Policies
The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS/LKAS and the accounting policies adopted thereof and are given in pages 41 to 50 in Notes 2.7 to 2.8 of the Financial Statements.

Stated Capital
The total Stated Capital of the Company as at 31st December 2015 was Rs.1,145,067,000 representing 113,580,264 "A" class ordinary shares and 926,390 "B" class ordinary shares.

The movement of the Share Capital of the Company is shown in Note. 10 to the Accounts.

Directors

The names of the Directors of the Company who held office as at 31.12.2015 are given below:

- Mr. K R H L Gunasekara (Chairman)
- Mr. W D A S Wijayapala
- Mr. M C Wickramasekara
- Mr. P Algama
- Mr. D S P K Karunasekere

Mrs. P K A D de Silva, representing the Treasury, resigned with effect from 20th January 2015 and was replaced by Mr. P. Algama wih effect from 07th April 2015.

Mr. J M V P Jayasooriya was appointed on 13.01.2016

Names of the Directors of the Subsidiary Companies as at 31.12.2015

Ante Leco Metering Company (Pvt) Ltd.

- Mr. M C Wickramasekara
- Mr. Liu Jianwu
- Mr. Shen Dingqing
- Mr. H N Gunesekera

Messrs. K. A. Bandula Chandrasekara, Chairman, and M C Wickramasekara, Director were appointed on the 11th February 2015 replacing Messrs. Sagara Kariyawasam and W J L S Fernando, who ceased office on the same date. Mr. H. N. Gunesekera was appointed with effect from 18th May 2015.

Mr. K R H L Gunasekera, Director was appointed on 01st January 2016 replacing Mr. K. A. B. Chandrasekara , who ceased office on the same date.

Leco Projects (Pvt) Ltd

- Mr. K R H L Gunasekara (Chairman)
- Mr. J M V P Jayasooriya
- Mr. H N Gunesekera
- Mr. S.L Jayasekera

Interests Register

The Company and the Subsidiaries maintain Interest Registers as stipulated by the Companies Act, No. 7 of 2007.

The Directors who were directly or indirectly interested in a contract or a related party transactions with the Company during the accounting period under review are given in Note 27 to the Financial Statements.

Directors' Remuneration

The Directors' remuneration is disclosed in Note 27.3 to the Financial Statements and the Directors fees set out in Note 21 under the 'Group' column includes remuneration of the Directors of the Subsidiary.

Donations

The donations and contributions made during the year by the Company amounted to Rs 65,000/-.

Property Plant and Equipment

Information relating to movement in property, plant and equipment are given in Note 3 to the Audited Accounts.

Reserves

The total Company Reserves as at 31st December 2015 amounted to Rs.22.6 Billion. The movement is shown in Note 11 to the Financial Statements. The Group reserves during the period amounted to Rs. 22.78 Billion.

Employment

The number of persons employed by the Company at the end of 2015 was 1465.

Commitment and Contingencies

Commitments and contingencies as at 31st December 2015 are given in Note 25 to the Financial Statements.

Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors of the Company and Messrs Amarasekera and Co. Chartered Accountants provided tax compliance services to the Company and are also the Auditors of Ante Leco Metering Company (Pvt) Ltd during the year under review. Messrs Ernst & Young Chartered Accountants function as Auditors for Leco Projects (Pvt) Ltd. The Auditors do not have any interest in the Company or its group companies other than that of Auditor and in the aforesaid capacity as advisors on tax compliance.

Company	Name of Auditor/	Type of Payment	Amount(Rs.)
Lanka Electricity Company (Private) Ltd.	Ernst & Young Chartered Accountants	Audit fees + reimbursable expenses (excluding tax)	2,831,950/-
	Amarasekera & Co. Chartered Accountants	Non-audit fees	822,852/-
Ante Leco Metering Company (Pvt) Ltd.	Amarasekera & Co. Chartered Accountants	Audit fees + reimbursable expenses (excluding tax)	290,000/-
		Non-audit fees	183,672/-
Leco Projects (Pvt) Ltd.	Ernst & Young Chartered Accountants	Audit fees + reimbursable expenses (excluding tax)	113,585/50

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Events occurring after the Balance Sheet date

There have been no material events occurring after the reporting date that required adjustment or disclosure in these Financial Statements.

This Annual Report is signed for and on behalf of the Board of Directors by the Chairman and a Director.

Chairman

Director

P W Corporate Secretarial (Pvt) Ltd
Secretaries

June 24, 2016

Corporate Management

Annual Report 2015

Ms. Zulfika A. Bashith
Chief Financial Officer

Dr. P.S.N. De Silva
Head of Engineering

Mr. S.L. Jayasekara
Head of Operations

Mr. H.N. Gunasekara
General Manager

Mr. Lal Gunasekara
Chairman

THE ENGINEERING DIVISION

The Engineering Division saw yet another productive year in year 2015 towards corporate goal of 'SMART Grid'.

Engineering Division recognised four targets at the outset of year 2015 as the major pre-requisite to enter in to the second regulatory regime of five years starting from year 2016. The entire IT infrastructure had to be reviewed and replaced. The IT security has to be revisited together with the disaster recovery analysis, Enterprise Resource Planning (ERP), Human Resource Information System (HRIS) and the Revenue Collection System (RCS). The systems were required to be upgraded, developed as well as the staff had to be trained. The Research and Development of the division had to acquire advance development platforms to develop local SMART grid solutions and technologies.

We are proud, as the Engineering Division to report our success towards these goals.

The computers and the associated hardware of the company were replaced, almost 90% so that the company can claim to have a modern IT infrastructure ready for its corporate goal of SMART grid. The network was reinforced and the IPVPN was broadened to support the new hardware. The Disaster Recovery site (DRs) was set up in Nugegoda Brach Office and commissioned to its full operations. The PRONTO ERP was procured and customised. The Human Resource Information System was upgraded. The Revenue Collection System (RCS), which LECO is proud to claim as our own development, was launched and brought to full operations. Together with the RCS, LECO saw another major development of our IT department, the hand held systems for revenue officers. The software on Android platform was developed by our software developers and the compatible handhelds were procured.

Year 2015 was a very productive year towards SMART grid developments. LECO developed its own SMART meter management system (SMMS). The Green Zone, the designated test bed for SMART Grid technologies, saw a modern streetlight control system with LED street light system under a grant by the Asian Development Bank. LECO together with Dialog Axiata PLC attracted a grant from the GSM Association of UK to develop a GPRS based advanced modem to launch network monitoring and pre-paid systems in the Green Zone. Under this grant 50% of the entire meters of the zone was funded to be replaced with modern SMART meters. This SMART meter was designed to communicate to the IoT based platform through an advanced modem capable in data processing and operating as a Network Node for Home Area Networks. It was developed in association with University of Moratuwa and manufactured by our own subsidiary, Ante LECO Metering Company. The Engineering Division initiated a three year project to develop an Automatic Demand Response system suitable to the local conditions and which can be operated with our SMART modem. In the latter part of year 2015, LECO saw the first proto-type of this ADR system which was fully functional to control lighting and Air Conditioner loads remotely through a utility based control platform. A pilot project to study the existing pole mounted fault detection systems was completed installation.

The above mentioned ADR project and another project in deploying PMU based network monitoring device was commenced in year 2015 propagating in to year 2016. The pre-paid meter deployment, Distribution Centre Automation and Advanced ADR solutions are to be introduced in year 2016 as a result of our own successful and productive developments in year 2015.

HUMAN RESOURCES AND ADMINISTRATION

Fostering an empowered workforce to deliver superior results lies at the core of our human resource strategy. In this context, we ensure equity, transparency, fairness and work rewarding in deploying our diversified human resource.

At LECO, we believe that employee engagement is crucial in value creation. Hence our training programmes are well formulated to uplift the knowledge and skills of the employees. Pleasing, spacious work environment and integrated IT systems further ensures accurate and speedy work out put. Thus responsibility and dedication is inculcated within our work force as a shared value.

Employee satisfaction is clearly indicated by the low employee turnover rate of 0.008 recorded in 2015 which is commendable.

Professional development

Employees who are at decision making levels are entitled for reimbursement of their annual subscription of professional bodies. All employees have the opportunity to receive financial support for higher studies which has a relevance to their job function. These will enable employees to continue with their professional development while delivering a better service to LECO.

We have conducted internal programmes that encourage knowledge sharing, job rotation, job enrichment which helps employees to discover and develop their hidden talents, thus opening new opportunities for career development.

Recognition

Employees who complete more that 25 years of unblemished carrier in LECO are appreciated and rewarded annually. This is done at an Annual Long service Award Ceremony. Children of employees who have excelled in studies are also recognized and scholarships are awarded at this ceremony.

Opportunity is given to children of employees in recognition of their service to LECO, to apply for internal vacancies and selection is done by a transparent process.

Senior management is continuously in communication with employees by visiting branch offices and work places addressing them where necessary and maintaining cordial relationship.

Relationship

Meetings with Trade Unions are conducted with the Chairman, General Manager and senior management and update them on business activities and performance. These meetings give an opportunity to understand employee expectations and level of satisfaction. The Human Resource Division frequently meets Trade Unions to discuss and resolve grievances faced by employees. We practice an open-door policy and employees may meet any senior manager including Group Chairman. It may be to communicate a grievance, to forward a suggestion or simply to strengthen relationships. Two-way communications is encouraged through cross functional meetings.

Work Life Balance

We maintain a holiday bungalow in Nuwareliya at subsidized rates for our employees. Employees receive a holiday allowance equal to half a months salary to spend on leisure.

Annual sport meet is the main social event sponsored by the company, where families of all employee categories meet.

Range of fringe benefits provided are comparable to the best in our Industry. Medical insurance, financial support in times of bereavement, concessionary rates on distress loans, vehicle and housing loans, financial assistance for higher education are in the list.

Internal Audit Team

Good Governance

Audit & Management Committee

A three member committee was appointed from the Board of Directors, headed by the Treasury Representative with the intention of having an independent view on company operations, held four productive meetings during the year 2015 promoting clarity, transparency and Good Governance of the work performed by the Lanka Electricity Company (Pvt) Ltd.

Meaningful analysis of provided MIS Reports, positive actions on Internal Audit observations and also assisting to the Board as an examiner on selected Board Papers which need in-depth checking, were the major functions exercised by the committee during the period under review.

Management Review

Internal Audit Division

LECO Internal Audit Team comprises professionally qualified staff and performs its duties with due professional care in order to provide an independent view on all operational work performed by the management.

During the period under review, they have conducted Audits for all functional areas, clusters designed by the management as per the initial plan approved by the Audit & Management Committee at the beginning of the year.

All Branch Audit Reports were discussed in detail with the Chairman and directions were delivered to responsible officers concerned with the involvement of higher management, prior to submitting such to the Audit & Management Committee for their perusal.

Senior Management

Mr. H.H. Sumanadasa
System Operations Manager

Mr. K.G. Kularathne
Project Manager

Mr. N. Ekanayaka
Chief Internal Auditor

Mr. Madhura Gamage
Regulatory Manager

Mr. S.D.C. Gunawardana
System Development Manager

Mr. Chandima Premachandra
Personnel Manager

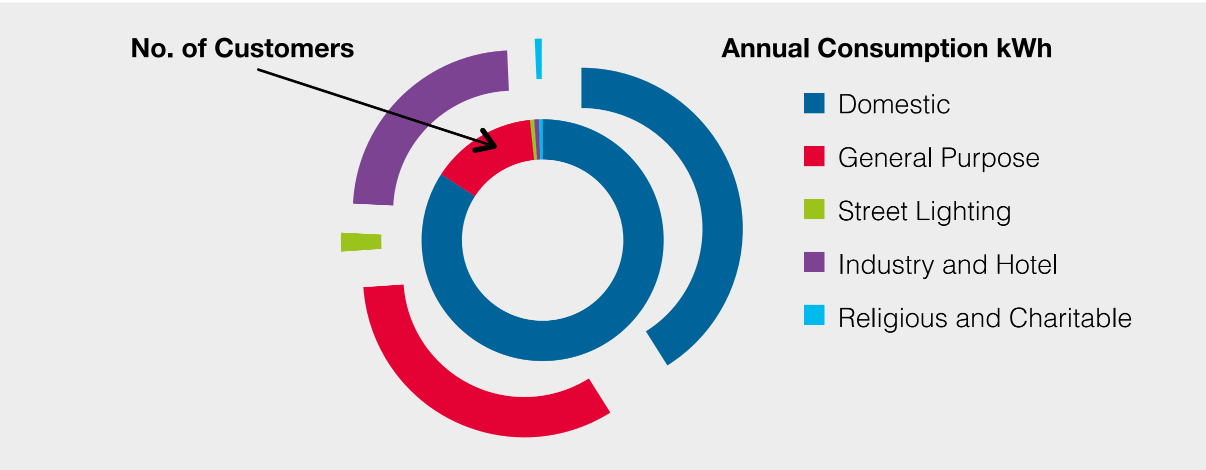
Mr. G.P. Seneviratne
Customer Service Manager

Operations Division

The main activities of the Operations Division are to provide services in compliance with LECO corporate objectives, such as to cater to customer demand for electricity while maintaining reliability of supply by emphasizing effective and efficient use of our assets.

LECO was able to increase its customer base in 2015 by 1.5% compared to the year 2014 and the total figure at the end of this year was 521,982. During the year 2015 the Company has delivered 1,218 GWh to customers. Tariff category-wise annual consumption is given in the table below.

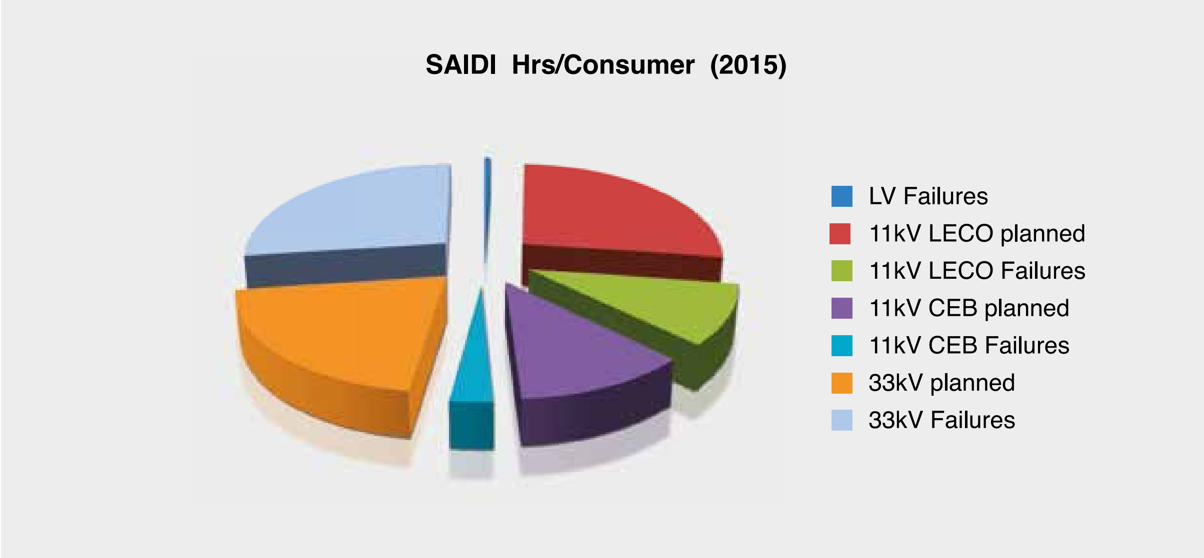
Tariff type	Total Accounts		Annual Consumption	
	No.	Percentage to Total	kWh	Percentage to Total
Domestic	439,365	84.17%	556,661,102	46%
General Purpose	73,946	14.17%	445,198,465	37%
Street Lighting	2,828	0.54%	25,632,726	2%
Industry and Hotels	3,364	0.64%	318,813,160	26%
Religious and Charitable	2,479	0.47%	9,430,211	1%
Total	**521,982**	**100%**	**1,218,781,192**	**100%**



Loss Reduction
Electricity distribution loss levels are being continuously monitored and the 12 month moving average loss was further brought down to 3.76% at the year-end, which was 4.02% in 2014 December. This indicates that the Company has been maintaining remarkable low loss figures during 2015.

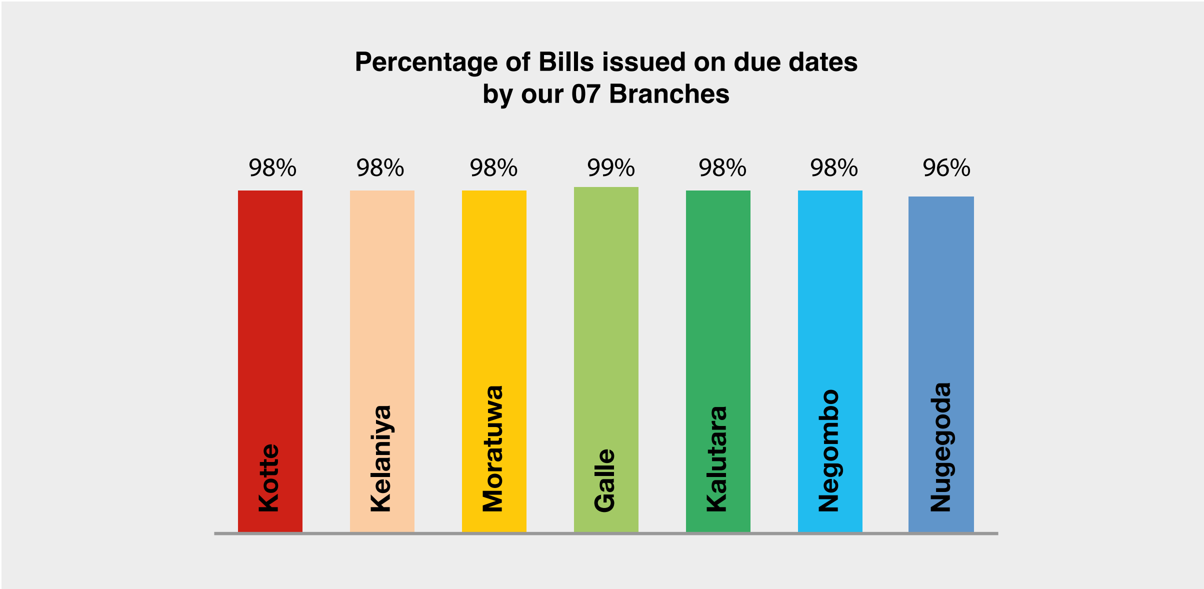
System Development
Company invested 673.30 million Rupees for the development of the distribution network in order to maintain high reliability of electricity supply and to meet increasing demand. At the end of the year 2015, distribution system assets has reached 1,064 km of HV lines, 4,870 km of LV lines with 2,331 No. of distribution substations and 1,676 No. of bulk substations.

Supply Reliability
Supply reliability of customers is a key concern of LECO and attended maintenance work while maintaining reduced planned outages from 15.85 in 2014 to 13.34 hrs/consumer in 2015 with the introduction of interruption duration reduction from 8 hrs to 6 hrs per day and increasing work gangs. Total outages hours/consumer (SAIDI) of year 2014 was 59.03 and reduced to 50.52 in year 2015.



Customer Services

LECO started issuing new service estimations within three(03) days on customer requests and connections within three(03) days after the payment, from July 2015 with 75% achievement, while maintaining the same with 90% achievement as per the Supply Service Code and LECO service assurance (within 10 working days). Company has been continuously maintaining customer billing process in 2015 with over 98% due date billing (30days ± 3 days) in order to collect revenue for correct/accurate bills.



Also Company implemented Methodology for Estimation of Energy in 2015 which was approved by PUCSL for the benefit of customers and to maintain uniformity in LECO.

Customer Services Centre of Moratuwa South was relocated in our own building for greater convenience and comfort of customers as well as LECO employees.

Financial Review

The Consolidated financial performance of LECO Group, comprises of Lanka Electricity Company (Pvt) Ltd, Ante LECO Metering Company (Pvt) Ltd and LECO Projects Pvt Ltd

Revenue
Substantial part of the Group's revenue is regulated and subject to review every 05 years. Amidst operating under a regulatory environment Lanka Electricity Company (Pvt) Ltd (LECO) recorded a Group Profit of Rs 1.3 Billion

The Group achieved a strong growth in revenue to record consolidated revenue of Rs 27 Billion for the year 2015 representing an increase of 10% (y-o-y). In the year 2015 the group was able to earn an operating profit of Rs 492 Million. In addition the Company was able to earn Rs 524 Million as interest income, due to the efficient functioning of the Treasury Department. All collections were centrally handled and prudent investing mechanism enabled the Company to generate such return. Net dividends received from West Coast Power (Pvt) Ltd was Rs 495 Million

Expenditure
Group operating expenditure was capped at Rs 3.5 Billion reflecting a 5.3% increase (y-o-y). The Company was able to operate within the approved budgetary allocation, this was made possible because the Company adopted effective cost control measures.

The upgraded Enterprise Resource Management software, Billing and Human Resources Management software, the enhanced capital expenditure to our internal processes and to the distribution systems has enabled the Company to provide a satisfied service to its customers.

New distribution lines were constructed and vehicles which were fully depreciated were sold.

Financial Highlights

Year	2015	2014	2013	2012	2011
Profitability					
Sales (Rs Mn)	26,774,028	24,332,107	22,373,120	19,761,169	19,079,630
Gross Profit(%)	12.58%	16%	13%	20%	19%
Net Profit (%)	4.7%	6.6%	1.32%	10.14%	12.80%
Working Capital Management					
Current Ratio (times) at the year end)	3.47	3.05	1.78	1.83	2.10
Quick Asset Ratio (times) at the year end)	3.17	2.75	1.63	1.54	1.87
Fixed Assets Turnover (times)	2.48	2.23	2.16	1.88	2.20

INDEPENDENT AUDITORS' REPORT

Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

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eysl@lk.ey.com
ey.com

Building a better working world

NDeS/FNN/DM

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Lanka Electricity Company (Private) Limited, ("the Company"), and the consolidated financial statements of the Company and its subsidiaries ("Group"), which comprise the statement of financial position as at 31 December 2015, and the statement of profit and 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 set out on pages 32 to 70.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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 controls relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

INDEPENDENT AUDITORS' REPORT

Building a better working world

Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

a) The basis of opinion and Scope and Limitations of the audit are as stated above.
b) In our opinion :

-We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

-The financial statements of the Company give a true and fair view of the financial position as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

-The financial statements of the Company and the Group, comply with the requirements of Section 151 and 153 of the Companies Act No. 07 of 2007.

Ernst & Young

13 May 2016
Colombo

STATEMENT OF FINANCIAL POSITION
As at 31 December 2015

		Group		Company	
ASSETS	**Note**	**2015 Rs.'000**	**2014 Rs.'000**	**2015 Rs.'000**	**2014 Rs.'000**
Non-Current Assets					
Property, Plant and Equipment	3	10,774,609	10,914,371	10,694,398	10,888,956
Investment Property	4	-	-	62,771	-
Intangible Assets	5	14,667	16,500	-	-
Investments in Subsidiaries	6	-	-	31,320	31,320
Other Non Current Financial Assets	7	8,937,137	9,666,991	8,984,222	9,714,076
Total Non-Current Assets		**19,726,413**	**20,597,862**	**19,772,711**	**20,634,352**
Current Assets					
Inventories	8	1,080,768	1,033,028	991,083	935,136
Trade and Other Receivables	9	2,964,952	2,718,287	2,911,877	2,753,310
Other Financial Asset	7	3,618,270	5,188,005	3,435,720	5,040,790
Cash and Bank Balances	24	4,805,694	1,828,119	4,781,866	1,737,869
Total Current Assets		**12,469,684**	**10,767,439**	**12,120,546**	**10,467,104**
Total Assets		**32,196,097**	**31,365,301**	**31,893,257**	**31,101,456**
EQUITY AND LIABILITIES					
Equity and Reserves					
Stated Capital	10	1,145,067	1,145,067	1,145,067	1,145,067
Other Components of Equity	11	7,844,253	8,030,467	7,864,995	8,051,209
Retained Earnings		14,861,547	14,190,515	14,701,790	14,045,201
Equity Attributable to the Equity Holders of the Parent		**23,850,867**	**23,366,049**	**23,711,852**	**23,241,477**
Non-Controlling Interest		79,866	72,969	-	-
Total Equity		**23,930,733**	**23,439,017**	**23,711,852**	**23,241,477**
Non-Current Liabilities					
Deferred Tax Liability	13	110,564	194,298	110,511	194,624
Deferred Income	14	3,845,322	3,516,111	3,845,321	3,516,111
Employment Retirement Benefits	15	720,649	680,536	719,751	679,833
Total Non-Current Liabilities		**4,676,535**	**4,390,945**	**4,675,583**	**4,390,569**
Current Liabilities					
Trade and Other Payables	16	2,780,492	2,600,065	2,697,393	2,534,019
Income Tax Liabilities		750,098	922,908	750,190	923,026
Bank Over Draft	12	58,239	12,365	58,239	12,365
Total Current Liabilities		**3,588,829**	**3,535,338**	**3,505,822**	**3,469,411**
Total Equity and Liabilities		**32,196,097**	**31,365,301**	**31,893,257**	**31,101,456**

I certify that these financial statements are in compliance with the requirements of the Companies Act No.07 of 2007.

....
Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. Signed for and on behalf of the Board by,

.... Director

.... Director

The accounting policies and notes on pages 38 through 70 form an integral part of the financial statements.

13 May 2016
Colombo

STATEMENT OF PROFIT AND LOSS
Year ended 31 December 2015

		Group		Company	
	Note	**2015 Rs.'000**	**2014 Rs.'000**	**2015 Rs.'000**	**2014 Rs.'000**
Revenue	17	26,774,028	24,332,107	26,193,589	23,780,990
Cost of Sales		(23,407,018)	(20,523,201)	(22,884,281)	(20,050,127)
Gross Profit		**3,367,009**	**3,808,905**	**3,309,308**	**3,730,862**
Other Operating Income	18	707,373	613,988	709,098	611,788
Operating Expenses		(1,775,009)	(1,746,918)	(1,774,957)	(1,737,895)
Administrative Expenses		(1,808,266)	(1,655,305)	(1,790,939)	(1,634,002)
Finance Income	19	1,032,844	1,286,990	1,019,768	1,275,339
Finance Cost	20	(15)	(7,481)	(15)	(7,481)
Profit Before Tax	**21**	**1,523,935**	**2,300,178**	**1,472,263**	**2,238,612**
Income Tax (Expense)/Reversal	22	(261,964)	(695,753)	(246,033)	(683,688)
Profit for the Year		**1,261,971**	**1,604,425**	**1,226,230**	**1,554,924**
Attributable to :					
Equity Holder of the Parent		1,249,470	1,586,105		
Non Controlling Interest		12,501	18,320		
		1,261,971	**1,604,425**		
Basic Earning Per Share	23	10.91	13.85	10.71	13.58

The accounting policies and notes on pages 38 through 70 form an integral part of the financial statements.

STATEMENT OF OTHER COMPREHENSIVE INCOME
Year ended 31 December 2015

	Note	Group		Company	
		2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Profit for the Year		1,261,971	1,604,425	1,226,230	1,554,924
Other Comprehensive Income					
Other Comprehensive Income to be reclassified to Profit or Loss in Subsequent Periods					
Net Gain/(Loss) on Available for Sale Financial Assets		(186,214)	6,281,953	(186,214)	6,281,953
Net Other Comprehensive Income to be reclassified to Profit or Loss in Subsequent Periods		**(186,214)**	**6,281,953**	**(186,214)**	**6,281,953**
Other Comprehensive Income not to be reclassified to Profit or Loss in Subsequent Periods (Net of Tax)					
Actuarial Gain/(Loss) on Retirement Benefits		(19,519)	(90,230)	(19,507)	(90,230)
Revaluation of Land and Buildings			279,899	-	325,641
Net Other Comprehensive Income not to be reclassified to Profit or Loss in Subsequent Periods		**(19,519)**	**189,669**	**(19,507)**	**235,411**
Other Comprehensive Income for the Year net of Tax		**(205,733)**	**6,471,622**	**(205,721)**	**6,517,364**
Total Comprehensive Income for the Year net of Tax		**1,056,239**	**8,076,047**	**1,020,510**	**8,072,289**

The accounting policies and notes on pages 38 through 70 form an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2015

Group	Stated Capital Rs.'000	Revenue Reserves Rs.'000	Retained Earnings Rs.'000	Revaluation Reserve Rs.'000	Available for Sale Reserve Rs.'000	Total Rs.'000	Non Cotrolling Interest Rs.'000	Total Equity Rs.'000
Balance as at 01 January 2014	1,145,067	449,900	12,642,634	1,127,974	-	15,365,575	56,125	15,421,700
Profit for the Year	-	-	1,586,105	-	-	1,586,105	18,320	1,604,425
Other Comprehensive Income (Net of Tax)	-	-	(90,230)	279,899	6,281,953	6,471,622	-	6,471,622
Total Comprehensive Income	**-**	**-**	**1,495,875**	**279,899**	**6,281,953**	**8,057,727**	**18,320**	**8,076,047**
Dividend Payment	-	-	(57,253)	-	-	(57,253)	(1,476)	(58,730)
Transfer of Foreign Exchange Reserve to Retained Earnings	-	(109,258)	109,258	-	-	-	-	-
Balance as at 31 December 2014	**1,145,067**	**340,642**	**14,190,515**	**1,407,873**	**6,281,953**	**23,366,050**	**72,969**	**23,439,018**
Super Gain Tax	-	-	(397,957)	-	-	(397,957)	(3,725)	(401,682)
Profit for the Year	-	-	1,249,470	-	-	1,249,470	12,501	1,261,971
Other Comprehensive Income (Net of Tax)	-	-	19,519	-	(186,214)	(166,695)	-	(166,695)
Total Comprehensive Income	**-**	**-**	**871,032**	**-**	**(186,214)**	**684,818**	**8,776**	**693,594**
Dividend Payment			(200,000)	-	-	(200,000)	(1,879)	(201,879)
Balance as at 31 December 2015	**1,145,067**	**340,642**	**14,861,547**	**1,407,873**	**6,095,739**	**23,850,868**	**79,866**	**23,930,733**

The accounting policies and notes on pages 09 through 44 form an integral part of the financial statements.

Company	Stated Capital Rs.'000	Revenue Reserves Rs.'000	Retained Earnings Rs.'000	Available for Sale Reserve Rs.'000	Revaluation Reserve Rs.'000	Total Rs.'000
Balance as at 01 January 2014	1,145,067	449,900	12,528,503	(25,001)	1,127,974	15,226,443
Profit for the Year	-	-	1,554,924	-	-	1,554,924
Other Comprehensive Income (Net of Tax)	-	-	(90,230)	6,281,953	325,641	6,517,364
Total Comprehensive Income	**-**	**-**	**1,464,694**	**6,281,953**	**325,641**	**8,072,288**
Dividend Payment	-	-	(57,253)	-	-	(57,253)
Transfer of Foreign Exchange Reserve to Retain Earnings	-	(109,258)	109,258	-	-	-
Balance as at 31 December 2014	**1,145,067**	**340,642**	**14,045,201**	**6,256,952**	**1,453,615**	**23,241,479**
Super Gain Tax	-	-	(389,148)	-	-	(389,148)
Profit for the Year	-	-	1,226,230	-	-	1,226,230
Other Comprehensive Income (Net of Tax)	-	-	19,507	(186,214)	-	(166,707)
Total Comprehensive Income	**-**	**-**	**856,589**	**(186,214)**	**-**	**670,375**
Dividend Payment	-	-	(200,000)	-	-	(200,000)
Transfer of Foreign Exchange Reserve to Retain Earnings	-	-	-	-	-	-
Balance as at 31 December 2015	**1,145,067**	**340,642**	**14,701,790**	**6,070,738**	**1,453,615**	**23,711,852**

The accounting policies and notes on pages 38 through 70 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS
Year ended 31 December 2015

	Note	Group 2015 Rs.'000	Group 2014 Rs.'000	Company 2015 Rs.'000	Company 2014 Rs.'000
Cash Flows From / (Used in) Operating Activities					
Profit / (Loss) Before Tax		1,523,935	2,300,178	1,472,263	2,238,612
Adjustments for					
Depreciation of Property, Plant and Equipment	3	878,081	854,207	868,695	842,682
Depreciation of Investment Properties		-	-	510	-
Amortization of Intangible Assets		1,833	1,833	-	-
Reversal of Revaluation Gain Charged to Profit and Loss		-	(16,221)	-	(16,221)
Finance Income	17	(1,032,844)	(1,286,990)	(1,019,768)	(1,275,339)
(Profit)/ Loss on Sale of Property, Plant and Equipment	21	(52,425)	-	(52,418)	-
Finance Costs	19	15	7,481	15	7,481
Amortization of Deferred Income	13	(307,107)	(286,447)	(307,107)	(286,448)
Provision for Retirement Benefit Plans	14	98,454	89,264	98,246	88,869
Operating Profit/(Loss) before Working Capital Changes		**1,109,943**	**1,663,307**	**1,060,435**	**1,599,635**
(Increase)/ Decrease in Inventories		(47,740)	(122,189)	(55,947)	(128,076)
(Increase)/ Decrease in Trade and Other Receivables		(67,921)	168,256	20,176	163,747
(Increase)/ Decrease in Other Financial Assets		2,139,735	(1,836,945)	2,175,070	(1,689,730)
Increase/(Decrease) in Trade and Other Payables		180,427	(3,200,016)	163,374	(3,168,528)
Cash Generated From Operations		**3,314,444**	**(3,327,588)**	**3,363,108**	**(3,222,952)**
Interest Paid		(15)	(7,481)	(15)	(7,481)
Defined Benefit Plan Costs Paid		(31,236)	(27,734)	(31,236)	(27,665)
Income Tax Paid		(488,515)	7,150	(472,990)	(16,584)
Super Gain Tax Paid		(397,957)	-	(389,148)	-
Net Cash From/(Used in) Operating Activities		**2,396,721**	**(3,355,653)**	**2,469,719**	**(3,274,683)**
Cash Flows From / (Used in) Investing Activities					
Net Acquisition and Disposal of Property, Plant and Equipment		(794,701)	(1,073,934)	(726,798)	(1,073,779)
Acquisition of Investment Properties		-	-	(63,281)	-
Investment/ (Recoveries) in Non Current Investments		(26,360)	870,109	(26,360)	870,109
Finance Income Received		1,032,844	1,286,990	1,019,768	1,275,339
Deferred Income Received		525,074	547,739	525,074	547,739
Net Cash Flows From/(Used in) Investing Activities		**736,857**	**1,630,904**	**728,404**	**1,619,409**
Cash Flows From / (Used in) Financing Activities					
Dividend Payment		(201,879)	(58,730)	(200,000)	(57,253)
Repayment of Interest Bearing Loans and Borrowings	11	-	(56,026)	-	(56,026)
Net Cash Flows From/(Used in) Financing Activities		**(201,879)**	**(114,756)**	**(200,000)**	**(113,279)**
Net Increase/(Decrease) in Cash and Cash Equivalents		2,931,699	(1,839,506)	2,998,123	(1,768,554)
Cash and Cash Equivalents at the Beginning of the Year		1,815,754	3,655,258	1,725,503	3,494,058
Cash and Cash Equivalents at the End of the Year	24	**4,747,454**	**1,815,754**	**4,723,626**	**1,725,503**

The accounting policies and notes on pages 38 through 70 form an integral part of the financial statements.

Interactive Internet-Based Customer Portal

Customers will be able to interact with our internet portal for reading their meter, controlling their consumption and communicating with the utility. Our customer services will bring action to their doorstep.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

1. CORPORATE INFORMATION

1.1 General

Lanka Electricity Company (Private) Limited is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office is situated at No. 411, E.H. Cooray Building, Galle Road, Colombo 03.

1.2 Consolidated Financial Statements

The Consolidated financial statements of the Company for the year ended 31 December 2015 comprise Lanka Electricity Company (Private) Limited (the 'Company') and all its Subsidiaries, whose accounts have been consolidated therein. (the 'Group').

1.3 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were purchasing electricity from Ceylon Electricity Board and retailing to domestic and industrial customers, through the Company's branches located at Galle, Kalutara, Moratuwa, Kelaniya, Nugegoda, Kotte and Negombo.

The Subsidiaries of the Company and their principal activities were as follows;

Company	Activity
LECO Projects (Pvt) Ltd	To provide infrastructure facilities for electricity distribution within the Country.
Ante-LECO Metering Company (Pvt) Ltd	To set up an energy meter manufacturing facility to meet the electronic meter requirements of Sri Lanka and for the export market.

1.4 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is Ceylon Electricity Board, which is incorporated in Sri Lanka, under the Ceylon Electricity Board Act No.17 of 1969.

1.5 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of Financial Statements of the Group and the company as per Sri Lanka Accounting Standards and the provisions of the Companies Act No 7 of 2007.

1.6 Approval of Financial Statements by Directors

The Financial Statements of the Group and the Company for the year ended 31 December 2015 were authorized for issue by the Board of Directors on 13 May 2016.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Consolidated Financial Statements of the Group and the separate Financial Statements of the Company, which comprise the Statement of Financial Position, Profit or Loss, Statement of Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flow and Notes to the Financial Statements have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No 7 of 2007.

2.2 Basis of Measurement

The Financial Statements of the Group and the Company have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position:

- Available for sale investments are measured at fair value
- Land and Buildings which are measured at cost at the time of acquisition subsequently measured at revalued amounts, which are the fair values at the date of revaluation
- Liabilities for defined benefit obligations are recognised as the present value of the defined benefit obligation

2.3 Functional and Presentation Currency

The Financial Statements of the Group and the Company are presented in Sri Lanka Rupees, which is the currency of the primary economic environment in which Lanka Electricity Company (Private) Limited operates. Financial information presented in Sri Lanka Rupees has been rounded to the nearest thousand unless indicated otherwise. There were no change in the Group's presentation and functional currency during the year under review.

2.4 Materiality and Aggregation

In compliance with Sri Lanka Accounting Standard - LKAS 01, (Presentation of Financial Statements), each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Profit or Loss unless required or permitted by an Accounting Standard.

2.5 Comparative Information

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year.

2.6 Significant Accounting Judgments, Estimates and Assumptions

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

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Group and the Company are as follows:

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

2.6.1 Going Concern

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

2.6.2 Impairment Provision for Trade Receivables

The Group and the Company review their Trade Receivables individually at each reporting date to assess whether an impairment loss should be recorded in the Statement of Profit or Loss. In particular, Management's judgment is required in the estimation of the amount to be determined as the impairment loss based on various factors. These estimates are based on number of factors and actual results may differ, resulting in future changes to the impairment provision made.

2.6.3 Impairment of Available for Sale Investments

The Group and the Company review their Non Quoted Equity Investments classified as available for sale investments at each reporting date to assess whether they are impaired. Objective evidence that an Available for Sale Investments are impaired includes the extent up to which the fair value of an investment is less than its cost.

2.6.4 Fair Value of Available for Sale Investments

The determination of fair value of financial assets classified as Available for Sale Investments in the Statement of Financial Position for which there is no observable market price are determined using valuation techniques. The valuation of Available for Sale Financial Assets are described in more detail in Note 7 to the financial statements.

The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 7 to the financial statements.

2.6.5 Defined Benefit Plans

The cost of the defined benefit plans and the present value of their obligations are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future salary increase rate of the Company.

2.6.6 Fair Value of Property, Plant and Equipment

The Land and Buildings of the Group and the Company are reflected at fair value. The Group engaged independent valuation specialists to determine fair value of lands and buildings in terms of the Sri Lanka Accounting Standard - SLFRS 13, (Fair Value Measurement).

2.6.7 Useful Life-time of the Property, Plant and Equipment

The Group and the Company review the residual values, useful lives and methods of depreciation of Property, Plant and Equipment at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

2.6.8 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless they are remote.

2.7 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied by the Group and the Company in preparation of the Financial Statements are included below. The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements of the Group and the Company, unless otherwise indicated.

2.7.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2015.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant Activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in the profit or loss. Any investment retained is recognized at fair value. For the purpose of consolidation, Ante LECO Metering Company (Private) Limited and LECO Projects (Private) Limited is considered as a subsidiary since Lanka Electricity Company (Private) Limited has the majority of voting rights and retain control of those companies.

2.7.2 Foreign Currency Transactions and Balances

All foreign currency transactions are translated into the Functional Currency, which is Sri Lanka Rupees, using the exchange rates prevailing at the dates of the transactions were affected.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Sri Lanka Rupees using the spot foreign exchange rate ruling at that date and all differences arising on non-trading activities are taken to the Statement of Profit or Loss.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items in foreign currency measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange differences arising on the settlement or reporting of monetary items at rates different from those which were initially recorded are dealt with in the Statement of Profit or Loss.

2.7.3 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and taxes.

The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of Goods

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

(b) Rendering of Services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

(c) Interest Income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, 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. Interest income is included in finance income in the income statement.

(d) Dividends

Revenue is recognised when the Group's right to receive the payment is established.

(e) Others

Other income is recognised on an accrual basis.

2.7.4 Taxation

a) Current Tax

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

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No 10 of 2006 and the amendments thereto.

b) Deferred Taxation

Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income 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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income 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 utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

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

Deferred tax relating to items recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

c) Tax on dividend income

Tax on dividend income from subsidiaries is recognized as an expense in the Consolidated Income Statement.

2.7.5 Property, Plant and Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of services, for rental to others or for administrative purposes and are expected to be used during more than one period. The Group applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 (Property, Plant and Equipment) in accounting for these assets

2.7.6 Recognition

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

2.7.7 Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of an item of property, plant & equipment. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of computer equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

2.7.8 Cost Model

The Group applies cost model to property, plant and equipment except for freehold land and buildings and records at cost of purchase or construction together with any incidental expenses there on less accumulated depreciation and any accumulated impairment losses.

2.7.9 Revaluation Model

The Group applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Group are revalued once in every three years to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in 'Other Comprehensive Income' and accumulated in Equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to the Statement of Profit or Loss. In this circumstance, the increase is recognised as income to the extent of the previous write down. Any decrease in the carrying amount is recognised as an expense in the Statement of Profit or Loss or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in Equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to Retained Earnings on retirement or disposal of the asset.

2.7.10 Subsequent Cost

The subsequent cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Group and its cost can be reliably measured. The costs of day to day servicing of property, plant and equipment are charged to the Statement of Profit or Loss as incurred.

2.7.11 Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of an item of property, plant and equipment is included in the Statement of Profit or Loss when the item is derecognised.

When replacement costs are recognised in the carrying amount of an item of property, plant and equipment, the remaining carrying amount of the replaced part is derecognised. Major inspection costs are capitalised. At each such capitalisation, the remaining carrying amount of the previous cost of inspections is derecognised.

2.7.12 Depreciation

The Group provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Group of the different types of assets. Land is not depreciated

Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised. Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The principal annual rates of depreciation, used by the Group are as follows

Buildings	2.5%
Supply of Infrastructure	
Substations, Overhead lines & Service Lines taken over from Local Authorities and CEB	10%
Substations, Overhead Lines & Service Lines Constructed by LECO	4% - 5%
Motor Vehicles	15% -20%
Computers	20% - 33 1/3%
Office Equipment	15%-33 1/3%
Plant and Machinery	25% - 33 1/3%

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

2.7.13 Leases

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

Operating Leases

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

2.7.14 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.7.15 Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is 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 income statement in the year in which the expenditure is incurred.

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

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset 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 embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

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

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 asset and are recognised in the income statement when the asset is derecognised.

2.7.16 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:

- o Operational & Maintenance Goods
  At actual cost on weighted average basis.
- o Goods-in-Transit and Other Stocks
  At actual cost

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

2.7.17 Financial Instruments - Initial Recognition and Subsequent Measurement

i) Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate and determine the classification of its financial assets at initial recognition.

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

The financial assets include cash and short-term deposits, trade and other receivables and other financial assets.

Subsequent Measurement

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement.

Available for Sale Financial Investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available for- sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available for sale category, any previous gain or loss on that asset that has been recognised in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition

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

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

ii) The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either

o The Group has transferred substantially all the risks and rewards of the asset, or

o The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the company's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets Carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

Available for Sale Financial Investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and other financial liabilities carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities as at the reporting date include trade and other payables and bank overdrafts.

Subsequent Measurement

The measurement of financial liabilities depends on their classification as follows;

Loans and Borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

iii) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

iv) Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations. (bid price for long position and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

2.7.18 Impairment of Non - Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.7.19 Cash and Short term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the Group statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.7.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects same or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

2.7.21 Retirement Benefit Liability

(a) Defined Contribution Plans –Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 15% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

(b) Defined Benefit Plan – Gratuity

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary using the projected benefit valuation method. Actuarial gains and losses for defined benefit plans are recognised as income or expense in other comprehensive income during the financial year in which it arise.

However, as per the payment of Gratuity Act No. 12 of 1983 this liability only arises upon completion of 5 years of continued service.

The gratuity liability is not externally funded.

2.7.22 Deferred Income on Consumer Contribution

Contributions from Consumers to defray the cost of assets installed to establish new service connections are recognized as deferred obligations. The new service connection assets are depreciated over a period of 20 years. The corresponding consumer contributions are amortized to the Income statement over a similar period of 20 Years.

2.8 EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE:

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements.

(i) SLFRS 9 -Financial Instruments: Classification and Measurement

In December 2014, the CA Sri Lanka issued the final version of SLFRS 9 Financial Instruments which reflects all phases of the financial Instruments project and replaces LKRS 39 Financial Instruments, Recognition and Measurement. The standard introduces new requirements for classification and measurement impairment, and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 01 January 2018, with early application permitted. Retrospective application is required. But comparative information is not compulsory.

The adoption of SLFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

(ii) SLFRS 15 -Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs. This standard is effective for the annual periods beginning on or after 01 January 2018.

The Company will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

		Balance As at 01.01.2015 Rs.'000	Additions/ Transfers Rs.'000	Disposals/ Transfers Rs.'000	Balance As at 31.12.2015 Rs.'000
3.	**PROPERTY, PLANT & EQUIPMENT Group**				
3.1	**Gross Carrying Amounts**				
3.1.1	**At Cost**				
	Motor Vehicles	878,962	22,894	(58,667)	843,189
	Computers	296,892	63,851	-	360,743
	Office Equipments	366,640	20,823	(3,938)	383,525
	Plant and Machinery	89,754	470	-	90,224
	Supply of Infrastructure	20,098,790	669,494	(54,586)	20,713,698
		21,731,037	**777,532**	**(117,191)**	**22,391,379**
	At Valuation				
	Freehold Lands	1,687,032	71,912	-	1,758,944
	Buildings	623,045	43,853	-	666,898
		2,310,077	**115,765**	**-**	**2,425,842**
	Total Gross Carrying Value of Assets	**24,041,114**	**893,297**	**(117,191)**	**24,817,221**

		Balance As at 01.01.2015 Rs.'000	Additions Rs.'000	Transfers Rs.'000	Balance As at 31.12.2015 Rs.'000
3.1.2	**In the Course of Construction**				
	Supply of Infrastructure	561,369	821,480	(950,981)	431,868
		561,369	821,480	(950,981)	431,868
	Total Gross Carrying Amount	**24,602,483**	**1,714,777**	**(1,068,172)**	**25,249,088**

		Balance As At 01.01.2015 Rs.'000	Charge for the Year Rs.'000	Disposals/ Transfers Rs.'000	Balance As at 31.12.2015 Rs.'000
3.1.3	**Depreciation**				
	At Cost				
	Motor Vehicles	463,017	94,651	(58,332)	499,336
	Computers	245,549	16,574	-	262,123
	Office Equipments	267,517	23,832	(3,914)	287,435
	Plant and Machinery	65,283	7,240	-	72,523
	Supply of Infrastructure	12,646,145	719,687	(29,467)	13,336,365
		13,687,511	**861,985**	**(91,713)**	**14,457,783**
	At Valuation				
	Buildings	602	16,096	-	16,698
		602	**16,096**	**-**	**16,698**
	Total Depreciation	**13,688,112**	**878,081**	**(91,713)**	**14,474,481**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

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

Group

3.1.4 Net Book Value

	2015 Rs.'000	2014 Rs.'000
At Cost		
Motor Vehicles	343,853	415,945
Computers	98,620	51,343
Office Equipments	96,090	99,123
Plant and Machinery	17,701	24,471
Supply of Infrastructure	7,377,333	7,452,645
	7,933,597	**8,043,527**
At Valuation		
Freehold Lands	1,758,944	1,687,032
Buildings	650,200	622,443
	2,409,144	**2,309,475**
Capital Working Progress		
Supply of Infrastructure	431,868	561,369
	431,868	**561,369**
Total Net Carrying Amount of Property, Plant and Equipment	**10,774,609**	**10,914,371**

3. PROPERTY, PLANT & EQUIPMENT
Company

	Balance As at 01.01.2015 Rs.'000	Additions/ Transfers Rs.'000	Disposals/ Transfers Rs.'000	Balance As at 31.12.2015 Rs.'000
3.2 Gross Carrying Amounts				
3.2.1 At Cost				
Motor Vehicles	874,354	22,894	(58,667)	838,581
Computers	295,690	62,972	-	358,662
Office Equipments	364,365	20,689	(3,919)	381,135
Supply of Infrastructure	20,098,790	669,494	(54,586)	20,713,69
	21,633,199	**776,049**	**(117,172)**	**22,292,076**
At Valuation				
Freehold Lands	1,687,032	49,883	-	1,736,915
Buildings	623,045	2,601	-	625,646
	2,310,077	**52,484**	**-**	**2,362,561**
Total Gross Carrying Value of Assets	**23,943,276**	**828,533**	**(117,172)**	**24,654,637**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

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

Company

3.2.2 In the Course of Construction	Balance As at 01.01.2015 Rs.'000	Additions Rs.'000	Transfers Rs.'000	Balance As at 31.12.2015 Rs.'000
Supply of Infrastructure	563,820	822,062	(950,981)	434,901
	563,820	**822,062**	**(950,981)**	**434,901**
Total Gross Carrying Amount	**24,507,096**	**1,650,595**	**(1,068,153)**	**25,089,538**

3.2.3 Depreciation	Balance As At 01.01.2015 Rs.'000	Charge for the Year Rs.'000	Disposals/ Transfers Rs.'000	Balance As at 31.12.2015 Rs.'000
At Cost				
Motor Vehicles	461,047	93,729	(58,314)	496,462
Computers	244,721	16,213	-	260,934
Office Equipments	265,506	23,480	(3,914)	285,072
Supply of Infrastructure	12,646,614	719,687	(29,467)	13,336,834
	13,617,888	**853,109**	**(91,695)**	**14,379,302**
At Valuation				
Buildings	252	15,586	-	15,838
	252	**15,586**	**-**	**15,838**
Total Depreciation	**13,618,140**	**868,695**	**(91,695)**	**14,395,140**

3.2.4 Net Book Value

	2015 Rs.'000	2014 Rs.'000
At Cost		
Motor Vehicles	342,119	413,307
Computers	97,728	50,969
Office Equipments	96,063	98,859
Supply of Infrastructure	7,376,864	7,452,176
	7,912,774	**8,015,311**
At Valuation		
Freehold Lands	1,736,915	1,687,032
Buildings	609,807	622,793
	2,346,722	**2,309,825**
Capital Working Progress		
Supply of Infrastructure	434,901	563,820
	434,901	**563,820**
Total Net Carrying Amount of Property, Plant and Equipment	**10,694,398**	**10,888,956**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

3. PROPERTY, PLANT AND EQUIPMENT (Contd…)

The fair value of land and buildings was last determined by means of a revaluation during the financial year 31 December 2014. The valuations are performed by Mr P.P.T. Mohideen, a Chartered Valuation Surveyor who is an accredited independent valuer who has valuation experience for similar Land and Building in Sri Lanka for more than 30 years. Fair value of the Land & Building were determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property. Carrying Values as at 31 December 2015 do not materiality deviate from fair value.

Significant unobservable valuation input	Range
Land: Price per perche	Rs.125,000-Rs.4,000,000
Building: Price per Square Metre	Rs.100-RS.7450

Land and Buildings of the company are Located at Kelaniya, Kalutara,Nugegoda, Moratuwa, Narahenpita, Negombo, Galle, Kotte, Nuwaraeliya, Waskaduwa,Ekala, Ja-Ela,Hikkaduwa, Peliyagoda, Rajagiriya,Ambalangoda, Bandaragama and Maharagama

Significant increases (decreases) in estimated price per square metre in isolation would result in a significantly higher (lower) fair value.

The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost Rs.'000	Cumulative Depreciation If assets were carried at cost Rs.'000	Net Carrying Amount 2015 Rs. Rs.'000	Cost Rs.'000	Cumulative Depreciation If assets were carried at cost Rs.'000	Net Carrying Amount 2014 Rs. Rs.'000
Building	320,143	100,386	219,757	317,542	92,382	225,160
Land	582,942	-	-	533,059	-	533,059
	903,085	**100,386**	**219,757**	**850,601**	**92,382**	**758,219**

3.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs.915.9 Mn (2014- Rs.1,106 Mn). Cash payments amounting to Rs.834 Mn (2014- Rs.1106/ -Mn) were made during the year for purchase of Property, Plant and Equipment.

3.5 The useful lives of the assets are as follows;

	2015	2014
Buildings	2.5%	2.5%
Supply of Infrastructure		
Substations, Overhead lines & Service Lines constructed by LECO	4% - 5% p.a.	4% - 5% p.a.
Motor Vehicles	15% p.a.	15% p.a.
Computers	20% p.a.	20% p.a.
Office Equipments	15% p.a.	15% p.a.
Plant & Machinery	25% p.a	25% p.a

3.6 Property, Plant and Equipments of the Company includes fully depreciated assets having a gross carrying amounts of Rs. 614.4 Mn (2014 - Rs.550 Mn).

3.7 Company's Land include a Land situated at No.953/1, Sri Jayawardanepura Mawatha, Ethul Kotte which has a carrying value of 69.5 Mn.

According to the gazette notification 1869/7 dated 01 July 2014, Land acquisition notices mentioned that the government intends to acquire the above land for the public purpose.

The Management has requested to grant an alternative land or equivalent Market Value for which a final decision is pending as of the date.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

4. INVESTMENT PROPERTIES
(Company)

	2015 Rs.'000
As at 01 January	-
Additions During the year	63,281
Depreciation	(510)
as at 31 December	**62,771**

4.1 During the year the company acquired Investment Properties (Land and Building) amounting to Rs.63.2 Mn. Building Value of Rs.41.2Mn is depreciated over its usefull life time of 40 Years.

4.2 The Management believe the Fair value of this Investment Property is equal to its carrying value as at the reporting date.

5. INTANGIBLE ASSETS

(Group) At Cost	Balance As at 01.01.2015 Rs.'000	Additions Rs.'000	Disposals	Balance As at 31.12.2015 Rs.'000
Technical Know How (From China)	27,500	-	-	27,500
	27,500	**-**	**-**	**27,500**
Amortization				
Technical Know How (From China)	11,000	1,833	-	12,833
	11,000	**1,833**	**-**	**12,833**
Net Book Value				
Technical Know How (From China)	16,500			14,667
	16,500			**14,667**

6. INVESTMENTS IN EQUITY SECURITIES

(Company) Investments in Subsidiaries	Holding % 2015	Holding % 2014	No. of Shares 2015	No. of Shares 2014	Carrying Value 2015 Rs.000	Carrying Value 2014 Rs.00
LECO Projects (Private) Ltd - Ordinary Shares	100%	100%	2,500,100	2,500,100	25,001	25,001
Ante LECO Metering Company (Pvt) Ltd - Ordinary Shares	70%	70%	3,131,967	3,131,967	31,320	31,320
Less: Allowance for Impairment					(25,001)	(25,001)
					31,320	**31,320**

7. OTHER FINANCIAL ASSETS

	Group 2015 Rs.000	Group 2014 Rs.000	Company 2015 Rs.000	Company 2014 Rs.000
Loans and Receivables (7.1)				
Administrative Borrowings by Department of Treasury Operations	570,000	570,000	570,000	570,000
Loans to Company Officers	795,328	512,943	795,329	512,943
	1,365,328	**1,082,943**	**1,365,329**	**1,082,943**
Borrowings by Ceylon Electricity Board (7.1.1)	-	2,265,000	-	2,265,000
	-	**2,265,000**	**-**	**2,265,000**
Investment in Term Deposits	170,391	962,847	170,391	962,847
Investments in Banks for Loans Given to Employees	841,398	815,038	841,398	815,038
Investment in Other Deposits	2,082,551	1,447,215	1,900,000	1,300,000
	3,094,340	**3,225,100**	**2,911,789**	**3,077,885**

Available For Sale Investments (7.2)
Investments in Unquoted Equity Shares

						Group 2015	Group 2014	Company 2015	Company 2014
Lanka Broad Band Network (Pvt) Ltd	- Ordinary Shares	4%	4%	500,000	500,000	5,000	5,000	15,000	5,000
	- Preference Shares	100%	100%	1,500,000	1,500,000	15,000	15,000	5,000	15,000
West Coast Power (Pvt) Ltd	- Ordinary Shares	18.18%	18.18%	20,000,000	20,000,000	8,095,739	8,281,953	8,095,739	8,281,953
Less: Impairment of Investments						(20,000)	(20,000)	(20,000)	(20,000)
						8,095,739	**8,281,953**	**8,095,739**	**8,281,953**

	Group 2015	Group 2014	Company 2015	Company 2014
Advance for Shares				
Ante LECO Metering Company (Pvt) Ltd - Application for Shares	-	-	47,085	47,085
	-	**-**	**47,085**	**47,085**
Total Other Financial Assets				
Other Non Current Financial Assets	8,937,137	9,666,991	8,984,222	9,714,076
Other Current Financial Assets	3,618,270	5,188,005	3,435,720	5,040,790
	12,555,407	**14,854,996**	**12,419,942**	**14,754,866**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

7. OTHER FINANCIAL ASSETS (Contd...)

7.1 Loans and Receivables

Loans and receivables are Investments which generates a fixed or variable interest income for the Group. The carrying value might be affected by changes in the credit risk of the counterparties.

7.1.1 Terms and conditions of Borrowings by Ceylon Electricity Board

Loan	Balance as at 31/12/2015 (Rs. '000)	Balance as at 31/12/2014 (Rs. '000)	Interest Rate as at 1 January 2015	
Loan 1- 300Mn	-	300,000	8%	Fully recovered by 03 July 2015
Loan 2- 500Mn	-	500,000	8%	Fully recovered by 30 November 2015
Loan 3- 500Mn	-	500,000	8%	Fully recovered by 07 December 2015
Loan 4- 2500Mn	-	715,000	10%	Fully Recovered by 01 October 2015
Loan 4- 600Mn	-	250,000	10.00%	Fully Recovered by 02 July 2015

7.2 Available-for-Sale investments

The Available for sale financial assets consist of 18.18% investment in equity shares of a non-listed company, West Coast Power (Pvt) Limited, which is valued based on Discounted Cash Flow Method. Description of significant unobservable inputs to the valuation are detailed in Note 6.4.

7.3 Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those are measured at fair values.

		Group		Company	
	Notes	Carrying Value 2015 Rs.000	Fair Value 2015 Rs.000	Carrying Value 2015 Rs.000	Fair Value 2015 Rs.000
Financial Assets					
Loans and Receivables (Current)	B	3,618,270	3,618,270	3,435,720	3,435,720
Loans and Receivables (Non Current)	B	841,398	841,398	841,398	841,398
Trade and Other Receivables	A	2,834,831	2,834,831	2,816,265	2,816,265
Cash and Bank Balances	A	4,805,694	4,805,694	4,781,866	4,781,866
Total				**11,875,248**	**11,875,248**
Financial Liabilities					
Trade and Other Payables	A	1,988,529	1,988,529	1,910,470	1,910,470
Bank Overdraft	A	58,239	58,239	58,239	58,239
Total		**2,046,768**	**2,046,768**	**1,968,709**	**1,968,709**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

7. OTHER FINANCIAL ASSETS (Contd...)

The fair value of financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale

The following methods and assumptions were used to estimate the fair values:

A The Management assessed that Cash and Short-Term deposits, Trade Receivables, Trade Payables, Bank Over Drafts and Other Current Liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

B "Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 31 December 2015, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

7.4 Fair Value Hierarchy

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an active market, direct observation of a trade price may not be possible. In these circumstances, the Company uses alternative market information to validate the financial instrument's fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair value are determined according to the following hierarchy.
Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Other valuation techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: Valuation techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2015, the Company held the following Financial and Non Financial Assets carried at fair value on the statement of financial position.

Assets Measured at Fair Value	Valuation Date	2015 Rs.'000	Level 1 Rs.'000	Level 2 Rs.'000	Level 3 Rs.'000
Available for Sale Financial Assets					
Unquoted Equity Shares	31-Dec-15	8,095,739			8,095,739
		8,095,739			8,095,739
Non Financial assets measured at Fair Value (Refer Note 3.3)					
Land and Buildings	31-Dec-14	1,736,915			1,736,915
(Included under property, Plant & Equipment)		1,736,915			1,736,915

During the reporting period ending 31 December 2015, there were no transfers between Level 1 and Level 2 Fair Value Measurements

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

7. OTHER FINANCIAL ASSETS (Contd...)

7.4 Valuation method and significant unobservable inputs to valuation of Available for Sale Investment:

7.4.1 Valuation method

Fair value of the unquoted ordinary shares has been estimated using Discounted Cash Flow model. The Discounted Cash Flow Model involves deriving the cash flows from business activities along with the respective costs that are incurred an then discounting them at appropriate cost of Capital. Due to the minority stake West Coast Power (Pvt) Ltd the management is not in a position to access the direct management and future operational information. However considering the Nature of the industry and general features of Power Purchasing agreement, Future cash flows are assumed to be remain similar to the cash flows recorded as at 31 March 2015.

7.4.2 Significant unobservable inputs

As the plant is in operation it is assumed that no substantial CAPEX Investments or working capital investments will be required. However, 1% of revenue is assumed as fixed capital investment to the business. EBIT is considered as 8.62Bn for 20 year forecast period.11.5% Discount for marketability is applied as the shares of Investee is not traded on the market and 10% discount is applied as Minority discount as the company has 18.18% stake. Considering the unavailability of obtaining data on the cost of dismantling the plant and determining a resale value of the plant at the end of the license period (20 Years) the terminal value is assumed to be zero. Weighted average cost of capital is considered as 12.79%.

7.4.3 Inter relationship between significant unobservable inputs and fair value

Revenue and Net Profit is dependent upon future plant utilization by the CEB and increase in revenue and net profit will result in increase in fair value.

7.4.4 The sensitivities of the fair value of equity shares to the change in discount rates and discount for lack of marketability and discount for lack of control are illustrated below.

		Increase/(Decrease) in Fair Value Rs.'000	Rs.'000
Weighted average Cost of Capital		-0.25%	0.25%
Discount for Lack of Marketability (DLOM) & Discount for Lack of Control (DLOC)	21.1%	209,588	(50,981)
	21.6%	156,956	(101,961)
	22.1%	104,324	(152,942)

8. INVENTORIES

	Group 2015 Rs.'000	Group 2014 Rs.'000	Company 2015 Rs.'000	Company 2014 Rs.'000
Operational and Maintenance Goods	1,198,558	1,179,547	1,106,071	1,069,941
Work In Progress	8,913	-	-	-
Goods in Transit	24,072	1,201	24,072	1,201
	1,231,543	1,180,748	1,130,144	1,071,142
Provision for Obsolete and Slow Moving Inventories	(150,774)	(147,719)	(139,061)	(136,006)
	1,080,768	**1,033,028**	**991,083**	**935,136**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

9. TRADE AND OTHER RECEIVABLES

			Group 2015 Rs.'000	Group 2014 Rs.'000	Company 2015 Rs.'000	Company 2014 Rs.'000
9.1	Trade Debtors	- Related Parties (9.2)	1,603	-	76,137	-
		- Others	2,495,908	2,285,594	2,388,078	2,277,537
			2,497,511	2,285,594	2,464,215	2,277,537
	Other Debtors	- Related Parties (9.3)	216,673	88,281	224,098	140,229
		- Others	641,347	784,757	640,705	768,272
	Advances and Prepayments		130,121	107,093	95,612	106,778
	Provision for Impairment of Debtors		(520,701)	(547,438)	(512,753)	(539,506)
			2,964,952	**2,718,287**	**2,911,877**	**2,753,310**

9.2 Trade Debtors - Related Parties

	Relationship	Group 2015	Group 2014	Company 2015	Company 2014
Ceylon Electricity Board	Parent	1,603	-	1,478	-
LECO Projects (Private) Ltd	Subsidiary Company	-	-	4,389	-
Ante LECO Metering Company (Pvt) Ltd	Subsidiary Company	-	-	70,269	-
		1,603	**-**	**76,137**	**-**

9.3 Other Debtors - Related Parties

	Relationship	Group 2015	Group 2014	Company 2015	Company 2014
Ceylon Electricity Board	Parent	216,673	88,281	216,323	54,502
Ante LECO Metering Company (Pvt) Ltd	Subsidiary Company	-	-	3,204	76,913
LECO Projects (Private) Ltd	Subsidiary Company	-	-	4,571	8,814
		216,673	**88,281**	**224,098**	**140,229**

10. STATED CAPITAL

(Company/Group)	2015 Number	2014 Number	2015 Rs.'000	2014 Rs.'000
Issued and Fully Paid Ordinary Shares				
A Shares	113,580,264	113,580,264	1,135,803	1,135,803
B Shares	926,390	926,390	9,264	9,264
	114,506,654	**114,506,654**	**1,145,067**	**1,145,067**

The holders of ordinary shares confer their right to receive dividends as declared from time to time and entitled to one vote per share at a meeting of the Company. All shares rank equally with regard to Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

11. OTHER COMPONENTS OF EQUITY

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
11.1 Revaluation Reserve:				
Lands	1,266,732	1,266,732	1,266,732	1,266,732
Buildings	195,307	195,307	195,307	195,307
	1,462,039	1,462,039	1,462,039	1,462,039

11.1.1 Revaluation Reserve Charged to Other Comprehensive Income

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Lands	-	256,381	-	256,381
Buildings	-	77,684	-	77,684
	-	334,065	-	334,065

11.2 Revenue Reserves

	Group		Company	
Summary	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Asset Replacement Fund (11.2.1)	311,641	311,641	311,641	311,641
Insurance Reserves (11.2.2)	29,000	29,000	29,000	29,000
	340,641	340,641	340,641	340,641

11.2.2 Asset Replacement Reserve

This represents amounts set aside from profit for replacement and rehabilitation of Property, Plant and Equipment of the Company.

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Balance as at the beginning of the year	311,641	311,641	311,641	311,641
Expensed during the year	-	-	-	-
Balance as at the end of the year	311,641	311,641	311,641	311,641

11.2.2 Insurance Reserves

This represents the amount transferred from the Retained Earnings to cover losses and damages to Property, Plant and Equipment and Inventories of the Company.

11.3 Available For Sale Reserve

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Net (Loss)/Gain on available-for-sale financial assets	6,095,739	6,281,953	6,070,739	6,256,953
	6,095,739	6,281,953	6,070,739	6,256,953
Total Other Components of Equity Prior to Tax Impact	7,898,419	8,084,633	7,873,419	8,059,633
Deferred Tax Impact on Revalued Buildings	(54,166)	(54,166)	(8,424)	(8,424)
Total Other Components of Equity net of Tax	7,844,253	8,030,467	7,864,995	8,051,209

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

12. INTEREST BEARING LOANS & BORROWINGS

2.1 Group / Company

	2015 Rs.'000	2014 Rs.'000
Bank Over Draft (24)	58,239	12,365
	58,239	12,365

13. DEFERRED TAX LIABILITY

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Balance as at the beginning of the year	194,298	180,069	194,624	225,436
Deferred Tax Charged/(Reversed) to Income Statement (22)	(91,320)	(4,849)	(91,699)	(4,146)
Deferred Tax Charged /(Reversed) to OCI	7,586	19,077	7,586	(26,666)
Balance as at the end of the year	110,564	194,298	110,511	194,624
Deferred Tax Liability				
Depreciation Allowances For Tax Purposes	382,085	446,152	381,781	446,355
Revaluation Reserve	54,166	54,166	54,166	54,166
Deferred Tax Asset				
Deferred Income on Consumer Contribution	(123,906)	(115,543)	(123,906)	(115,543)
Employment Retirement Benefits	(201,782)	(190,477)	(201,530)	(190,353)
	110,563	194,298	110,511	194,624

14. DEFERRED INCOME

	Group		Company	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
14.1 Deferred Income on Consumer Contributions				
Balance as at 1st January	3,510,208	3,254,818	3,510,208	3,254,819
Consumer Contributions during the year	525,074	541,711	525,074	541,711
Charged to Income Statement	(306,856)	(286,321)	(306,856)	(286,322)
	3,728,426	3,510,208	3,728,426	3,510,208

	Group		Company	
14.2 Deferred Income on ADB Grant	2015 Rs.000	2014 Rs.000	2015 Rs.000	2014 Rs.000
Balance as at 1st January	5,903	-	5,903	-
Received During the Year (14.2.1)	111,244	6,029	111,244	6,029
Charged to Income Statement	(251)	(126)	(251)	(126)
	116,896	5,903	116,896	5,903
Total Deferred Income	3,845,322	3,516,111	3,845,321	3,516,111

14.2.1 The company has received Street Lights amounting to Rs.111,244 (2014:6,028,821) from Asian Development Bank for Street Lighting Renovation project under the grant number ADB 0149-SRI. This amount is amortized over the life of the asset.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

		Group		Company	
15.	**EMPLOYMENT RETIREMENT BENEFIT**	**2015 Rs.'000**	**2014 Rs.'000**	**2015 Rs.'000**	**2014 Rs.'000**
	Balance as at 1st January	680,536	493,687	679,833	493,311
	Charge for the Year (15.2)	71,349	214,582	71,153	214,187
	Payments made During the Year	(31,236)	(27,734)	(31,236)	(27,665)
	Balance as at 31 December	**720,649**	**680,536**	**719,751**	**679,833**

15.1 Messrs. Actuarial Management Consultants (Pvt) Ltd Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity of the Company. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2015	**2014**
Discount Rate	9.6% per annum	9% per annum
Salary Increment Rate	8.5%	8.5%
Normal Retirement Age	Appointments up to 31 December 2006 - 65 years	Appointments up to 31 December 2006 - 65 years
	Appointments after 01 January 2007 57 years	Appointments after 01 January 2007 57 years

		Group		Company	
15.2	**Charge for the Year**	**2015 Rs.'000**	**2014 Rs.'000**	**2015 Rs.'000**	**2014 Rs.'000**
	Interest Cost	61,248	54,264	61,185	54,264
	Current Service Cost	37,206	34,999	37,061	34,604
	Amount Charged to Profit & Loss	**98,454**	**89,264**	**98,246**	**88,869**
	Actuarial (Gain)/ Loss	(27,105)	125,319	(27,093)	125,319
	Amount Charged to OCI	**(27,105)**	**125,319**	**27,093)**	**125,319**
	Total Charge for the Year	**71,349**	**214,582**	**71,153**	**214,187**

15.3 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement, in respect of the year 2014.

The sensitivity of the Income Statement and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Increase/(Decrease)

In Discount Rate	**In Salary Increment Rate**	**2015 Effect on Income Statement (reduction)/ increase in results for the Year 2014**	**2015 "Effect on Employment Benefit Liability**
		Rs.'000	**Rs.'000**
-1%	-	(79,169)	79,169
1%	-	68,588	(68,588)
-	1%	72,697	(72,697)
-	1%	(82,748)	82,748

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

15. EMPLOYMENT RETIREMENT BENEFIT (Contd…)

15.4 Maturity Profile
Weighted Average Duration

	11.14 (Yrs) **2015 Rs.'000**	11.38 (Yrs) **2014 Rs.'00**
Distribution of defined Benefit Obligation over the Future Working Life Time		
Less than or Equal 1 Year	24,659	16,695
Over 1 Year and Less than or Equal 5 Year	105,428	56,863
Over 5 Year and Less than or Equal 10 Year	188,337	173,445
Over 10 Year	401,327	432,830
Total	**719,751**	**679,833**

Actuarial gain or Loss analysis

Changes in the Defined Benefit Obligation

The following table demonstrates the changes in the defined benefit obligation

Company

	Amounts Charged to Profit or Loss					Measurement Gains/(Losses) in Other Comprehensive Income					
	01 January 2015	Service Cost	Interest Cost	Sub Total included in Profit or Loss	Benefits Paid	Actuarial Changes Arising form Changes in Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal Included in OCI	Contributions by the Employer	31 December 2015
	Rs.'000	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
Defined Benefit Obligation	679,833	37,061	61,185	98,246	(31,236)	(638)	(43,284)	16,830	(27,093)	-	719,751
	679,833	**37,061**	**61,185**	**98,246**	**(31,236)**	**(638)**	**(43,284)**	**16,830**	**(27,093)**	**-**	**719,751**

			Group		Company	
16.	**TRADE AND OTHER PAYABLES**		**2015 Rs.'000**	**2014 Rs.'000**	**2015 Rs.'000**	**2014 Rs.'000**
	Trade Payable - Related Parties (16.1)		1,906,231	1,582,266	1,906,814	1,590,064
	- Other		1,856	1,894	-	-
	Other Payables - Related Party (16.2)		33,130	31,581	3,656	3,655
	- Other		47,312	40,676	-	-
	Sundry Creditors including Accrued Expenses		791,963	943,648	786,923	940,300
			2,780,492	**2,600,065**	**2,697,393**	**2,534,019**
16.1	**Trade Dues Payable to Related Parties**	**Relationship**				
	Ceylon Electricity Board	Parent Entity	1,885,134	1,566,826	1,885,134	1,566,826
	Lanka Transformers (Private) Ltd	Other Related Party	21,097	15,440	21,097	15,440
	Anti Leco Metering Company (Pvt) Ltd	Subsidiary Company	-	-	583	7,798
			1,906,231	**1,582,266**	**1,906,814**	**1,590,064**
16.2	**Other Payables - Related Parties**	**Relationship**				
	Ceylon Electricity Board	Parent Entity	33,130	31,581	3,655	3,655
			33,130	**31,581**	**3,655**	**3,655**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

		Group		Company	
		2015	2014	2015	2014
17.	**REVENUE**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
	Industrial & Hotels	6,468,291	4,809,256	6,468,291	4,809,256
	Domestic	8,929,258	9,288,296	8,929,258	9,288,296
	Commercial	10,692,971	9,593,646	10,692,971	9,593,646
	Street Light	11,820	2,310	11,820	2,310
	Religious	75,378	72,366	75,378	72,366
	Temporary Connections	15,871	15,116	15,871	15,116
	Sale of Electricity	**26,193,589**	**23,780,990**	**26,193,589**	**23,780,990**
	Sale of Goods	580,439	551,117	-	-
		26,774,028	**24,332,107**	**26,193,589**	**23,780,990**

		Group		Company	
18.	**OTHER OPERATING INCOME**	**2015 Rs.'000**	**2014 Rs.'000**	**2015 Rs.'000**	**2014 Rs.'000**
	Amortization of Consumer Contribution	306,856	286,322	306,856	286,322
	Recoveries from Consumers	317,564	283,143	317,564	283,143
	Interest on Staff Loans & Concessionary Loans to Consumers	22,949	34,435	22,882	34,435
	Profit on Sales of Property Plant and Equipment	53,586	-	53,579	-
	Sundry Income	6,167	9,963	7,966	7,762
	Amortization of Government Grant	251	126	251	126
		707,373	**613,988**	**709,098**	**611,788**

		Group		Company	
19.	**FINANCE INCOME**	**2015 Rs.'000**	**2014 Rs.'000**	**2015 Rs.'000**	**2014 Rs.'000**
	Interest on Other Deposits	111,973	194,473	111,609	193,924
	Interest on Administrative Borrowings by Treasury	38,791	39,900	38,791	39,900
	Interest on Borrowings by Ceylon Electricity Board	115,642	342,830	115,642	342,830
	Interest on Government Securities	271,582	96,150	258,870	81,948
	Dividend Income	494,855	613,636	494,855	616,737
		1,032,844	**1,286,990**	**1,019,768**	**1,275,339**

		Group		Company	
20.	**FINANCE COST**	**2015 Rs.'000**	**2014 Rs.'000**	**2015 Rs.'000**	**2014 Rs.'000**
	Interest Expense on Loans & Borrowings	-	7,478	15	7,478
	Interest Expense on Bank Overdrafts	15	3	-	3
		15	**7,481**	**15**	**7,481**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

		Group		Company	
21.	**PROFIT BEFORE TAX**				
	Stated after Charging /(Crediting) following;	**2015 Rs.'000**	**2014 Rs.'000**	**2015 Rs.'000**	**2014 Rs.'000**
	Included under other operating expenses				
	Depreciation: Property Plant & Equipment	777,532	767,729	770,428	757,911
	Staff Costs	687,526	563,667	677,332	558,557
	Included under administration expenses				
	Depreciation	100,549	86,478	98,267	86,771
	Depreciation: Investment Property	-	-	510	-
	Donation & Contribution	431	130	65	-
	Public Relations and Advertising	13,937	10,192	13,358	10,211
	Entertainment	-	-	-	-
	Directors Fees	654	2,398	589	2,348
	Staff Costs include;				
	Defined Benefit Plan Costs - Gratuity	98,454	89,264	98,246	88,869
	EPF & ETF	181,428	160,196	181,021	159,815
	Allowances for Doubtful Debtors	(23,185)	2,061	(23,185)	(3,653)
	Audit Fees: Charge for the year	3,226	3,189	2,832	2,807
	(Profit)/Loss on Sale of Property Plant & Equipment	(52,425)	10	(52,418)	-
	Reversal of Revaluation Gain charged to Income Statement in Previous Years	-	(16,221)	-	(16,221)

22. INCOME TAX EXPENSE

		Group		Company	
		2015	2014	2015	2014
22.1	**Current Income Tax**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
	Current tax Expense on Ordinary Activities for the Year (22.3)	359,884	551,743	344,326	538,975
	Over Provision of Current Taxes in Respect of Prior Years	(6,601)	148,859	(6,595)	148,859
22.2	**Deferred Income Tax**				
	Deferred Taxation Charge (13)	(91,320)	(4,849)	(91,699)	(4,146)
	Income Tax Expense Reported in the Income Statement	**261,964**	**695,753**	**246,033**	**683,688**

22.3 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	Group 2015	Group 2014	Company 2015	Company 2014
Accounting Profit Before Tax	1,523,935	2,300,178	1,472,263	2,238,612
Aggregate Disallowed Items	1,114,063	572,739	1,100,322	548,211
Aggregate Allowable Expenses	(1,123,754)	(660,473)	(1,110,982)	(640,115)
Adjusted Taxable Profit	**1,514,244**	**2,212,444**	**1,461,603**	**2,146,708**
Taxed @ 28%	1,111,401	1,757,152	1,055,837	1,742,690
Taxed @ 15%	-	58,125	-	-
Taxed @ 12%	405,766	425,180	405,766	425,180
Current Tax Expense @28%	311,192	492,002	295,634	487,953
Current Tax Expense @15%	-	8,719	-	-
Current Tax Expense @12%	48,692	51,022	48,692	51,022
Total Current Tax Expense	**359,884**	**551,743**	**344,326**	**538,975**

22.4 As per the provisions of Part III of the Finance Act, No. 10 of 2015 which was certified on 30 October 2015, the Group and the Company was liable for Super Gain tax of Rs.397.9Million and 389.1 Mn Respectively. According to the Act, the super gain tax shall deemed to be an expenditure in the financial statements relating to the year of assessment which commenced on 1 April 2013. The Act supersedes the requirements of the Sri Lanka Accounting Standards, hence the expense of Super gain tax is accounted in accordance with the requirements of the said Act as recommended by the Statement of Alternative Treatment (SoAT) on Accounting for Super Gain Tax issued by the Institute of Chartered Accountants of Sri Lanka, dated 24 November 2015.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

22. INCOME TAX EXPENSE (Contd...)

22.5 The Department of Inland Revenue had raised an income tax assessment in respect of the year 1995/1996 recognising the full amount of income arising from new service connection for tax purposes in the same period that such income was derived, whereas the accounting policy is to recognise such income on a deferred basis over a 20 years period.

The matter was under appeal before the Board of Review and the Board of Review on conclusion of the inquiry has determined that there is no additional assessment of income and the income tax assessment raised in respect of year of assessment 1995/96 was not valid. Hence the provision made in respect of this liability of Rs.407.703Mn has been reversed in year 2008.

In 2010, at the meeting held with the Department of Inland Revenue in order to settle the petition of appeal made against the notice of Assessment issued for the Year of Assessment 2007/2008, the Department of Inland Revenue agreed to treat the consumer contribution on the following basis;

-From the year of assessment 2007/2008, the receipts will be taxed over eight years to be compatible with the rate of capital allowances.

-The remaining of the consumer contributions as at the beginning of the year of assessment 2007/2008, i.e. brought forward amount to be taxed on the same as accounting amortization basis, i.e. over twenty years

Accordingly consumer contributions received from new service connections during the year 2011 has been taxed over 3 years in line with the capital allowances rate.

23. BASIC EARNINGS/(LOSS) PER SHARE

23.1 Basic Earnings/(Loss) per share is calculated by dividing the net profit / (loss) for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in the resources such as a bonus issue.

23.2 The following reflects the income and share data used in the basic loss per share computation:

Amounts used as the numerator	**2015 Rs.'000**	**2014 Rs.'000**
Profit for the year	1,226,230	1,554,923
Profit attributable to ordinary shareholders for basic Earnings per share	**1,226,230**	**1,554,923**

Number of ordinary shares used as the denominator:	**2015 Number '000**	**2014 Number '000**
Weighted average number of ordinary shares in issue	114,507	114,507
	114,507	**114,507**

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

24. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents	**Group**		**Compay**	
	2015 Rs.'000	**2014 Rs.'000**	**2015 Rs.'000**	**2014 Rs.'000**
24.1 Favourable Cash and Cash Equivalents balance				
Cash and Bank Balances	616,210	646,120	598,866	627,869
Current Portion of Other Investments	4,189,483	1,181,998	4,183,000	1,110,000
	4,805,694	1,828,119	4,781,866	1,737,869
24.2 Unfavourable Cash and Cash Equivalent Balances				
Bank Overdraft (Note 12)	(58,239)	(12,365)	(58,239)	(12,365)
Total Cash and Cash Equivalents For the Purpose of Cash Flow Statement	**4,747,454**	**1,815,754**	**4,723,626**	**1,725,503**

25. COMMITMENTS AND CONTINGENCIES

25.1 Capital Expenditure Commitments

The Company does not have material purchase commitments for acquisition of property, plant and equipment incidental to the ordinary course of business as at 31 December 2015 (2015- Nil).

25.2 Contingent Liabilities

a) The Company suspended paying turnover tax with effect from 1st of July 2008. The turn over tax unpaid for the period 01 July 2008 to 31st December 2011 as at 31 December 2015 amounts to Rs.273.7 Mn (2014 - 273.7 Mn). However, the written clearance has not yet been received by the Company from the relevant tax authorities. No provision has been made in the financial statements in this regard.

b) The Company is a defendant or defendant respondent in 12 (2014-12) lawsuits for which the maximum liability is estimated by the Company at Rs.19.9Mn (2014 - Rs.10.4 Mn) at the year end. Although there is no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity of the Company. Accordingly, no provision for any liability has been made in these financial statements in this regard.

26. ASSETS PLEDGED

Following assets have been pledged as security for liabilities.

Nature of Assets	**Nature of Liabilities**	**Carrying Amount of Pledged Assets 2015**	**2014**	**Included Under**
Fixed Deposits	Bank Overdraft Facilities of People's Bank	45,500	45,500	Current &
Fixed Deposits	SMI Loan Schemes of People's Bank	124,891	117,347	Non Current
Fixed Deposits	Staff loan Schemes of SMIB Bank and HDFC Bank Facilities	829,856	797,585	Other Investment

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

27. RELATED PARTY DISCLOSURE

Details of significant related party disclosures are as follows;

27.1 The Company carried out following transactions with following related companies;

	Parent Company Ceylon Electricity Board		Other Major Shareholders Treasury		Subsidiaries & Other Related Companies	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Balance as at 01 January	752,125	(1,202,326)	570,000	626,027	62,448	99,310
Purchase of Electricity	(22,884,223)	(20,050,127)	-	-	-	-
Payments for Electricity	22,572,034	23,817,792	-	-	-	-
ADB Loan Repayments	-	-	-	(56,027)	-	-
Interest on Borrowings	-	-	-	5,351	-	-
Accrued Expenses	(691)	(307,288)	-	-	(583)	-
Interest Payment	-	-	-	(5,351)	-	-
Dividend Declared	(109,688)	(31,400)	(87,121)	(28,054)	-	-
Dividend Paid	109,688	31,400	87,121	28,054	-	-
Sale of Goods	-	-	-	-	-	211,737
Purchase of Goods	(22,984)	24,462	-	-	228,496	(248,599)
Loan Capital Installments Receipts	(2,265,000)	(1,560,000)	-	-	-	-
Transfer of Sub Station	216,323	-	-	-	(229,608)	-
Loan Interest Receivable	115,642	389,545	38,791	39,900	-	-
Loan Interest Received	(145,254)	(359,933)	-	(39,900)	-	-
Loans Received	(8,960)	-	-	-	-	-
	(1,670,988)	**752,125**	**608,791**	**570,000**	**60,753**	**62,448**

27.2 Transactions with the Government of Sri Lanka and its Related Entities

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

The Group enters into transactions, arrangements and agreements with the Government of Sri Lanka and its other related entities and the results of significant transaction have been reported in follows,

	Nature of the transactions	As at 31.12.2015 Rs.'000	As at 31.12.2014 Rs.'000
Administrative Borrowing by Government Treasury	Loans and Receivables	570,000	570,000
People's Bank	Deposits	4,348,390	162,847
Ceylon Electricity Board	Loans and Receivables	-	2,265,000
State Mortgage & Investment Bank	Investment for loans given to employees	49,499	52,521
Bank of Ceylon	Deposits	5,000	-

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

Maintaining bank accounts and entering in to Banking transactions with Bank of Ceylon and Peoples Bank
Payments of statutory rates and taxes.
Payment for utilities mainly comprising of telephone, electricity and water.
Payment for employment retirement benefit – EPF and ETF.
Payments for Motor Vehicle insurance premiums to Sri Lanka Insurance Corporation.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

27. RELATED PARTY DISCLOSURE (Contd…)

27.3 Transactions with the Key Management Personnel of the Company or its Parent

The Company has defined, the Key Management Personal of the company are the members of its Board of Directors and that of its Parent.

Key Management Personnel Compensation	Rs.'000	Rs.'000
Directors Fees and Short Term Benefits	1,386	1,316
Total Compensation paid to Key Management Personnel	**1,386**	**1,316**

28. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that required adjustment or disclosure in these financial statements.

29. RISK MANAGEMENT POLICIES AND OBJECTIVES

The company's principal financial liabilities, comprise trade and other payables, The main purpose of these financial liabilities is to finance the company's operations and to provide guarantees to support its operations. The company has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The company is exposed to market risk, credit risk and liquidity risk.

The company's senior management oversees the management of these risks. The company's senior management is supported by the Board of Directors (BOD) that advises on financial risks and the appropriate financial risk governance framework for the company. BOD provides assurance to the company's senior management that the company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite. It is the Group's policy that all derivative activities for risk management purposes are required to be approved by Board of Directors of Lanka Electricity Company (Pvt) Ltd.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Market risk

Lanka Electricity Company's customer end tariff is decided by the regulatory (Public Utilities Commission of Srilanka) under the regulator regime . Lanka Electricity Company due to its efficient management of network has incurred lower network losses, therefore so far Lanka Electricity Company (Pvt) Ltd LECO has been able to secure a favorable position under this methodology.

Credit risk

The Company's credit policy has been defined as follows:

For Bulk consumers 15 days credit credit period is allowed to settle the bills and there after 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 . There after red notice will be issued and further 10days given after 40 days if not acceded to this a disconnection order will be issued for disconnection of supply.

Based on our past experience Company is able to achieve 98% of the collection of the sales . For doubtful and bad debts sufficiect provision has been made in the financial statements.

Following analysis represents the aging of companies Trade Receivables net of Allowances for Impairment as at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2015

29. RISK MANAGEMENT POLICIES AND OBJECTIVES (Contd...)

Total Debtors Rs. Rs.'000	Neither past due nor impaired days Rs. Rs.'000	41 - 90 days Rs. Rs.'000	91 - 120 days Rs. Rs.'000	121 - 150 days Rs. Rs.'000	151 - 180 days Rs. Rs.'000	>180 days Rs. Rs.'000	Allowances for Impairment Rs. Rs.'000	Total Net of Impairment Rs. Rs.'000
2,234,826	1,810,791	74,939	31,575	13,067	6,470	297,985	(512,753)	1,722,073
2,234,826	**1,810,791**	**74,939**	**31,575**	**13,067**	**6,470**	**297,985**	**(512,753)**	**1,722,073**

Street light debtors of Rs. 390 Mn is included in the total debtors have been provided for impairment.

Provision for Impairment of Debtors	**2015 Rs.'000**	**2014 Rs.'000**
As at 1 January	539,506	549,939
Charge/(Reversal) for the Year	(14,627)	(2,079)
Written - off During the Year	(12,126)	(8,354)
As at 31 December	**512,753**	**539,506**

Financial Instruments and Cash deposits

Majority of fund collected is invested in Short term deposits such as REPO. Investments are carried out by an Investment committee. Committee comprises of senior managers who evaluate investment under policies approved by the Board of Directors.

Investments are made to reputed institution registered with Central Bank

The Group has granted Loans to Ceylon Electricity Board and this loan is pledged against the Electricity Purchase Bill.

Liquidity Risk

As we are collecting 98% of sales the liquidity risk is mnimized.

The company monitors its risk to a shortage of funds by setting up a minimum liquidity level. Since the Company collects 98% of funds and the company has a heavy cash surpluses the liquidity Risk is Minimized.

Internal Software Modification

Modernizing our data bases, Enterprise Resource Management software, Human Resource Management Software and Billing and Accounting software, which are internally developed or customized.

PERFORMANCE HIGHLIGHTS

Lanka Electricity Company (Pvt) Ltd and its Subsidiaries
Performance Highlights

For the Year ended 31 st Dec.	2,015 Rs. ' 000	2,014 Rs. ' 000	2,013 Rs. ' 000	2,012 Rs. ' 000	2,011 Rs. ' 000	2,010 Rs. '000	2009 Rs. ' 000	2008 Rs. ' 000	2007 Rs. ' 000	2006 Rs. ' 000
Operating Results										
Revenue from Sale of Electricity	26,774,028	24,332,107	22,373,120	19,761,169	19,079,629	14,354,489	13,657,688	13,163,160	11,395,941	9,713,653
Operatng Profit	491,091	1,013,188	184,139	1,202,166	1,599,323	-424,361	-318,188	233,135	487,212	635,685
Interest and Dividend Earned	1,032,844	1,286,990	1,451,314	1,213,185	626,342	186,842	218,253	300,411	451,153	329,649
Interest Incurred	5	7,481	17,028	26,062	33,276	41,793	51,335	60,289	69,142	80,850
Profit Before Tax	1,523,935	2,300,178	1,635,453	2,415,351	2,225,665	-237,519	-99,935	533,546	938,364	965,334
Taxation	261,964	(700,602)	150,699	627,319	685,169	-361,065	298,102	747,981	535,328	370,184
Profit/Loss After Tax and deferred tax	1,261,971	1,604,425	308,553	2,003,981	1,739,201	-598,584	-398,037	-214,435	403,036	595,150
Equity & Liabilities										
Share Capital	1,145,067	1,145,067	1,145,067	1,145,067	1,145,067	1,145,067	1,145,067	1,145,067	1,145,067	1,145,067
Revaluation Reserve	1,407,873	1,407,873	1,127,974	1,127,974	1,127,974	6,045,146	6,053,357	4,982,731	4,473,981	3,331,032
Revenue Reserves	340,642	340,642	449,900	449,900	449,900	449,900	449,900	449,968	450,127	341,539
Available for sale Reserve	6,095,739	6,281,953								
Deemed cost adjustment to supply infrastructure				8,206,310	8,206,310					
Non Current Liabilities	4,676,535	4,390,945	3,928,575	3,946,042	3,898,889	4,011,931	3,609,811	3,430,497	2,973,040	3,045,153
Current Liabilities	3,588,829	3,535,338	6,086,694	3,700,401	3,552,294	2,804,542	2,453,201	2,436,836	2,535,429	2,471,970
	17,254,685	**17,101,818**	**12,738,210**	**18,575,694**	**18,380,434**	**14,456,586**	**13,711,336**	**12,445,099**	**11,577,644**	**10,334,761**
Assets										
Non Current Assets	19,726,413	20,597,862	14,617,839	16,187,421	13,434,912	11,115,557	11,519,212	10,386,277	9,536,369	6,336,746
Current Assets	12,469,684	10,767,439	10,819,131	6,759,421	7,487,458	4,757,920	4,194,177	4,488,221	4,685,110	6,148,733
	32,196,097	**31,365,301**	**25,436,970**	**22,946,842**	**20,922,370**	**15,873,477**	**15,713,389**	**14,874,498**	**14,221,479**	**12,485,479**
Share Information										
Earnings Per Share (Rs.) Company	10.71	13.58	2.12	16.98	20.93	0	0	0	3.66	5.20
Net Assets Per Share (Rs.)	208.29	204.06	134.19	133	117	78.89	84.20	78.66	76.09	60.85
DividendPer Share (Rs.)			0.50	1.50	1.50	0	0	0	1.50	1.50
Employee Information LECO										
No. of Employees	1,465	1,474	1462	1,463	1,451	1,338	1,326	1,358	1,283	1,270
Consumer/ Employee Ratio	359	351	347	342	338	354	354	338	347	338
Ratios & Other Information										
Return on Average Net Fixed Assets (%)	11.64%	15.09%	2.54%	15.67%	19.98%	-7%	-6%	5%	13%	11%
Long Term Debt to Equity	0.03	0.03	0.03	0.03	0.04	0.06	0.06	0.07	0.08	0.11
Current Ratio	3	3	2	2	2	1.70	1.71	1.84	1.85	2.49
Dividend Paid (Rs.Mn) LECO			57.25	171.80	171.8	0	0	0	172	172
Sales (GWh) Purchases from CEB (GWh) LECO	1,356	1,272	1,221	1,216	1,184	1123.02	1,051.62	1,071.25	1,099.03	1,045.30
Purchases from CEB (GWh) LECO (Including upward adjustment)	1,446	1,352	1,302	1,301	1,275	1228.02	1,120.23	1,124.48	1,144.22	1,110.75
Distribution System Losses (11 Kv) % LECO	3.76	4.02	4.69	4.56	5.43	5.36	5.57	5.03	4.74	5.80
No. of Consumers LECO	526,119	523,734	520,997	500,783	491,042	473,079	469,323	459,548	445,386	429,387

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Lanka Electricity Company (Private) Limited will be held at the Registered Office at No. 411, E.H.Cooray Building, 3rd Floor, Galle Road, Colombo 3, on Thursday 30th June 2016 at 4.00 p.m. for the following purposes :

1 To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st December 2015 with the Report of the Auditors thereon.

2 To re-appoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorize the Directors to fix their remuneration.

3 To authorize the Directors to determine donations for the year ending 31st December 2016 and up to the date of the next Annual General Meeting.

By order of the Board
LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED

P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries

At Colombo

June 24, 2016

Notes

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.

2. A proxy need not be a Shareholder of the Company.

3. The Form of Proxy is enclosed for this purpose.

4. The completed Form of Proxy must be deposited at the Office of the Secretaries, No.3/17, Kynsey Road, Colombo 8, not less than forty seven (47) hours, before the time appointed for the meeting

FORM OF PROXY

We ____ of ,____________________________________

______being a shareholder of____hereby appoint

_____________________of____(or failing him)

Mr. K R H L Gunasekara or failing him*
Mr. W D A S Wijayapala or failing him*
Mr. M C Wickramasekara or failing him*
Mr. P Algama or failing him*
Mr. D S P K K Karunasekera or failing him*

as our proxy to represent and speak and vote for us and on our behalf at the Annual General Meeting of the Company to be held on Thursday 30th June 2016 and at any adjournment thereof and every poll which may be taken in consequence of the aforesaid meeting.

We, the undersigned, hereby authorize my/our proxy to speak and vote for us and on our behalf in accordance with the preference as indicated below

	For	Against
1 To receive and consider the Annual Report of the Board of Directors and the Statement of Accounts for the year ended 31st December 2015 with the Report of the Auditors thereon		
2 To re-appoint Messrs Ernst & Young, Chartered Accountants as Auditors of the Company and to authorize the Directors to fix their remuneration.		
3 To authorize the Directors to determine donations for the year ending 31st December 2016 and up to the date of the next Annual		

In witness our hands this____

day of____Fifteen Two Thousand and

Signature of Shareholder/s

Notes: 1. A proxy need not be a shareholder of the Company.
2. Instructions as to completion appear overleaf.

INSTRUCTIONS FOR COMPLETION

1 Kindly perfect the Form of Proxy by filling in legibly your full name address and other relevant information and signing in the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the Office of the Secretaries, P W Corporate Secretarial (Pvt) Ltd, No.3/17, Kynsey Road, Colombo 8, Sri Lanka not less than forty seven (47) hours.

3. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.

4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.

5. If the appointer is a company / incorporated body this Form must be executed in accordance with the Articles of Association / Statute.

LECO
Head Office

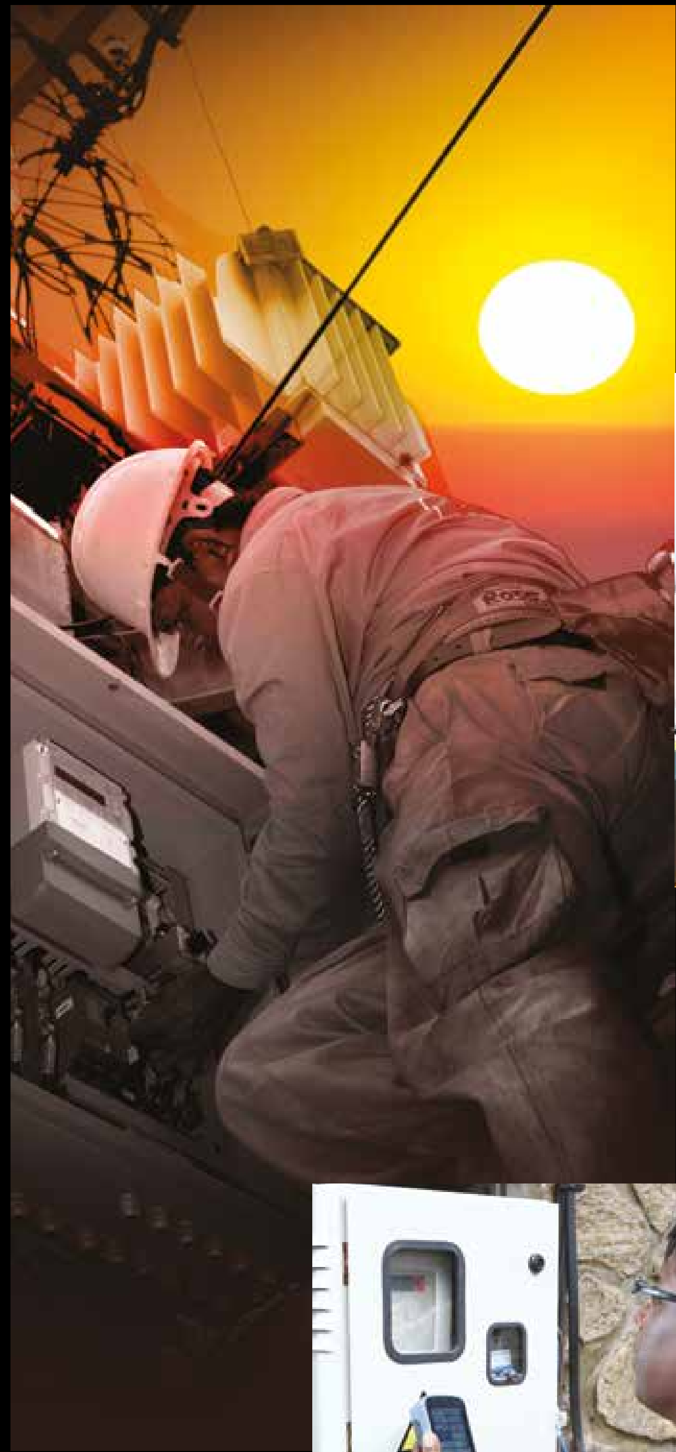
Operation Division

Finance Division

Legal Department

Human Resources &
Administration Division

Distribution
Control Centre



Notes

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