



2018

ANNUAL REPORT



LECO

**LANKA ELECTRICITY
COMPANY (PRIVATE) LIMITED**

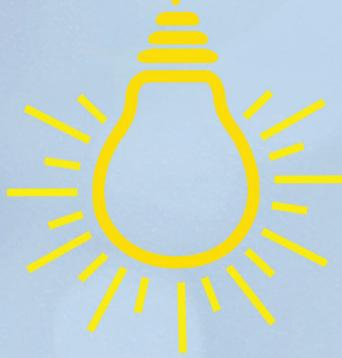


Digital Transformation

Our Path for Growth

LECO is proud to announce that it has significantly improved its performance on both the demand and supply side of its distribution services business with year-on-year growth in profit, better year-on-year supply quality and consistency metrics and higher customer satisfaction than in any preceding year since its inception.





Our Vision

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

Our Value

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 Mission

To Provide the best energy solution to the society through continuous innovation





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Corporate Information

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 31.12.2018 are given below:

Mr. K R H L Gunasekara (Chairman) - resigned with effect from 20.12.2018
Mr. W B Ganegala - resigned with effect from 01.01.2019
Mr. A K Samarasinghe - retired with effect from 15.01.2019
Mr. P Algama
Mr. J V M P Jayasooriya - resigned with effect from 29.12.2018
Mr. D S M Silva - resigned with effect from 16.01.2019

Names of the Directors of the Subsidiary Companies as at 31.12.2018

Ante Leco Metering Company (Pvt) Ltd.

Mr. K R H L Gunasekara (Chairman) - resigned with effect from 20.12.2018
Mr. Liu Jianwu
Mr. Shen Dingqing
Mr. A K Samarasinghe - retired with effect from 15.01.2019
Mr. H N Gunasekera

Leco Projects (Pvt) Ltd

Mr. K R H L Gunasekera (Chairman) - resigned with effect from 20.12.2018
Mr. J M V P Jayasooriya - resigned with effect from 29.10.2018
Mr. H N Gunasekera - resigned with effect from 29.10.2018
Mr. S. L Jayasekera

Company secretarie

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

General Manager's Message



I am happy to state that LECO has shown good performance in the year 2018 as well.

Company recorded a revenue of Rs. 30.94 bn which is an increase of 3.4% from last year. Return from investment of Rs. 2 billion in West Coast Power (pvt) Limited in year 2018 is the main contributor for the financial performance. Thus company was able to pay dividend of Rs. 700 million to its shareholders.

Core business of electricity distribution is regulated by Public Utility Commission of Sri Lanka and revenue regulated tariff methodology is applied. Therefore company was mindful about the operational expenditure and operated with in the allowed figures.

Customer services have been monitored and improved during the year and improvements have been made to 24 hour call center operations.

Major network improvements have been proposed which is an urgent need of the hour to cater for the growing demand. There have not been much investment made on network since projects carried out thirty years back. Principal approval for the project with approximate cost of USD\$ 73.2 mn is granted by the Board of Directors.

In line with the government policy SMART meter deployment work is planned and LECO is installing all new meters with automation capability manufactured in our subsidiary company Ante Leco Metering company which has shown a good progress during the year 2018. Pilot projects which are carried out in automatic meter reading, switch automation and many other areas related to SMART grid operation have been successful.

Company has spent Rs 10.5 Million on CSR work in the year.

H N Gunasekera
General Manager

Digital Transformation



From the inception of our company, we always look toward growing as a company by offering a phenomenal service while keeping up with globalization and its trends. Technology keeps getting advanced everyday compared to the day before. Smart phones have become an essential life line for people's day to day activities. Rather than over reacting on these trends we as a forward thinking company choose to focus on how to adapt our business so that instead of falling out, we can thrive in this competitive world of business.

We are aware of the changes and trends that took place in recent years in terms of customer behavior. There has been a dramatic rise of social media usage over the past few years in Sri Lanka and even in world at large. People are getting used to do online shopping and paying bills through online than ever before. People generally spend large percentage of time in any given day, on internet, especially younger generation. Almost every day new mobile apps are introduced and made available for people to download and consume to make their lives little easier. Banks are introducing secure infrastructure for cashless transaction opportunities to encourage people to use credit/debit cards more often than a few years ago. So we realize the challenge and opportunity that these trends have created for us as a utility company. And

it's inevitable for us to take these socio-economic changes into account when we develop our strategic plans for our company's future.

Digitalization is our current center of attention as we believe we can reap large amounts of benefits to our company through proper implementation of it. For that, we carefully analyze what sections in our business we should get involved with digitalization in order to produce maximum amount of productivity. Once we identified business sections or particular issues that can be fixed with new technology, we develop plans by infusing digitalization strategies into them.

We understand careful planning and implementation of digitalization strategies are keys for Digital Transformation in a company and its success. At the moment we are giving priority to 3 major digitalization concepts that we believe are compatible with our business goals. Those concepts can be summed up as "Process digitalization", "Network Digitalization" and "Customer Relationship Digitalization". We do our best to bring forth all our efforts and continuously work on the execution of our digitalization plans until they generate successful end results we all envisioned. Following chapters discuss our digitalization strategies in detail.



Paperless office
Less Physical presence
Digital security



Process Digitalization

In this day and age, we understand the future of businesses leads toward digital technology based environment. To foresee that trend and capitalize on it sooner than later can give us the competitive edge that could benefit all our stakeholders. There are several practical measures we can take as a utility company to make that transformation a reality. It would be ideal to take a closer look at what they are and see what type of an impact they are able to make on our business.

Currently we use Enterprise Resource Planning (ERP) System, Billing System, Human Resource Information System (HIRS), General Ledger, Energy Management System (EMS), Advance Distribution Management System (ADMS), Vehicle Management System, Management Information System (MIS) etc. as individual silos which performs separately. Through Process Digitalization, we intend to integrate all of these systems synergizing through a centralized database utilizing futuristic technical advancements like Internet of Things (IOT). This will allow us to manage massive information flow integrated with each other in efficient manner.

Starting with creating a paperless work culture where we plan not only to minimize paper material cost but also to increase efficiency in day to day processes by eliminating or greatly reducing paper in office and converting paper based information on to digital applications and devices. One of the biggest plus points we see in transforming into a paperless office is reduced search time. It allows people to find and access to right information in a matter of seconds. It causes a reduction in work related stress level in people as well. In addition, a paperless work culture minimizes

physical clutter at the work space, resulting visually and psychologically appealing work environment for everybody which paves the way for better productivity eventually.

Another important measure we consider to take under internal digitalization is to set up an excellent Human Resource Information System (HRIS) in our company. We recognize that HRIS systems create great and positive impact on areas where traditional HR information related practices in organizations tend to be inefficient. It can save our organization's time as well as money through reducing processing time as well as increasing accuracy through automation and integrated information.

With the help of internal digitalization our company can also thrive in document printing and circulating process with regard to director board meetings. Rather than printing physical copies of meeting reports for each director board member every time there is a meeting is held, we can introduce a new app that is specifically designed for board of directors that provides meeting reports on digital devices.

This can become a solution for unnecessary costs and time consumptions associated with document producing and circulating process in our company. It grants our director members a quick access to relevant information any given time and eliminates the cost of repetitive printing of documents which will be complementary to paperless office culture we strive to get going in our company.



Annual Report of the Board of Directors

The Board of Directors of Lanka Electricity Company (Private) Limited present their report together with the Audited Financial Statements of the Company and of the Group for the year ended 31st December 2018.

The details set out herein provide the significant information required by the Companies Act No. 07 of 2007 and are guided by recommended best accounting practices.

ABOUT THE COMPANY

Principal activities of the Company and the Subsidiaries

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.

Vision & Long Term Goals

The group's vision, mission and values were given in the Page 2 and 3 of this annual report.

Shareholders' Information & Substantial Shareholdings

Shareholders' position of the LECO as at 31st December 2018 is as follows.

| SHAREHOLDER | SHARE HOLDING % |
|-----------------------------|-----------------|
| Ceylon Electricity Board | 54.80% |
| Government Treasury | 43.60% |
| Urban Development Authority | 0.80% |
| Local Authorities | 0.80% |

Equitable Treatment to Shareholders

The Board of Directors always ensure that all shareholders are treated equitably & impartially.



THE COMPOSITION OF THE BOARD OF DIRECTORS

Changes to Directorate & Shareholdings

The names of the Directors of the Company who held office as at 31st December 2018 are given below:

| | |
|-----------------------------------|--|
| Mr. K R H L Gunasekara (Chairman) | - resigned with effect from 20.12.2018 |
| Mr. W B Ganegala | - resigned with effect from 01.01.2019 |
| Mr. A K Samarasinghe | - retired with effect from 15.01.2019 |
| Mr. P Algama | |
| Mr. J V M P Jayasooriya | - resigned with effect from 29.12.2018 |
| Mr. D S M Silva | - resigned with effect from 16.01.2019 |

The present Board comprises of the following Directors:

| | |
|--------------------------------|---|
| Mr. S T Nanayakkara (Chairman) | - appointed with effect from 30.01.2019 |
| Mr. Rakhita Jayawardena | - appointed with effect from 30.01.2019 |
| Mr. S D W Gunawardana | - appointed with effect from 30.01.2019 |
| Mr. P Algama | |
| Mr. M J Weerakoon | - appointed with effect from 30.01.2019 |
| Mr. V S Dickwella | - appointed with effect from 21.02.2019 |

Names of the directors of the subsidiary companies as at 31st december 2018

Ante Leco Metering Company (Pvt) Ltd.

The names of the Directors of the Company who held office as at 31st December 2018 are given below:

| | |
|-----------------------------------|--|
| Mr. K R H L Gunasekara (Chairman) | - resigned with effect from 20.12.2018 |
| Mr. Liu Jianwu | |
| Mr. Shen Dingqing | |
| Mr. A K Samarasinghe | - retired with effect from 15.01.2019 |
| Mr. H N Gunesequera | - resigned with effect from 01.10.2019 |

The present Board comprises of the following Directors:

| | |
|--------------------------------|---|
| Mr. S T Nanayakkara (Chairman) | - appointed with effect from 22.03.2019 |
| Mr. Liu Jianwu | |
| Mr. Shen Dingqing | |
| Mr. B S J Perera | - appointed with effect from 22.03.2019 |

Mr. Shen* Dingqing is also act as an Alternate Director to Mr. Liu Jianwu



Leco Projects (Pvt) Ltd

The names of the Directors of the Company who held office as at 31st December 2018 are given below:

Mr. K R H L Gunasekera (Chairman) - resigned with effect from 20.12.2018
Mr. J M V P Jayasooriya - resigned with effect from 29.10.2018
Mr. H N Gunasekera - resigned with effect from 01.10.2019
Mr. S L Jayasekera

The present Board comprises of the following Directors:

Mr. S T Nanayakkara (Chairman) - appointed with effect from 21.05.2019
Mr. S L Jayasekera

Directors' Remuneration

The Directors' emoluments are disclosed in Note 08 to the Financial Statements

Interest Register

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

Directors' Interests

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 29.1 to the Financial Statements.

Directors' Meetings

The Board of Directors met 11 times during the year under review and one Resolution was adopted by the Board of Directors of the company by circulation.

Directors' Shareholdings

No individual directors hold shares of the company / the group

Related Party Transactions

Directors have disclosed related party transactions and all such transactions are given in note 29 of the Financial Statements.

FINANCIAL REVIEW

Significant Accounting Policies

The significant accounting policies adopted in the preparation of Financial Statements are given on Note 01 to Note 04 of the Financial Statements.



Directors' responsibility for financial statements

The Board of Directors are responsible for the preparation and presentation of Financial Statements of the company to reflect a true and fair view of the state of its businesses.

The Financial Statement of the Company for the year ended 31st December 2018, are prepared in accordance with the Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards.

The Board of Directors confirm that the Company and the Group's Consolidated Statement of Financial Position as at 31st December 2018 and the Statement of Profit or Loss and Statement of Other Comprehensive Income for the Company and the Group for the financial year ended 31st December 2018 reflect a true and fair view of the Company and the Group, respectively.

Revenue

The revenue of the Group was Rs. 31.82 Bn. A detailed analysis of the Group's turnover identifying the contributions from different consumer categories is given in Note 05 to the Financial Statements. Trade between Group companies is conducted at fair market prices.

Expenditure

The Group's total operational and administrative expenses were increased by 8% from Rs. 4.56 Bn, to Rs. 4.91 Bn. compared to the previous year. The Group experienced a sharp increase in finance cost by 186% year-on-year, as a result of provision for interest for commitment of NSB Sooriya Bala Sangramaya Loan Scheme of Rs 40.3Mn.

Profits

The Group's gross profits margin declined by 15.5% against the previous year gross profit margin of 15.8%. The main reason being the gross loss incurred by Ante Leco Metering Company (Pvt) Ltd. However, the Net Profit margin increased from 6% to 9%. The main contribution for such increment is Dividend income received from investments in West Coast Power (Private) Limited.

Corporate Social Responsibility Projects (CSR)

The company made the following contributions for CSR projects during the year under review.

| | |
|--|---------------------|
| i) Schools and universities | = 3,842,715 |
| ii) Medical sponsorships and exhibition sponsorships | = 904,963 |
| iii) Other – Sundry | = <u>5,837,322</u> |
| Total | = <u>10,585,000</u> |

Taxation

Provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purpose in accordance with the provision in the applicable Inland Revenue act. In estimation such provisions, the Group had applied the Inland Revenue Act No 10 of 2006 and amendments there to until 31st March 2018 and Inland Revenue Act No 24 of 2017 and amendments there to for the period subsequent to 01st April 2018.



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

Dividends

The total dividend payment during the year is Rs 700Mn.

Earning Per Share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Please refer Note 10 to the financial statements.

Stated Capital

Please refer Note 21 to the financial statements.

Reserves

Summary of the reserves & total equity are as follows.

| Rs.000 | Stated capital | Revenue reserves | Revaluation surplus | Fair value reserve | Retained earnings | Non-controlling interests | Total equity |
|---------|----------------|------------------|---------------------|--------------------|-------------------|---------------------------|--------------|
| Group | 1,145,067 | 340,642 | 1,854,817 | 8,487,351 | 20,176,529 | 136,097 | 32,140,503 |
| Company | 1,145,067 | 340,642 | 1,784,965 | 8,487,351 | 19,998,103 | - | 31,756,127 |

Debts

There is no long term debts pertaining to the company or the group.

Property, Plant and Equipment

The consolidated property, plant and equipment amounted to Rs. 13.168 Bn by 31st December 2018 compared to Rs.12.391Bn in the previous year. The value of the Company's property, plant and equipment was Rs. 12.875 Bn compared to Rs. 12.143 Bn a year earlier.

Current Assets

The Group recorded total current assets of Rs. 20.825 Bn as at end of 2018, against Rs. 16.404 Bn in the previous year. The total current assets of the Company stood at Rs. 20.394 Bn compared to Rs.16.006 Bn in the previous financial year. Investment in short term deposits caused to such increment in current assets.

Statutory Payments

The Directors are satisfied according to their best of knowledge that all statutory financial obligations to the government and to employees have been either duly paid, or adequate provisions are made for, in the Financial Statements.



Post-Balance Sheet Events

There were no material contingent liabilities as at the reporting date that require adjustments to or disclosure in the financial statements.

COMPLIANCE WITH OTHER LAWS & REGULATIONS

The Directors, to the best of their knowledge and belief, confirm that the Group has not engaged in any activities that contravene the laws and regulations applicable in Sri Lanka.

OUTSTANDING LITIGATION

In the view of the Directors' litigations pending against the company will not have major impact to the Financial Statements. Contingencies and commitments Information with regards to contingent liabilities and capital commitments are disclosed in Note 27 & Note 28 in the Financial Statements.

GOING CONCERN

The preparation of financial statements have been done on the going concern basis.

RISK MANAGEMENT

The directors have continuously reviewed the risk management of the company and group to ensure the achievements of their corporate objectives. Please refer Note 31 in relation to Financial Risk Management.

AUDITORS

The Audit of the Financial Statements of the Company for the year ended 31st December 2018 comprising the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies, was carried out under the direction of the Auditor General in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018.

To carry out this audit, the Auditor General was assisted by Messrs. KPMG, a firm of Chartered Accountants.

Ante Leco Metering Company (Pvt) Ltd

The Audit of Ante Leco Metering Company (Pvt) Ltd was carried out by the Auditor General who was assisted by Messrs. Ameresekera & Co, a firm of Chartered Accountants. Messrs. Ameresekera & Co provided tax compliance services to the Company and the Group during the year under review.

Leco Project (pvt) ltd.

Messrs KPMG chartered Accountants the Auditor for Leco Project (pvt) ltd.

The Auditors do not have any interest in the company for its group companies other than that of Auditor and in the aforesaid with capacity as at advisors on tax company.



| Company | Name of Auditor/ Tax Advisor | Type of Payment | Amount (Rs.) |
|---|--|-----------------|--|
| Lanka Electricity Company (Private) Limited | Auditor General | Audit fees | Rs. 405,000/- (Excluding Taxes NBT and VAT) |
| | Assisted by M/S KPMG Chartered Accountants | | Rs. 2,700,000/- (Excluding Taxes NBT and VAT) |
| Ante Leco Metering Company (Pvt) Ltd. | Auditor General | Audit fees | Rs. 47,250/- (Excluding Taxes NBT and VAT) |
| | Assisted by M/S Amarasekera & Co. Chartered Accountants M/S KPMG | | Rs. 315,000/- (Excluding Taxes NBT and VAT) |
| Leco Projects (Pvt) Ltd. | M/S KPMG Chartered Accountants | Audit fees | Rs. 120,000/- (Excluding Taxes NBT and VAT) |

The Auditor General will be appointed as the Auditor for the ensuing financial year in compliance with Article 154 of the 19th Amendment to the Constitution of the Democratic Socialist Republic of Sri Lanka.

ENVIRONMENTAL PROTECTION

The Company has not engaged in any activities harmful to the environment.

EMPLOYMENT POLICIES

Group employment policies are based on recruiting the most intimate people, providing them opportunities to enhance their skills and competencies. Further the group always offers equal career opportunities regardless of gender, race or religion. Health and safety of the employees is always prioritized. The number of persons employed by the company and its subsidiaries at the year end was 1572.

ANNUAL GENERAL MEETING

The 35th Annual General Meeting will be held on Friday, 8th November 2019 at 3.30p.m. at the Registered Office at No. 411, E. H. Cooray Building, 3rd Floor, Galle Road, Colombo 3 at 3.30p.m. for the purpose of transacting routine business.

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

October 31, 2019

Colombo



Engineering Division

The engineering division of LECO saw another successful year of development in 2018. Engineering division is the division in the company, which leads the network and system modernisation. Our mission is to high valued electricity service to the customers through a reliable and stable network. The engineering division launch its action in three axis in achieving this goal. The planning and development of the network, development of the IT systems of the company and training and development of technical competencies of the staff are these three axis of development. In line with this mission, the system planning and development, IT, projects, Test Department and technical training departments operate under the Engineering Division.

In year 2018 we saw a point of turning of LECO in network planning and development axis. A project was proposed by the Engineering Division in modernising the LECO network suffering lack of investment over the last thirty years though underground cabling and switch automation in Kelaniya, Kotte, Nugegoda, Moratuwa and Kalutara areas. This will be the major investment for capacity enhancement and reliability, our network will see, after 1996. The system development department was working with the Project Preparatory and Technical Assistance Consultants of Asian Development Bank in developing this major capacity and reliability development plan for LECO overloaded and aging networks in above areas. This project envisages major capacity injection through a 90MVA grid substation in Peliyagoda, conversion of the Peliyagoda, Kelaniya, Kiribathgoda, Wattala, Kotte, Nawala, Nugegoda, Maharagama and Boralesgamuwa areas to underground network, and automation of switching in overhead networks of Kotikawatta, Kolonnawa, Nugegoda, Moratuwa and

Kaluthara areas. This project is planned to be implemented in second quarter of year 2020 and be completed in year 2025.

In the second axis of development related to network automation and IT system development, the System Development Department was instrumental in the deployment of smart metering pilot project in Kotte area under the grant funding of GSM Association of the UK in collaboration with Dialog Axiata PLC and University of Moratuwa, Department of Electronics and Telecommunication. In this project, we have been able to design an advanced GPRS modem for smart metering and IoT based server solution for smart metering. This was implemented in LECO server farm over a state of art API and IoT platform. Three thousand and two hundred energy meters in Kotte area are converted to smart meters together with the developed modem and connected to the server with continuous communication. Project deployment was in progress at the closure of the year with 800 meters establishing consistent communication. In addition, this project saw a development of feeder end voltage monitoring device designed for the distribution voltage monitoring requirements stipulated in the Distribution Service Regulations planned to be implemented in year 2020.

The development works of an Advance Distribution Management System to be implemented in the Distribution Control Centre started in year 2017 and completed its first version in 2018 under the able hands of our IT development team. The data acquisition and migration works started in year 2018 envisaging the implementation in year 2019.



As an add on to the above ADMS, LECO engineers were developing software to establish control of the switches and control devices in the field so that the distribution control centre can operate the mission critical switches remotely and monitor the network parameters from the distribution control centre.

The autonomous aerial observation platform equipped with Laser Ranging and optical flow stabilisation was completed its development and ready for implementation. This development is connected with the drone management unit proposed jointly by CEB and LECO as a grant project to Asian Development Bank for transmission and distribution line inspection purposed.

In addition to these modern developments, the system development department continued with its usual works of planning, procurement and system development works, issuing the cost manual and other planning documents at the beginning of the year and handled total in 234 procurements, 34 major tenders and balance, minor procurements totalling to a cost of Rs. 1.77 billion. The System Development Department saw a major development in its planning process by the implementation of new network planning software NEPLAN and started reliability based planning. This is envisaging the next network plan to be issued in year 2019.

LECO planning department converted our archaic GIS system running on AutoCAD LISP to the state of art ArcGIS database with the procurement and implementation of ArcGIS platform. Together with this, LECO GIS database in which all our assets as well as all our customers are mapped became a database of national importance.

The IT department of LECO saw major development through the implementation of IT security audit and the related reinforcement of security of the LECO IT systems including the issue of new password control procedure, implantation of a modern server room and detailed functional separation of IT staff to enhance accountability.

LECO technical training centre operating under the system development department has carried out 94 training programs training 1307 staff which amounts to a total of 85% of the staff being at least once have undergone a training session in the centre. They have achieved 100% performance of the internal training plan of year 2018.

The regulatory department has submitted all the data required by the Public Utilities Commission timely and has continued publishing the Regulatory Information System (RIS). This department has commission a detailed customer survey to be carried out in year 2019.

The project department has performed above their plans in distribution network rehabilitation and initiated project over Rs 508 million and disbursed development projects over Rs. 274 million in all seven branches of LECO.



Network Automation
Smart metering system
GIS Platform (Geographic Information System)





Network Digitalization

Our purpose of adopting network digitalization in our company is to increase efficiency, accuracy and clarity when running our business processes. There are several approaches we can take to get maximum benefits out of network digitalization and one of the sure ways we believe in is “network automation”.

When we try to incorporate network automation, what we essentially trying to accomplish is to create coordination between and among all our systems so our customers get an uninterrupted high value service from us as a utility company. We can deliver that promise through optimizing our website so our customers have 24/7 access to it and able to submit their requests, inquires and complaints comfortably. Then we make that system to transfer those data to a designated team of our company who can help and resolve those issues for customers as soon as possible.

We realize traditional “meter reading” method at each household has to be changed because it has several downsides which can be fixed if new technology is included. The usual way of, one of our employees going one house to another reading the electric meter then do the calculation manually based on the units consumed by the customer and finally hand over the monthly electricity bill is time consuming task. Then the customer has to go and pay the bill some other time. We believe “smart metering system” is a great solution for all these problems. Through smart metering system we can give our customers the access to information such as how much energy is being used and how much it costs, in real time, so they don’t have to wait until the end of the month to find it out.

This “Smart Metering System”, along with a mobile app we are planning to develop for our customers, any customer

can simply read the smart meter and pay the bill through an app without any delays. This convenient and accurate system monitoring and customer billing methods as well as the ability to communicate clearly to the customer about their consumption behavior, enhance the experience of our customers by many folds like never before. Further, this smart metering and mobile app assist our company in a way, as it eliminates the need for an LECO employee having to read meters stopping at each household which will be a difficult task to perform during bad weather conditions or where there is an emergency situation is going on around the country.

We find it’s important to acquire information on a wider scale approach. A geographic information system (GIS) allows us to accomplish that. It integrates hardware as well as software and through data computing, managing and analysis it displays various types of geographically referenced information. It helps us to create the opportunity to view, query and understand data in many useful ways.

Whenever we receive a customer complaint with regard to electricity breakdown, the specific location really matters to reach out fast and deliver an efficient service. Rather than constantly contacting customer to find out their exact location, through GIS our technical staff members can find out information and directions to get to where their service is needed, in a matter of seconds. Our network digitalization methods we apply in our company are aiming to increase the efficiency and at the end of the day, deliver the most satisfying service we could possibly can. And we have great faith in these network digitalization plans and our ability to implement them.



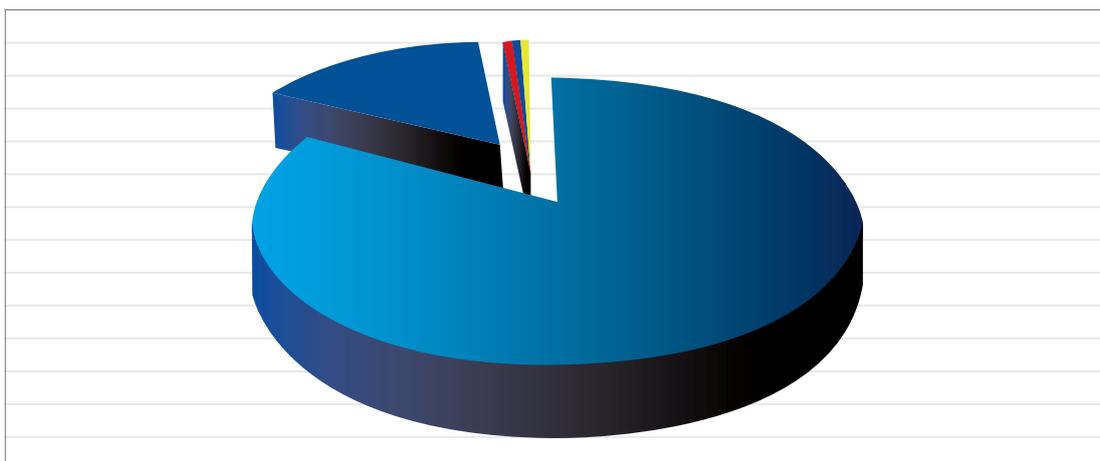
Operations Division

The year 2018 was yet another successful year for the Operations Division where it has served 1572 GWh for 559778 of its customer base. The customers wide spread out over the main cities of Galle, Kalutara, Moratuwa, Kelaniya, Kotte, Nugegoda & Negombo was able to serve with a quality supply while maintaining the standards of the power regulations implemented by PUCSL. LECO experienced an increase of 11588 no of customers in the year 2018 comparing to the year 2017.

The customer base of LECO in tariff category wise is tabulated below:

| Tariff | Consumer No | Annual Consumption (kWh) |
|--------------------------------|-------------|--------------------------|
| Domestic | 466068 | 631,586,701 |
| General Purpose and government | 84912 | 554,534,071 |
| Industrial and hotels | 3119 | 352,822,584 |
| Religious and Charitable | 2584 | 10,927,632 |
| Street Lighting | 3095 | 22,438,418 |
| Total | 559778 | 1,572,309,406 |

Ceylon Electricity Board



- Domestic
- Industrial and hotels
- Religious and Charitable
- Street Lighting
- General Purpose and government

To serve over 550,000 consumers LECO is maintaining an asset of 998 km of HV and 4363 km of LV lengths with 2427 number of substations and 1862 number of switching points as at the end of year 2018.

Loss Reduction

The effort of the Operation Staff in maintaining this asset has been able to keep the loss level of LECO at a percentage of 3.69%. Meanwhile the abnormal loss values reported at Galle Branch in the year 2017 was able to capture and was rectified. Kelaniya Branch low loss analysis is in progress. Steps are taken to measure the loss Customer Service Center (CSC) wise to identify the CSC having the abnormal loss.

The efforts of each Branch were boosted this year by evaluating the performances of the Branches and selecting the best performing Branch every month. In year 2018 a sum of Rs. 6.2 million has been collected as claims by investigation unit from unauthorized connection recoveries. These raids were carried out from the dockets raised by branches. An immense effort of operational staff members contributed in collecting Rs. 13.1 million as damage recoveries done by third party to LECO system assets.

Service Improvements

Started to implement LECO hot line service “1910” with new call center solution of Sri Lanka Telecom ‘Avaya’. The steps have been taken to implement the call center further and planned to complete in year 2019.

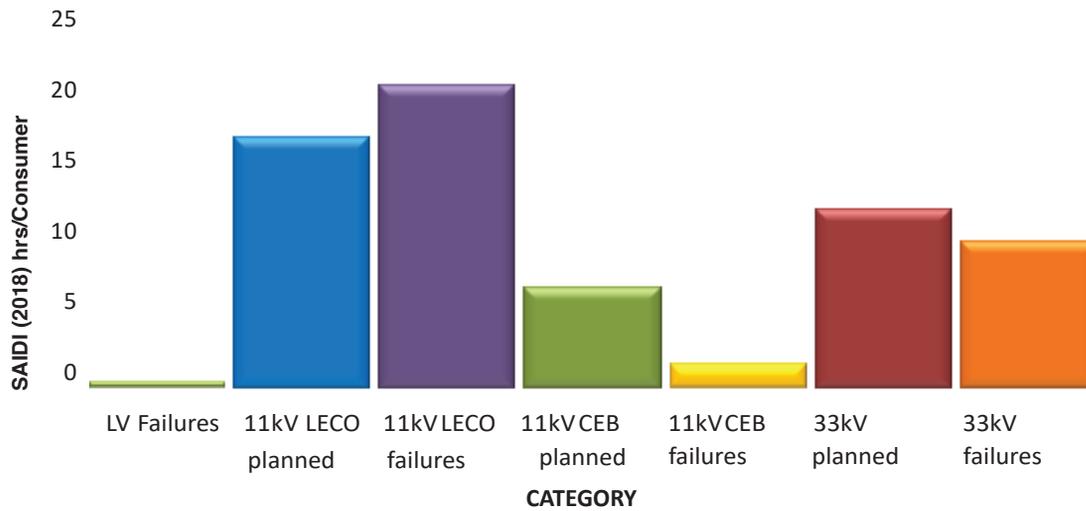
Moratuwa Branch opened a newly built two story building at 731/1, Galle Road, Nalluruwa, Panadura in the month of October 2018 to enhance the services to LECO consumers as Panadura CSC building. The newly built CSC premises is equipped and facilitated with new facilities to serve consumers to the best.

System Reliability

Distribution network operations are controlled and monitored through the Distribution Control Centre with the aim of maintaining improved system reliability. Control center coordinates with all the customer service centers and relevant authorities at the source supply to ensure least interrupted service to the consumers. While efforts are taken for providing uninterrupted supply, higher priorities are given for ensuring the safety of the staff, property and public involved with the network operation and maintenance work. This centralized arrangement has enabled the operation division to come out with proven success and zero fatal accidents were reported during the operations throughout the year.

Reliability indices calculated for the year 2018 along with the comparison of records on previous years are shown below.

| CATEGORY SAIDI hrs/Consumer | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|--------------|--------------|--------------|--------------|--------------|
| LV Failures | 0.28 | 0.31 | 0.47 | 0.5 | 0.38 |
| 11kV LECO planned | 15.86 | 13.34 | 18.56 | 21.14 | 17.5 |
| 11kV LECO failures | 5.96 | 6.98 | 15.18 | 20.15 | 21.13 |
| 11kV CEB planned | 7.07 | 6.81 | 5.12 | 5.85 | 6.97 |
| 11kV CEB failures | 1.75 | 1.67 | 2.26 | 1.35 | 1.69 |
| 33kV planned | 12.33 | 8.57 | 11.2 | 10.43 | 12.52 |
| 33kV failures | 16.14 | 12.71 | 14.37 | 10.44 | 10.19 |



Customer Service

Year 2018 was a successful year in maintaining PUCSL standards of issuing new service estimation on customer requests within 10 days and has reached 89% of achievement and 91% of giving new service connections after payments within 10 days. Billing efficiency for 30±3 days has been maintained at overall percentage of 98% with 0.078% billing errors. Monitoring of the Bulk supply connection in line with the PUCSL standards of issuing estimate within 20 days and service connections within 40 days after payment was introduced this year and was able to capture the reasons for delays.

Customer Consultative Meeting

A consultative meeting to aware customers on LECO operational activities, procedures and regulations was conducted for the second consecutive year for the consumers residing in Kotte area. Customers attended the meeting was given an opportunity to forward their issues, complaints in electricity distribution system which was attended by the officials of LECO. A successful meeting conducted at the Solis Hotel in Kotte had an opened forum for its customers to meet the LECO management. There were two key note speakers to deliver speech on social awareness and public health. The meeting was concluded after awarding valuable gifts for selected winners from a raffle draw among the participants.





Human Resources & Administration

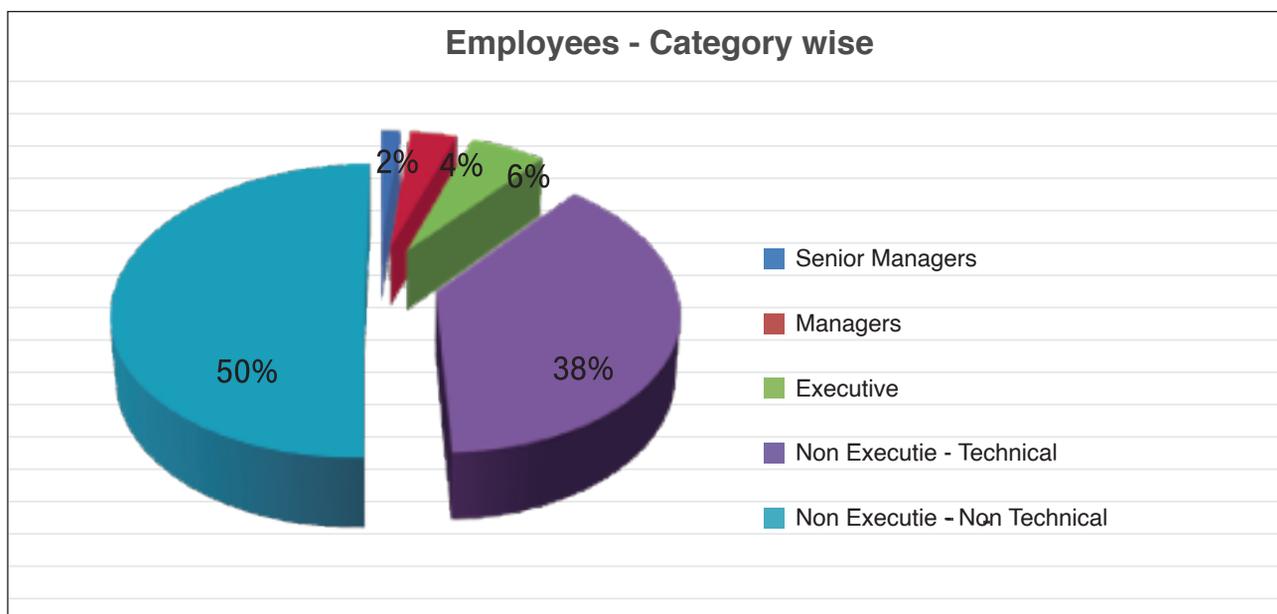
In consideration of the importance of our employees, the main objective of the company's human capital development strategy is to create a mutually beneficial relationship between individual employee needs and the company's goals. As such, we aim to attract and retain the right people, with the appropriate experience and attitude, and in the right place. The company also ensures that our employees receive the proper compensation and opportunities for professional advancement and career growth. This is how LECO creates a winning match between the people and the company. To assist us in achieving this aim, the company committed to follow the Best HR practices.

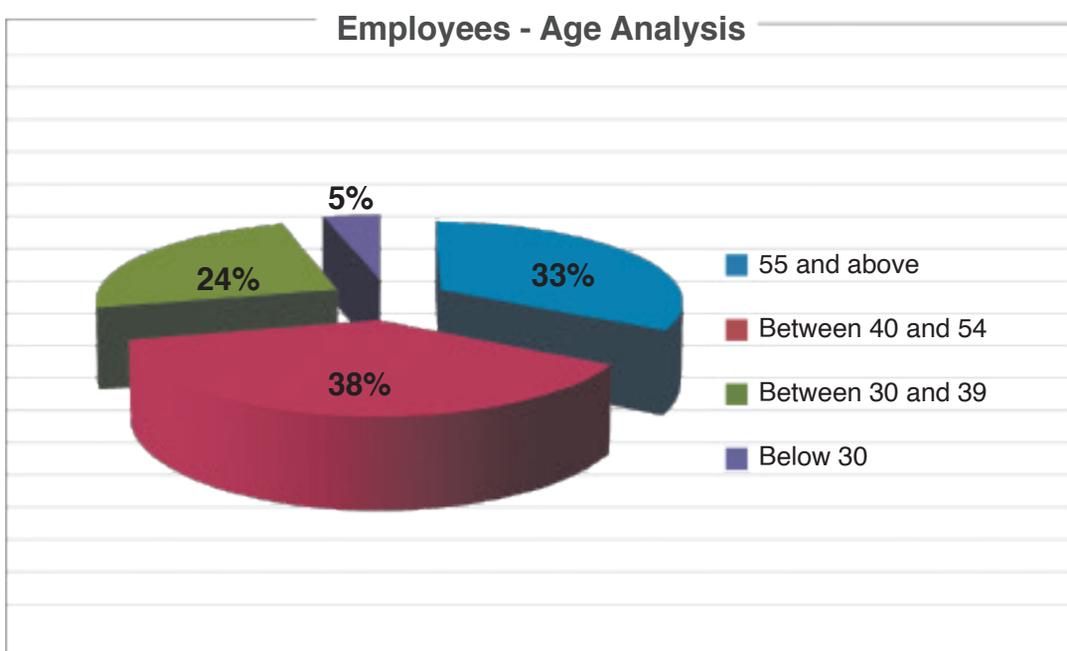
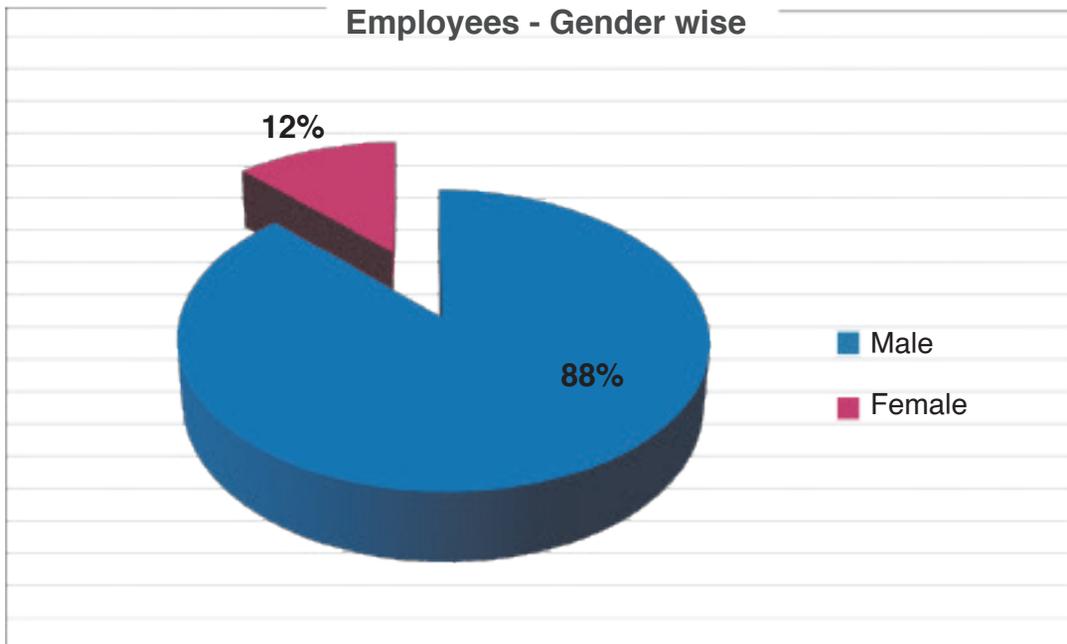
We recognize lawful employee rights of freedom of association and collective bargaining and remain committed to complying with all applicable labour laws. We were able to sign a Collective Agreement with the Trade Unions of the company for two years to maintain industrial peace in the organization. Further, we are committed to providing a safe and healthy work environment.

overview of employees cadre

As at 31st December 2018, LECO had an employee cadre of 1519 people; eighteen were recruited to the cadre in the year under review. The company's diversity in terms of technology reflects the nature of the business; many of our employees held technical positions. The company was able to maintain a higher employee retention rate and very low Labour Turnover Rate (L.T.O.) of 0.8% for the year 2018.

People from a range of age groups as we believe this helps the company remain relevant in our dynamic operating environment as new graduates bring in the latest knowledge and techniques while older and experienced members of our workforce provide the hands-on experience which is as essential to ensure the sustainability of our Distribution system.







Training and development

During the year 2018, LECO has nominated 29 executive staff for foreign training, conference, and seminars conducted in U.S.A., India and other countries. In addition 95 employees have participated in soft skills and further technical training locally. Many more in house programs were arranged by our Training school at their premises to meet required competencies at their current job level and to develop them for a future potential role. Some of the programs conducted are as follows.

| Training Programme | No. of participants |
|--|---------------------|
| IPU Grid School Training conducted by Institute of Public Utilities Regulatory Research and Education of Michigan State University | 2 |
| Public Utility Research Center (PURC) / World Bank 44th International Training Program on Utility Regulation and Strategy | 2 |
| Training Program on "Strategic Leadership" conducted by Faculty of Arts and Sciences of Harvard University | 1 |
| Training Program on "Power System Stability & Control" Conducted by Blaze Avenue International Sdn Bhd | 4 |
| 3 days 2 nights Professional Development & Leadership Training Program conducted by Academy of Adventure | 35 |
| Training Program on Staff Disciplinary Procedure conducted by Distance Learning Centre Ltd. | 15 |

Employees rewards, recognition and welfare activities

Rewards and recognition are vital components in the Company's HR framework as it helps to motivate staff and give them the confidence to perform at high standards while giving due recognition for employees' contribution at work and their achievements.

'sramabimani' long services awards

This event is the key HR event organized by the company to reward employees who have completed 25 years. This is an annual event. The last award ceremony was held at Water's Edge in December 2018 with the participation of all the senior Managers of the company. Seventy-three employees who completed 25 years of service in the company were rewarded by the company. In addition to that, employee's children who showed high performance at their Grade five scholarship, G.C.E.O/L and G.C.E A/L, were rewarded and granted financial rewards for them at this ceremony.

Annual sport meet

As per the H.R. Calendar of the company, the Annual sports meet was held on 17th November 2018 at Sri Sumangala school grounds Hikkaduwa to improve teamwork and mutual relationship among all employees of LECO and productivity. Three thousand participants, including family members of employees, were participated for this event.



Financial Review

Revenue

During the year recorded revenue of the company, Rs. 30.94 bn was a 3.4% YOY increase in comparison to Rs. 29.93 bn posted in 2018. Total group revenue was increased to Rs 31.827 bn which shows 4% increment. Core revenue is generating from sale of electricity. During the year 1,569.93GWh were sold. Increased demand for electricity and ability to reduce of loss of electricity caused for such increment of revenue. Increase of meter sales of the main subsidiary Ante LECO (Pvt) Ltd also contributed for the revenue growth.

Profit after tax

The Group reported net profit of Rs. 2.94 bn for year ended 31st December 2018 compared to Rs. 1.83 bn for the prior year with a growth of 61%. Dividend income of Rs. 1.165 bn received from West Coast Power (Pvt) Ltd caused increase net profit.

Earnings per share

Group Earnings per Share (EPS) for the financial year under review was Rs. 25.73 vs. Rs. 15.90 during the prior year 2017. Earnings per share of the Company were Rs. 25.94 vs. Rs. 15.65 in year 2017.

Dividend

Company paid a dividend of Rs. 6.11 per share amounting to Rs. 700 million during the financial year ended 31st December 2018.

Return on equity

Return on Group equity for the year under review was 9.5%, whilst return on equity of the Company was 9.8%, compared to 6.6% in 2017. Return on equity has been computed by dividing the profit for the period by the average of total equity as at the beginning and the end of each financial year.

Total assets

Total asset growth was mainly due to the acquiring of property, plant and equipment, increase in term deposits and increase in inventories. The Group total assets increased by 8.6% to Rs. 44.6 billion compared to 31st December 2017.

Total liabilities

Total liabilities of the Group represented 49% (52% in 2017) of long-term liabilities and 51% (48% in 2017) of current liabilities. Long-term liabilities of the Group consisted with deferred tax liabilities, deferred tax revenue and provision for retirement benefit obligations. There was no any long term borrowings existed as at balance sheet date.

Total Equity

Equity of the Group funded 72% of the total assets, stand at Rs. 32.14 bn as at 31st December 2018 including non controlling interest of Rs 0.136 bn.

Cash Flow

Group net operating cash inflow was Rs. 684 million, compared to Rs. 1,947 million in prior period. This is attributable to the high working capital requirements with compared to previous year. Net cash outflow from investing activities of the Group is Rs. 2,267 million mainly due to the additional short term investments in term deposits. Dividend payment of Rs 700 million resulted in a net outflow from financing activities amounting to Rs. 701 million.

Corporate governance

Group/Company ensures to comply with established best practices in corporate governance and ensures the highest ethical standards in conduct of its business. The Board adopts rules and regulations which are comply with Circulars issued by the government which set out the conduct of staff in their dealings with shareholders, customers, suppliers and other stakeholders.



Internal Audit Division

Management Review

Company has a separate Internal Audit Division reporting to its Chairman and company's Audit & Management Committee simultaneously, which comprises with Board members & a Ministry Observer. All Audit work during the period under review was carried out by professional qualified staff, with due professional care performing clarity & high quality of work in order to maintain the Transparency & Good Governance for wider range participants, under new legislations.

Initial work plan which covers almost all major functional areas was approved by the Audit & Management Committee at the beginning of the year, prior to commencement of the work.

Audit Division is located at Head Office; make visits to all Branches, Customer Service Centers and also other functional units such as Meter Testing Lab, Training Center & Warehouses (stocks) etc. while performing its duties within the Sections/ Divisions at Head Office. Audits for Sections / Divisions in Head Office were performed on a rotation basis.

During the period under review Audit Division has conducted Audits for almost all functional areas, clusters designed by the management as per the initial plan approved by Audit & Management Committee. Branch Audit Reports were discussed in detail by Chairman with respective staff members and provided advice / instructions with an intention of streamlining operational / recording processes prior to submitting such to the Audit & Management Committee for their perusal.

Good Governance

Audit & Management Committee

LECO Audit & Management Committee comprises with 3 board members chaired by the Treasury representative of the Board, hold meetings with an intention of improving the quality standards of its Operations and also promoting the clarity, Transparency and Good Governance with more weight & attention under the new amendments of the applicable Acts & Regulations.

There were four productive meetings held during the period under review.



CRD



Customer Relationship Digitalization (CRD)

We make our best efforts toward managing healthy and effective interactions with our customers and delivering the best service possible at all times. Our customer relationship management (CRM) tools allow us to perform necessary tasks that can wield our company toward improved customer relationships that will sustain into future.

Our end goal is to create fast, reliable and convenient systems that apply to our customers so they can save their time and efforts that they typically have to invest in. On our company's point of view also, better customer relationship systems ease the pressure and confusion our staff members have to go through handling daily business. To build better customer convenience we truly consider "Sales Force Automation" as a viable solution. If a customer intends to contact our customer service to report a problem or electric failure in their household or region, rather than waiting to connect with a customer service staff member, we allow the customer to report their problem through automated system. That system can save customer's time and also send precise information that is necessary for our technical staff to go and fix the issue on time.

With the intention of further enhancing our customer experience we make available fully functional web presence that allows our customers to make bill payments, registrations, or any other electricity consumption inquiries and information at the comfort of their own homes. We ensure our customers can log in to their own accounts on our website and see all the details they need to know about their electricity consumptions and rates. These types of facilities can become extremely useful in a time where customers aren't allowed or unable to leave their households for whatever reason.

We understand everyone lives busy lives. We attempt to make our customer's lives easier by giving them the opportunity to connect with LECO through a mobile app as well. It consists with features that give them quick access to information with regard to their electricity utilization and also the option to process their electricity payments instantly.

We always try to take the advantage of new technology and trends to reach out to customers and add value to their lives. The amount of population that use social media nowadays, on daily basis, is growing at a fast pace. Since social media marketing has been a rising marketing tool in the recent past, our aim is to communicate and stay in touch with our customers while informing and educating them about our latest endeavors and updates through social media advertisements.

Social media marketing has unlocked the potential of advertising and communication and brought it to a whole new level. It has become an excellent tool to reach out to specific target audiences compared to any other media platforms. So using social media we, as a utility company, can increase our customer satisfaction level. It can add tremendous amount of value to our customers as it allows us to keep in touch with them on regular basis in an effective way and provide them a next generation user experience.



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



මගේ අංකය } POE/E/LECO/FS /2018/05
எனது இல. }
My No. }

මගේ අංකය }
உமது இல. }
Your No. }

දිනය } 03 July 2019
திகதி }
Date }

Chairman
Lanka Electricity Company (Private) Limited

Report of the Auditor General on the Financial Statements and Other Legal and Regulatory Requirements of the Lanka Electricity Company (Private) Limited and its subsidiaries for the year ended 31 December 2018 in terms of Section 12 of the National Audit Act, No. 19 of 2018.

1. Financial Statements

1.1 Opinion

The audit of the financial statements of Lanka Electricity Company (Private) Limited (“Company”) and the consolidated financial statements of the Company and its Subsidiaries (“Group”) for the year ended 31 December 2018 comprising the statement of financial position as at 31 December 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution will be tabled in due course. To carry out this audit I was assisted by a firm of Chartered Accountants in public practice.

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

1.2 Basis for Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibilities, under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.





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

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

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

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

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

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

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

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

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



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

2. Report on Other Legal and Regulatory Requirements

National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.

- I have obtained all the information and explanation that required for the audit and as far as appears from my examination, proper accounting records have been kept by the Company as per the requirement of section 163 (1) (d) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.
- The financial statements of the Company and the Group comply with the requirement of section 151 and 153 of the Companies Act, No. 07 of 2007.
- The financial statements presented is consistent with the preceding year as per the requirement of section 6 (1) (d) (iii) of the National Audit Act, No. 19 of 2018.
- The financial statements presented includes all the recommendations made by me in the previous year as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018.

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



- to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018.
- to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12 (f) of the National Audit Act, No. 19 of 2018.
- to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12 (g) of the National Audit Act, No. 19 of 2018.
- to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12 (h) of the National Audit Act, No. 19 of 2018 .

W.P.C. Wickramaratne
Auditor General



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Note | Group | | Company | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2018 Rs. '000 | 2017 Rs. '000 | 2018 Rs. '000 | 2017 Rs. '000 |
| <i>For the year ended December 31,</i> | | | | | |
| Revenue | 5 | 31,827,090 | 30,573,686 | 30,943,889 | 29,930,225 |
| Cost of sales | | (26,897,850) | (25,754,568) | (26,007,451) | (25,182,114) |
| Gross profit | | 4,929,240 | 4,819,117 | 4,936,438 | 4,748,111 |
| Other operating income | 6 | 1,882,505 | 737,148 | 1,885,356 | 740,714 |
| Operating expenses | | (2,546,817) | (2,096,142) | (2,546,105) | (2,093,725) |
| Administrative expenses | | (2,363,027) | (2,466,306) | (2,327,604) | (2,443,823) |
| Profit from operations | | 1,901,901 | 993,817 | 1,948,085 | 951,277 |
| Finance income | 7 | 1,332,554 | 1,309,082 | 1,325,962 | 1,287,817 |
| Finance cost | 7 | (60,624) | (21,209) | (56,744) | (21,209) |
| Net finance cost | | 1,271,930 | 1,287,873 | 1,269,218 | 1,266,608 |
| Profit before taxation | 8 | 3,173,831 | 2,281,690 | 3,217,304 | 2,217,885 |
| Income tax expense | 9 | (236,129) | (446,311) | (247,423) | (425,898) |
| Profit for the year | | 2,937,702 | 1,835,379 | 2,969,881 | 1,791,987 |
| Other comprehensive income | | | | | |
| Items that are or may be reclassified to profit or loss | | | | | |
| Net changes in fair value of Financial assets at other comprehensive income | 15 | 316,187 | 2,097,060 | 316,187 | 2,097,060 |
| Deferred tax on net changes fair value of FOVCI Financial assets | 9.2 | (31,619) | (66,494) | (31,619) | (66,494) |
| Items that will never be reclassified to profit or loss | | | | | |
| Actuarial gain (loss) on defined benefit obligations | 25 | (15,544) | (82,549) | (15,544) | (82,508) |
| Deferred tax reversal on actuarial loss | 9.2 | 4,352 | 23,114 | 4,352 | 23,102 |
| Revaluation of property, plant and equipment | | 245,853 | 947,001 | 245,853 | 877,150 |
| Deferred tax charge on revaluation surplus | 9.2 | (148,240) | (597,146) | (148,240) | (597,146) |
| Other comprehensive income, net of tax | | 370,990 | 2,320,986 | 370,990 | 2,251,165 |
| Total comprehensive income for the year | | 3,308,692 | 4,156,365 | 3,340,871 | 4,043,152 |
| Profit attributable to : | | | | | |
| - Owners of the company | | 2,946,320 | 1,820,981 | 2,969,881 | 1,791,987 |
| - Non-controlling interests | | (8,618) | 14,398 | - | - |
| Profit for the year | | 2,937,702 | 1,835,379 | 2,969,881 | 1,791,987 |
| Total comprehensive income attributable to : | | | | | |
| - Owners of the company | | 3,317,310 | 4,141,975 | 3,340,871 | 4,043,152 |
| - Non-controlling interests | | (8,618) | 14,389 | - | - |
| Total comprehensive income for the year | | 3,308,692 | 4,156,365 | 3,340,871 | 4,043,152 |
| Basic earnings per share (Rs.) | 10 | 25.73 | 15.90 | 25.94 | 15.65 |

The notes form an integral part of these financial statements.

Figures in brackets indicate deductions.



STATEMENT OF FINANCIAL POSITION

| As at December 31, | Note | Group | | Company | |
|---|------|-------------------|-------------------|-------------------|-------------------|
| | | 2018 Rs. '000 | 2017 Rs. '000 | 2018 Rs. '000 | 2017 Rs. '000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 13,168,188 | 12,391,543 | 12,875,196 | 12,143,183 |
| Investment property | 12 | - | - | 127,847 | 60,721 |
| Intangible assets | 13 | 52,038 | 43,941 | 42,872 | 32,941 |
| Investments in subsidiaries | 14 | - | - | 31,320 | 31,320 |
| Financial assets at other comprehensive income | 15 | 10,585,463 | 10,269,276 | 10,585,463 | 10,269,276 |
| Advance for shares | 16 | - | - | 47,085 | 47,085 |
| Other non-current financial assets | 17 | - | 2,000,000 | - | 2,000,000 |
| Total non-current assets | | 23,805,689 | 24,704,760 | 23,709,783 | 24,584,528 |
| Current assets | | | | | |
| Inventories | 18 | 2,001,129 | 1,535,063 | 1,800,123 | 1,334,772 |
| Trade and other receivables | 19 | 3,671,098 | 2,978,719 | 3,494,197 | 2,953,724 |
| Prepayments and advances | | 430,170 | 182,522 | 425,956 | 182,522 |
| Other financial assets | 17 | 14,306,698 | 9,008,186 | 14,265,068 | 8,912,342 |
| Cash and bank balances | 20 | 416,210 | 2,699,848 | 408,975 | 2,623,471 |
| Total current assets | | 20,825,305 | 16,404,338 | 20,394,320 | 16,006,831 |
| Total assets | | 44,630,994 | 41,109,098 | 44,104,102 | 40,591,359 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Stated capital | 21 | 1,145,067 | 1,145,067 | 1,145,067 | 1,145,067 |
| Other components of equity | 22 | 10,682,809 | 10,300,627 | 10,612,958 | 10,230,777 |
| Retained earnings | | 20,176,529 | 17,941,409 | 19,998,103 | 17,739,414 |
| Total equity attributable to equity holders of the company | | 32,004,405 | 29,387,103 | 31,756,127 | 29,115,257 |
| Non-controlling interests | | 136,097 | 146,184 | - | - |
| Total equity | | 32,140,503 | 29,533,287 | 31,756,127 | 29,115,257 |
| Non-current liabilities | | | | | |
| Deferred tax liabilities | 23 | 573,810 | 806,359 | 583,733 | 805,005 |
| Deferred income | 24 | 4,564,978 | 4,305,654 | 4,564,978 | 4,305,654 |
| Retirement benefit obligations | 25 | 1,012,484 | 891,247 | 1,010,771 | 889,799 |
| | | 6,151,272 | 6,003,261 | 6,159,481 | 6,000,459 |
| Current liabilities | | | | | |
| Trade and other payables | 26 | 6,035,620 | 5,116,078 | 5,888,994 | 5,070,637 |
| Income tax payable | | 278,471 | 432,490 | 278,471 | 381,022 |
| Bank overdraft | 20 | 25,128 | 23,982 | 21,029 | 23,982 |
| Total current liabilities | | 6,339,219 | 5,572,550 | 6,188,494 | 5,475,642 |
| Total liabilities | | 12,490,491 | 11,575,811 | 12,347,975 | 11,476,102 |
| Total equity and liabilities | | 44,630,994 | 41,109,098 | 44,104,102 | 40,591,359 |

Figures in brackets indicate deductions.

The accounting policies and notes annexed form an integral part of these financial statements.

I certify that these financial statements have been prepared in accordance with the requirements of the Companies Act No. 07 of 2007.

Chief Finance Officer

The Board of Directors is responsible for the preparation and presentation of these balances.

Approved and signed for and on behalf of the board.

Chairman/Director
May 31, 2019
Colombo.

Director



STATEMENT OF CHANGES IN EQUITY

| Group | Attributable to owners of the company | | | | | Non-controlling interests | Total equity |
|--|---------------------------------------|-----------------------------|--------------------------------|-------------------------------|------------------------------|---------------------------|--------------|
| | Stated capital Rs.'000 | Revenue reserves Rs.'000 | Revaluation surplus Rs.'000 | Fair value reserve Rs.'000 | Retained earnings Rs.'000 | | |
| <i>Balance as at December 31, 2016</i> | 1,145,067 | 340,642 | 1,407,348 | 6,172,216 | 16,679,855 | 25,745,128 | 25,879,003 |
| Profit for the year | - | - | - | - | 1,820,981 | 1,820,981 | 1,835,379 |
| Other comprehensive income | - | - | 349,855 | 2,030,566 | (9,426) | 2,320,995 | 2,320,986 |
| Total comprehensive income for the year | - | - | 349,855 | 2,030,566 | 1,761,554 | 4,141,975 | 4,156,365 |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Dividends by the parent company | - | - | - | - | (500,000) | (500,000) | (500,000) |
| Dividends to non-controlling interest by subsidiaries | - | - | - | - | - | - | (2,081) |
| Balance as at December 31, 2017 | 1,145,067 | 340,642 | 1,757,203 | 8,202,782 | 17,941,409 | 29,387,103 | 29,533,287 |
| Profit for the year | - | - | - | - | 2,946,320 | 2,946,320 | 2,937,702 |
| Other comprehensive income | - | - | 97,613 | 284,569 | (11,200) | 370,982 | 370,990 |
| Total comprehensive income for the year | - | - | 97,613 | 284,569 | 2,935,120 | 3,317,302 | 3,308,692 |
| Transactions with owners, recorded directly in equity | | | | | | | |
| Dividends by the parent company | - | - | - | - | (700,000) | (700,000) | (700,000) |
| Dividends to non-controlling interest by subsidiaries | - | - | - | - | - | - | (1,476) |
| Balance as at December 31, 2018 | 1,145,067 | 340,642 | 1,854,817 | 8,487,351 | 20,176,529 | 32,004,405 | 32,140,503 |

STATEMENT OF CHANGES IN EQUITY

| | Stated capital Rs.'000 | Revenue reserves Rs.'000 | Revaluation surplus Rs.'000 | Fair value reserve Rs.'000 | Retained earnings Rs.'000 | Total Rs.'000 |
|--|---------------------------|-----------------------------|--------------------------------|-------------------------------|------------------------------|-------------------|
| Balance as at December 31, 2016 | 1,145,067 | 340,642 | 1,407,348 | 6,172,216 | 16,506,833 | 25,572,106 |
| Branch Profit for the year | - | - | - | - | 1,791,987 | 1,791,987 |
| Other comprehensive income (net of tax) | - | - | 280,004 | 2,030,566 | (59,406) | 2,251,165 |
| Total comprehensive income for the year | - | - | 280,004 | 2,030,566 | 1,732,581 | 4,043,152 |
| Transactions with owners, recorded directly in equity | | | | | | |
| Dividends | - | - | - | - | (500,000) | (500,000) |
| Balance as at December 31, 2017 | 1,145,067 | 340,642 | 1,687,352 | 8,202,782 | 17,739,414 | 29,115,257 |
| Profit for the year | - | - | - | - | 2,969,881 | 2,969,881 |
| Other comprehensive income, net of tax | - | - | 97,613 | 284,569 | (11,192) | 370,990 |
| Total comprehensive income for the year | - | - | 97,613 | 284,569 | 2,958,689 | 3,340,871 |
| Transactions with owners, recorded directly in equity | | | | | | |
| Dividends | - | - | - | - | (700,000) | (700,000) |
| Balance as at December 31, 2018 | 1,145,067 | 340,642 | 1,784,965 | 8,487,351 | 19,998,103 | 31,756,127 |

Figures in brackets indicate deductions
The notes form an integral part of these financial statements



STATEMENT OF CASH FLOWS

| <i>For the year ended December 31,</i> | Note | Group | | Company | |
|--|------|------------------|------------------|------------------|------------------|
| | | 2018 | 2017 | 2018 | 2017 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Profit before taxation | | 3,173,831 | 2,281,690 | 3,217,304 | 2,217,885 |
| Adjustment for; | | | | | |
| Depreciation of property, plant and equipment | | 896,603 | 946,082 | 872,398 | 940,149 |
| Amortisation of deferred income | | (368,069) | (365,300) | (368,069) | (365,300) |
| Revaluation gain on property, plant and equipment | | - | (5,036) | - | (5,036) |
| Amortisation of intangible asset | | 16,756 | 13,385 | 14,923 | 11,552 |
| Depreciation of investment property | | - | - | 1,817 | 1,025 |
| Provision for retiring gratuity | | 142,901 | 125,552 | 142,517 | 125,257 |
| Impairment of trade receivable | | (2,026) | 13,205 | 3,710 | 11,798 |
| Provision for slow moving inventories | | 49,898 | (3,260) | 49,898 | (3,260) |
| Gain/ (loss) on retirement of property, plant, and equipment | | 14,655 | (54,533) | 14,655 | (54,533) |
| Interest income | | (1,332,554) | (1,309,082) | (1,325,962) | (1,287,817) |
| Interest expense | | 20,307 | 21,209 | 16,426 | 21,209 |
| Dividend income | | (1,165,881) | - | (1,169,326) | (4,806) |
| Operating profit before working capital changes | | 1,446,420 | 1,663,912 | 1,470,290 | 1,608,125 |
| (Increase)/decrease in inventories | | (515,964) | (367,232) | (515,249) | (349,850) |
| (Increase)/decrease in advances and prepayments | | (247,648) | 79,729 | (243,434) | 56,991 |
| Increase/(decrease) in trade and other receivables | | (690,352) | 408,237 | (544,183) | 327,359 |
| Increase/(decrease) in trade and other payables | | 919,542 | 122,016 | 818,357 | 183,191 |
| Increase/(decrease) in deferred income | | 627,393 | 593,364 | 627,393 | 593,364 |
| Cash generated from operations | | 1,539,390 | 2,500,026 | 1,613,174 | 2,419,179 |
| Income tax paid | | (798,203) | (507,285) | (746,753) | (477,512) |
| Interest expense paid | | (20,307) | (19,235) | (16,426) | (19,235) |
| Retiring gratuity paid | | (37,179) | (25,766) | (37,089) | (25,766) |
| Net cash generated from operations | | 683,701 | 1,947,740 | 812,906 | 1,896,667 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Net investments in other financial assets | | (3,298,512) | (1,805,179) | (3,352,726) | (1,762,031) |
| Net acquisition of property, plant and equipment | | (1,466,931) | (1,210,414) | (1,398,067) | (1,172,620) |
| Acquisition of Investment property | | - | - | (68,943) | - |
| Interest income received | | 1,332,554 | 1,309,082 | 1,325,962 | 1,287,817 |
| Dividend income received | | 1,165,881 | - | 1,169,326 | 4,806 |
| Net cash generated from/ (used in) investing activities | | (2,267,007) | (1,706,511) | (2,324,448) | (1,642,028) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Dividends paid to equity holders of the parent | | (700,000) | (500,000) | (700,000) | (500,000) |
| Dividend paid to shareholders of non controlling interest | | (1,476) | (2,081) | - | - |
| Net cash used in financing activities | | (701,476) | (502,081) | (700,000) | (500,000) |
| Net increase/ (decrease) in cash and cash equivalents | | (2,284,782) | (260,851) | (2,211,542) | (245,361) |
| Cash and cash equivalents at the beginning of the year | | 2,675,865 | 2,936,716 | 2,599,488 | 2,844,849 |
| Cash and cash equivalents at the end of the year | 20 | 391,082 | 2,675,865 | 387,947 | 2,599,488 |
| Analysis of cash and cash equivalents | | | | | |
| Cash in hand and cash at bank | | 416,210 | 465,825 | 408,975 | 389,471 |
| Cash equivalents - | | - | 2,234,023 | - | 2,234,000 |
| Bank overdraft | | (25,128) | (23,982) | (21,029) | (23,982) |
| | 20 | 391,082 | 2,675,865 | 387,947 | 2,599,488 |



1 REPORTING ENTITY

1.1 Domicile and legal form

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 December 31, 2018 comprise Lanka Electricity Company (Private) Limited (the 'Company') and all its Subsidiaries, whose accounts have been consolidated there in. (the 'Group').

1.3 Principal activities and nature of operation

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 Approval of financial statements by Directors

The Financial Statements of the Group and the Company for the year ended December 31, 2018 were authorized for issue by the Board of Directors on June 4, 2019.

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, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows 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 Responsibility for financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and as per the provisions of the Companies Act No. 07 of 2007. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

2.3 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:

- Financial assets at fair value through other comprehensive income 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

2.4 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 changes in the Group's presentation and functional currency during the year under review.

2.5 Materiality and aggregation

In compliance with Sri Lanka Accounting Standard - LKAS 1, (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 determining unless required or permitted by an Accounting Standard.

2.6 Comparative information

Previous period figures and notes have been restated and reclassified wherever necessary to conform to the current year's presentation.

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



2.7 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:

2.7.1 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.

2.7.2 Impairment provision for trade receivables

See accounting policy 3.11.1.3

2.7.3 Impairment of financial assets at fair value through other comprehensive income (prior to 1st January 2018 available for sale investments)

The Group and the Company review their non-quoted equity investments classified as financial assets at fair value through other comprehensive income at each reporting date to determine whether there is an objective evidence that it is impaired. The investment is impaired if, there is objective evidence as a result of one or more events that has occurred after the initial recognition of the investment.

2.7.4 Fair value of financial assets at fair value through other comprehensive income (prior to 1st January 2018 available for sale investments)

The determination of fair value of financial assets classified as financial assets at fair value through other comprehensive income in the Statement of Financial Position for which there is no observable market price are determined using valuation techniques. The valuation of financial assets at fair value through other comprehensive income are described in more detail in Note 32 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 32 to the financial statements.

2.7.5 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, and



mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. In determining the appropriate discount rate, 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.

2.7.6 Fair value of property, plant and equipment

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

2.7.7 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.

2.7.8 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.

3 SUMMARY 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.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2018.

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 noncontrolling 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 subsidiaries since Lanka Electricity Company (Private) Limited has the majority of voting rights and retain control of those companies.

3.2 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 nontrading activities are taken to Profit or Loss.

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 translation of monetary items at rates different from those which were initially recorded are dealt with in Profit or Loss.

3.3 Revenue recognition

The Group has initially applied SLFRS 15 – “Revenue from contracts with customers” from 1 January 2018.



Performance obligations and revenue recognition policies

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised.

The Group is in the business of supplying electricity and sale of electricity meters. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements.

Revenue from supply of electricity is recognised at the point in time when electricity is supplied to the customer.

Revenue from sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

- **Variable Consideration**

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods / services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

- **Significant financing component**

The Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Policy applicable before 1 January 2018

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.

(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.

3.4 Taxation

3.4.1 Current taxation

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.

Provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purpose in accordance with the provision in the applicable Inland Revenue act. In estimation such provisions, the Group had applied the Inland Revenue Act No 10 of 2006 and amendments there to until 31st March 2018 and Inland Revenue Act No 24 of 2017 and amendments there to for the period subsequent to 01st April 2018.

3.4.2 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 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.

3.5 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.

3.5.1 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.

3.5.2 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 selfconstructed 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.

3.5.2.1 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.

3.5.2.2 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 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 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.

3.5.3 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 is charged to Profit or Loss as incurred.

3.5.4 De-recognition

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 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.

3.5.5 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 | 5% -20% |
| Computers | 20% - 33 1/3% |
| Office Equipment | 15% - 33 1/3% |
| Plant and Machinery | 25% - 33 1/3% |

3.6 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.

3.6.1 Operating leases

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

3.7 Investment property

A property that is held to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business, by the Group are accounted for as investment properties. Investment Property comprises freehold land and building.

An investment property is measured initially at its cost. The cost of a purchased investment property comprises of its purchase price and any directly attributable expenditure. The cost of a self-constructed investment property is its cost at the date when the construction or development is complete.

The Group applies the cost model for investment properties in accordance with Sri Lanka Accounting Standard (LKAS 40) -“Investment Property”. Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses and buildings classified as investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

3.7.1 Depreciation

No depreciation is provided on land treated as investment property.

Depreciation of other investment property of the Group is provided for on a consistent basis, over the period appropriate to the estimated useful lives of the assets on a straight-line method.

| | | |
|-----------|---|----------|
| Buildings | - | 40 years |
|-----------|---|----------|



In the consolidated financial statements, properties which are occupied by companies within the Group for the production or supply of goods and services or for administrative purposes is treated as property, plant and equipment, while these properties are treated as investment property in the financial statements of the company owning the asset.

3.8 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.

3.9 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 profit or loss 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 profit or loss 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 de-recognition 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 profit or loss when the asset is derecognised.

3.10 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:

- Operational and maintenance goods - at actual cost on weighted average basis.
- 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.

3.11 Financial instruments

3.11.1 Financial assets

Policy applicable from 1 January 2018

3.11.1.1 Classification and subsequent measurement of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) - debt investment; fair value through other comprehensive income (FVOCI) - equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the Company / Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets classified and measured at amortized cost are limited to its trade debtors, related party receivables, short term investments and cash & cash equivalents.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company / Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Company's investment in equity investments are classified as Fair Value through OCI.



Financial assets - Business model assessment

The Company / Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's / Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated - e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's / Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets -Assessment whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company / Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company / Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's / Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.



3.11.1.2 Financial assets - Subsequent measurement and gains and losses

| | |
|------------------------------------|--|
| Financial assets at amortised cost | These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. |
| Equity investments at FVOCI | These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss. |

3.11.1.3 Impairment

Financial instruments and contract assets

The Company / Group recognises loss allowances for Expected Credit Losses (ECLs) on:

- financial assets measured at amortised cost;
- debt investments measured at FVOCI; and
- contract assets.

The Company / Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for Vtrade receivables is always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company / Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's / Group's historical experience and informed credit assessment and including forward-looking information.

The Company / Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Company / Group in full, without recourse by the Company / Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).



ECLs are discounted at the effective interest rate of the financial asset.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write-off

The gross carrying amount of a financial asset is written off when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Company has a policy of writing off the gross carrying amount when the financial asset is 360 days past due based on historical experience of recoveries of similar assets. For corporate customers, the Company individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures to recovery of amounts due.

Policy applicable before to 1 January 2018

3.11.1.4 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.

3.11.1.5 Subsequent measurement

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

3.11.1.6 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 a 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 profit or loss. The losses arising from impairment are recognised in profit or loss.

3.11.1.7 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 profit or loss 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 profit or loss.

3.11.1.8 De-recognition

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 'passthrough' arrangement; and either
 - The Group has transferred substantially all the risks and rewards of the asset, or
 - 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 passthrough 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.



3.11.1.9 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.

3.11.1.9.1 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 assets' 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 profit or loss. 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 profit or loss. 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 profit or loss.

3.11.1.9.2 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 profit or loss, is removed from other comprehensive income and recognised in profit or loss.



Impairment losses on equity investments are not reversed through profit or loss; 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 profit or loss.

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 profit or loss, the impairment loss is reversed through profit or loss.

3.11.2 Financial liabilities

3.11.2.1 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.

3.11.2.2 Subsequent measurement

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

3.11.2.3 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 profit or loss 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.

3.11.2.4 De-recognition

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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.



3.11.3 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.

3.11.4 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.

3.12 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 profit or loss 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.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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 profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.



3.13 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.

3.14 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 some 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 profit or loss 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

3.15 Retirement benefit liability

3.15.1 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.

3.15.2 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.

3.16 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 profit or loss over a similar period of 20 years.

4 NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET ADOPTED

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka (CA 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 have an impact on the future Financial Statements.

The following new standard is not expected to have a significant impact on the Company's Financial Statements.



4.1.1.1 SLFRS 16 – Leases

SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On- Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead, there will be a single On- Balance Sheet accounting model that is similar to current finance lease accounting. SLFRS 16 is effective for annual reporting periods beginning on or after 01 January 2019.

4.1.1.2 Change in accounting policy

The Company has applied IFRS 15 (See A) and IFRS 9 (See B) from 1 January 2018. Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

A. SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contracts and related interpretations. Under SLFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement. There was no significant financial impact due to adaption of SLFRS 15 for these financial statements.

B. SLFRS 9 Financial Instruments

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

There was no significant financial impact due to adaption of SLFRS 9 for these financial statements. The following table below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Company's financial assets and financial liabilities as at 1 January 2018.

| | Original classification Under LKAS 39 | New classification under SLFRS 9 |
|---------------------------------|---------------------------------------|----------------------------------|
| Financial assets | | |
| Equity Investments | Available-for-sale | FVOCI- equity instruments |
| Trade Receivables | Loans and receivables | Amortised cost |
| Amount due from related parties | Loans and receivables | Amortised cost |
| Short Term Investments | Loans and receivables | Amortised cost |
| Cash and cash equivalents | Loans and receivables | Amortised cost |
| Total financial assets | | |
| Financial liabilities | | |
| Trade payables | Other financial liabilities | Other financial liabilities |
| Bank overdraft | Other financial liabilities | Other financial liabilities |
| Total financial liabilities | | |



Lanka Electricity Company (Private) Limited

Notes to the financial statements

| | Group | | Company | |
|--|------------|------------|------------|------------|
| | 2018 | 2017 | 2018 | 2017 |
| <i>For the year ended December 31,</i> | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 5 REVENUE | | | | |
| Industrial and hotels | 5,603,033 | 5,402,059 | 5,603,033 | 5,402,059 |
| Domestics | 12,049,541 | 11,851,248 | 12,049,541 | 11,851,248 |
| Commercial | 13,186,571 | 12,569,106 | 13,186,571 | 12,569,106 |
| Street light | 6,553 | 9,072 | 6,553 | 9,072 |
| Religious | 88,245 | 85,511 | 88,245 | 85,511 |
| Temporary connections | 9,946 | 13,228 | 9,946 | 13,228 |
| Meter sales | 883,201 | 643,460 | - | - |
| Sale of electricity | 31,827,090 | 30,573,686 | 30,943,889 | 29,930,225 |
| 6 OTHER OPERATING INCOME | | | | |
| Amortisation of consumer contribution | 362,256 | 348,361 | 362,256 | 348,361 |
| Amortisation of Government grants | 5,562 | 16,939 | 5,562 | 16,939 |
| Recoveries from customers | 360,025 | 295,032 | 360,025 | 295,032 |
| Gain/ (loss) on retirement/ disposal of property, plant, and equipment | (14,655) | 54,533 | (14,655) | 54,533 |
| Revaluation gain on property, plant and equipment | - | 5,036 | - | 5,036 |
| Sundry income | 3,436 | 17,248 | 2,842 | 16,008 |
| Dividend income | 1,165,881 | - | 1,169,326 | 4,806 |
| | 1,882,505 | 737,148 | 1,885,356 | 740,714 |
| 7 NET FINANCE INCOME | | | | |
| Finance income | | | | |
| Interest on staff loans and concessionary loans to consumers | 60,916 | 36,270 | 60,702 | 36,007 |
| Interest on term deposits | 1,247,720 | 1,250,501 | 1,241,799 | 1,231,023 |
| Interest on administrative borrowings by the Treasury | - | 1,525 | - | - |
| Interest on term deposits pledged as securities | 23,461 | 20,787 | 23,461 | 20,787 |
| Interest on government securities | 458 | - | - | - |
| | 1,332,554 | 1,309,082 | 1,325,962 | 1,287,817 |
| Finance cost | | | | |
| Interest expense on consumer deposits | 13,680 | 16,902 | 13,680 | 16,902 |
| Interest expense on bank overdrafts and bank charges | 6,627 | 2,333 | 2,746 | 2,333 |
| Loss on translation of foreign currency | - | 1,974 | - | 1,974 |
| Provision for interest for commitment of NSB Sooriya Bala Sangramaya Loan Scheme | 40,318 | - | 40,318 | - |
| | 60,624 | 21,209 | 56,744 | 21,209 |
| Net finance income | 1,271,930 | 1,287,873 | 1,269,218 | 1,266,608 |



8 PROFIT BEFORE TAXATION

Profit before tax is stated after charging all expenses including the following.

| <i>For the year ended December 31,</i> | Group | | Company | |
|--|----------------------|-----------|------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| REVENUE | | | | |
| Directors' emoluments | 4,034 | 2,785 | 3,999 | 2,785 |
| Audit fees | 3,152 | 3,139 | 2,700 | 2,700 |
| Depreciation - property, plant and equipment | 896,603 | 946,082 | 872,398 | 940,149 |
| Amortisation - intangible asset | 16,756 | 13,385 | 14,923 | 11,552 |
| Depreciation of investment property | - | - | 1,817 | 1,025 |
| Donations and contribution | 1,548 | 1,974 | - | - |
| Public relations and advertising | 28,457 | 28,747 | 28,457 | 28,747 |
| Impairment of obsolete and slow moving inventories | 49,898 | (3,260) | 49,898 | (3,260) |
| Impairment of trade receivables | (2,026) | 13,205 | 3,710 | 11,798 |
| Staff cost | 8.1 3,188,212 | 2,835,367 | 3,178,961 | 2,783,961 |
| 8.1 Staff cost | | | | |
| Salaries and wages | 1,787,790 | 1,570,479 | 1,782,941 | 1,507,207 |
| Other staff related costs | 349,314 | 390,006 | 346,842 | 393,125 |
| Bonus | 222,143 | 173,421 | 221,746 | 182,060 |
| Overtime | 388,090 | 333,222 | 387,740 | 334,253 |
| Contribution to Employee Provident Fund (EPF) | 248,081 | 201,740 | 247,423 | 201,235 |
| Contribution to Employee Trust Fund (ETF) | 49,893 | 40,947 | 49,752 | 40,824 |
| Retirement benefit obligations (Gratuity) | 142,901 | 125,552 | 142,517 | 125,257 |
| | 3,188,212 | 2,835,367 | 3,178,961 | 2,783,961 |



Lanka Electricity Company (Private) Limited

Notes to the financial statements

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| <i>For the year ended December 31,</i> | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 9 INCOME TAX EXPENSE | | | | |
| a) Current income tax expense | | | | |
| Tax on profit for the year (Note 9.1) | 644,202 | 707,587 | 644,202 | 688,287 |
| Withholding tax on dividend from associates/subsidiaries (Over)/ under provision in respect of previous years | (18) | (2,394) | - | (2,776) |
| Total Current income tax expense | 644,184 | 705,193 | 644,202 | 685,511 |
| b) Deferred tax expenses/ (reversal) | | | | |
| Origination/ (reversal) of temporary differences (Note 9.2) | (408,055) | (258,882) | (396,779) | (259,613) |
| Income tax expense/ (reversal) | 236,129 | 446,311 | 247,423 | 425,898 |

9.1 Numerical reconciliation between the tax expense/ (income) and the product of accounting profit/ (loss).

Numerical reconciliation between the tax expense. (income and the product of accounting profit/ (loss)) multiplied by the applicable tax rate disclosing the basis on which the applicable tax computed are given below.

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Profit before tax | 3,173,831 | 2,281,690 | 3,217,304 | 2,217,885 |
| Non-business income | (2,863,923) | (1,713,912) | (2,857,544) | (1,692,690) |
| Adjusted profit before income tax | 309,908 | 573,206 | 359,760 | 525,195 |
| Aggregate allowable expenses | (921,988) | (660,322) | (858,351) | (656,100) |
| Aggregate disallowable expenses | 1,142,687 | 1,115,560 | 1,114,841 | 1,106,534 |
| Adjusted business profit for the year | 530,606 | 1,023,017 | 616,250 | 975,630 |
| Interest income | 1,332,341 | 1,269,204 | 1,325,962 | 1,268,711 |
| Taxable consumer contribution income | 358,509 | 378,107 | 358,509 | 378,107 |
| Other sources of income | - | 73,001 | - | 51,780 |
| Statutory income from business | 2,221,456 | 2,743,330 | 2,300,721 | 2,674,228 |
| <i>Less</i> | | | | |
| Tax loss utilised during the year | (6,336) | (173) | - | - |
| Taxable income | 2,215,119 | 2,743,157 | 2,300,721 | 2,674,228 |
| Taxable income | | | | |
| Taxable income at 12% | - | 378,107 | - | 378,107 |
| Taxable income at 28% | 2,266,991 | 2,365,050 | 2,300,721 | 2,296,120 |
| | 2,266,991 | 2,743,157 | 2,300,721 | 2,674,228 |
| Income tax charged at; | | | | |
| Special rate of 12% | - | 45,373 | - | 45,373 |
| Special rate of 14% | - | - | - | - |
| Standard rate of 28 % | 644,202 | 662,214 | 644,202 | 642,914 |
| Tax on profit for the year | 644,202 | 707,587 | 644,202 | 688,287 |



The group tax expense is based on the taxable profits of the individual companies within the group. At present, tax laws of Sri Lanka do not provide for the group taxation.

Provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purpose in accordance with the provision in the applicable Inland Revenue act. In estimation such provisions, the Group had applied the Inland Revenue Act No 10 of 2006 and amendments there to until 31st March 2018 and Inland Revenue Act No 24 of 2017 and amendments there to for the period subsequent to 01st April 2018.

| | Group | | Company | |
|---|------------------|-----------|------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| <i>For the year ended December 31,</i> | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 9.2 Deferred tax expenses | | | | |
| Origination and reversal of temporary differences | (232,549) | 381,644 | (221,273) | 380,924 |
| Break up of deferred tax expense | | | | |
| Expense recognized in; | | | | |
| Profit or loss | (408,055) | (258,882) | (396,779) | (259,613) |
| Other comprehensive income | 175,506 | 640,526 | 175,506 | 640,537 |
| | (232,549) | 381,644 | (221,273) | 380,924 |

9.3 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.



10 BASIC EARNINGS PER SHARE

10.1 Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

10.2 The following reflects the income and share data used in the basic earnings per share computation:

| <i>For the year ended December 31,</i> | Group | | Company | |
|---|------------------|-----------|------------------|-----------|
| | 2018 | 2017 | 2018 | 2017 |
| | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| Net profit for the year attributable to ordinary shareholders | 2,946,320 | 1,820,981 | 2,969,881 | 1,791,987 |
| Weighted average number of ordinary shares in issue | 114,507 | 114,507 | 114,507 | 114,507 |
| Basic earnings per share | 25.73 | 15.90 | 25.94 | 15.65 |

Group Company There were no potentially dilutive ordinary shares outstanding at any time during the year hence dilutive earnings per share is equal to the basic earnings per share.



11 PROPERTY PLANT AND EQUIPMENT

11.2 Company

| | Freehold land | Freehold building | Motor vehicles | Computers | Office equipment | Supply of infrastructure | Capital working-progress | Total |
|--|------------------|-------------------|------------------|----------------|------------------|--------------------------|--------------------------|-------------------|
| Cost | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 | Rs'000 |
| Balance as at 31st December 2017 | 2,630,985 | 683,465 | 1,397,126 | 330,832 | 331,059 | 21,397,783 | 730,662 | 27,501,911 |
| Transfers/on revaluation | 155,234 | (44,993) | (36,640) | - | 36,640 | 1,111,311 | (1,111,311) | 110,241 |
| Additions | 21,109 | 87,508 | 91,861 | 25,043 | 35,019 | - | 1,304,265 | 1,564,804 |
| Transfer to maintenance contracts | - | - | - | - | - | - | (39,048) | (39,048) |
| Disposals | - | - | - | - | - | (54,929) | - | (54,929) |
| Balance as at December 31, 2018 | 2,807,328 | 725,980 | 1,452,347 | 355,874 | 402,718 | 22,454,165 | 884,568 | 29,082,979 |
| Depreciation | | | | | | | | |
| Balance as at 31st December 2017 | - | - | 687,767 | 273,932 | 297,639 | 14,099,388 | - | 15,358,725 |
| Transfers/on revaluations | - | 12,627 | (56) | - | 56 | - | - | 12,627 |
| Depreciation for the year | - | 15,974 | 141,906 | 20,545 | 47,092 | 646,881 | - | 872,398 |
| Disposals | - | - | - | - | - | (35,967) | - | (35,967) |
| Balance as at December 31, 2018 | - | 28,601 | 829,617 | 294,477 | 344,787 | 14,710,302 | - | 16,207,783 |
| Written down value | | | | | | | | |
| - As at December 31, 2018 | 2,807,328 | 697,379 | 622,730 | 61,397 | 57,931 | 7,743,863 | 884,568 | 12,875,196 |
| - As at December 31, 2017 | 2,630,985 | 683,465 | 709,359 | 56,900 | 33,420 | 7,298,395 | 730,662 | 12,143,184 |
| Fully depreciated assets | | | | | | | | |
| - As at December 31, 2018 | - | - | 264,732 | 226,953 | 195,954 | 6,045,474 | - | 6,733,114 |
| - As at December 31, 2017 | - | - | 162,275 | 105,015 | 124,053 | 5,743,497 | - | 6,134,840 |



- 11.3** The fair value of land and buildings were determined by the Department of Valuation of Sri Lanka. The valuations were carried out as at 31st December 2017.

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.

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:

| | Land | | Buildings | | Total | |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2018 Rs.'000 | 2017 Rs.'000 | 2018 Rs.'000 | 2017 Rs.'000 | 2018 Rs.'000 | 2017 Rs.'000 |
| Cost | 604,051 | 582,942 | 458,331 | 370,823 | 1,062,382 | 953,765 |
| <i>Less;</i> | | | | | | |
| Accumulated depreciation | - | - | 135,238 | 125,603 | 135,238 | 125,603 |
| Carrying value | <u>604,051</u> | <u>582,942</u> | <u>323,093</u> | <u>245,221</u> | <u>927,144</u> | <u>828,163</u> |

- 11.4** Property, plant, and equipment of the Company includes fully depreciated assets having a gross carrying amounts of Rs. 6.7 Bn.

- 11.5** Company's land includes a land situated at No.953/1, Sri Jayawardanepura Mawatha, Ethul Kotte which has a carrying value of Rs. 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 purpose of public use, however, subsequently through a letter issued by the Divisional Secretariat of Sri Jayawardanepura Kotte it has been stated that the land will be handed back to LECO.

12 INVESTMENT PROPERTIES

| | Company | |
|---------------------------------|-----------------|-----------------|
| | 2018 Rs.'000 | 2017 Rs.'000 |
| Cost | | |
| As at 01st January | 63,281 | 63,281 |
| Additions during the year | 68,943 | - |
| As at 31st December | <u>132,224</u> | <u>63,281</u> |
| Accumulated depreciation | | |
| As at 01st January | 2,560 | 1,535 |
| Charge for the year | 1,817 | 1,025 |
| As at 31st December | <u>4,377</u> | <u>2,560</u> |
| Written down value | <u>127,847</u> | <u>60,721</u> |

The land and building classified as investment property has been rented out to its subsidiary company and hence it has been classified as an investment property of the Company. The cost of the building amounting to Rs.110.195 Mn and is depreciated over its useful life of 40 years. The cost of the acquired land was Rs. 22 Mn.

The Directors believe that the written-down value of the asset represents the best estimate of the fair value of the land and building as at December 31, 2018.

This property, which is occupied by Ante Leco Metering Company (Private) Limited for the production and supply of goods and services is treated as property, plant, and equipment in the consolidated financial statements. This property is treated as investment property in the Company's statement of financial position and measured at cost.



Lanka Electricity Company (Private) Limited

Notes to the financial statements

| | Group | | Company | |
|------------------------------------|------------------|------------------|------------------|------------------|
| | 2018 Rs. '000 | 2017 Rs. '000 | 2018 Rs. '000 | 2017 Rs. '000 |
| As at December 31, | | | | |
| 13 INTANGIBLE ASSETS | | | | |
| Cost | | | | |
| Balance as at 01st January | 85,439 | 85,439 | 57,760 | 57,760 |
| Additions | 24,854 | - | 24,854 | - |
| Balance as at 31st December | 110,293 | 85,439 | 82,614 | 57,760 |
| Amortisation | | | | |
| Balance as at 01st January | 41,498 | 28,113 | 24,819 | 13,267 |
| Charge for the year | 16,756 | 13,385 | 14,923 | 11,552 |
| Balance as at 31st December | 58,254 | 41,498 | 39,742 | 24,819 |
| Net book value as at 31st December | 52,038 | 43,941 | 42,872 | 32,941 |

Intangible assets of the Company consists of a software that was purchased during the previous financial reporting period, while the Group's intangible assets consist of software and the technical know-how which is amortised over 15 years.

| | Holding % | No. of shares | Company | |
|--|-----------|---------------|------------------|------------------|
| | | | 2018 Rs. '000 | 2017 Rs. '000 |
| 14 INVESTMENTS IN SUBSIDIARIES | | | | |
| LECO Projects (Private) Limited | 100% | 2,500,100 | 25,001 | 25,001 |
| Ante LECO Metering Company (Private) Limited | 70% | 3,131,967 | 31,320 | 31,320 |
| | | | 56,321 | 56,321 |
| Less: Allowance for impairment | | | (25,001) | (25,001) |
| | | | 31,320 | 31,320 |

| | Group | | Company | |
|--|------------------|------------------|------------------|------------------|
| | 2018 Rs. '000 | 2017 Rs. '000 | 2018 Rs. '000 | 2017 Rs. '000 |
| 15 FINANCIAL ASSETS AT OTHER COMPREHENSIVE INCOME | | | | |
| West Coast Power (Private) Limited | 10,585,463 | 10,269,276 | 10,585,463 | 10,269,276 |
| Lanka Broad Band Network (Private) Limited | | | | |
| Ordinary shares | 5,000 | 5,000 | 5,000 | 5,000 |
| Preference shares | 15,000 | 15,000 | 15,000 | 15,000 |
| | 10,605,463 | 10,289,276 | 10,605,463 | 10,289,276 |
| Less: Impairment of Investments | (20,000) | (20,000) | (20,000) | (20,000) |
| | 10,585,463 | 10,269,276 | 10,585,463 | 10,269,276 |

| | | | | |
|--------------------------------------|---|---|--------|--------|
| 16 ADVANCE FOR SHARES | | | | |
| Ante LECO Metering Company (Pvt) Ltd | | | | |
| - Application for Shares | - | - | 47,085 | 47,085 |



| As at December 31 | Note | Group | | Company | |
|--|--------|-------------------|-------------------|-------------------|-------------------|
| | | 2018 Rs. '000 | 2017 Rs. '000 | 2018 Rs. '000 | 2017 Rs. '000 |
| 17 OTHER FINANCIAL ASSETS | | | | | |
| Loans given to employees | 17.1 | 1,569,033 | 1,182,971 | 1,567,772 | 1,179,469 |
| Loans given to consumers | | 83,010 | 102,367 | 83,010 | 102,367 |
| Investment in banks pledged as securities | 17.2 | 1,157,524 | 1,010,305 | 1,157,524 | 1,010,305 |
| Investment in term deposits | | 11,497,130 | 8,692,342 | 11,456,762 | 8,620,201 |
| | | 14,306,698 | 10,987,985 | 14,265,068 | 10,912,342 |
| Current | | 14,306,698 | 9,008,186 | 14,265,068 | 8,912,342 |
| Non-current | | - | 2,000,000 | - | 2,000,000 |
| | | 14,306,698 | 11,008,186 | 14,265,068 | 10,912,342 |
| 17.1 Employee loans | | | | | |
| Festival advances | | 4,411 | 6,212 | 4,411 | 5,989 |
| Medical loans | | 7,760 | 12,982 | 7,760 | 10,835 |
| Vehicle and distress loan | 17.1.1 | 1,556,863 | 1,163,777 | 1,555,601 | 1,162,645 |
| | | 1,569,033 | 1,182,971 | 1,567,772 | 1,179,469 |
| 17.1.1 Loans given to employees | | | | | |
| Employees' loan balance | | | | 1,277,372 | 917,735 |
| Prepaid expenses | | | | 278,229 | 244,910 |
| | | | | 1,555,601 | 1,162,645 |
| Employees' loan balance | | | | | |
| Balance before fair value adjustment | | | | 917,735 | 723,966 |
| New loans granted during the year | | | | 697,988 | 524,698 |
| Recoveries from employees | | | | (333,400) | (255,980) |
| | | | | 1,282,323 | 992,684 |
| Fair value adjustment on loans granted at below market interest rate | | | | (4,950) | (74,950) |
| Balance at the end of the year | | | | 1,277,372 | 917,735 |
| Loans to members | | | | | |
| Distress loan | | | | 500,673 | 494,862 |
| Vehicle loan | | | | 776,699 | 422,873 |
| | | | | 1,277,372 | 917,735 |
| Prepaid expense | | | | | |
| Distress loan | | | | 131,993 | 102,917 |
| Vehicle loan | | | | 146,236 | 141,993 |
| | | | | 278,229 | 244,910 |



Lanka Electricity Company (Private) Limited

Notes to the financial statements

| As at December 31 | Note | Group | | Company | |
|--|------|------------------|------------------|------------------|------------------|
| | | 2018 Rs. '000 | 2017 Rs. '000 | 2018 Rs. '000 | 2017 Rs. '000 |
| The fair value adjustment arises on members' loans granted at a beneficial rate. | | | | | |
| New loans granted during the year | | | | | |
| Distress loan | | | | 245,342 | 245,666 |
| Vehicle loan | | | | 452,645 | 2 79,032 |
| | | | | 697,988 | 524,698 |
| 17.2 Investment in banks pledged as securities | | | | | |
| Bank overdraft facilities of People's Bank | | 45,500 | 45,500 | 4 5,500 | 45,500 |
| SMI loan schemes | | 161,378 | 144,360 | 161,378 | 144,360 |
| Staff loan schemes | | 950,646 | 820,445 | 950,646 | 820,445 |
| | | 1,157,524 | 1,010,305 | 1,157,524 | 1,010,305 |
| 18 INVENTORIES | | | | | |
| Operational and maintenance goods | | 2,057,916 | 1,508,294 | 2,057,916 | 1,448,322 |
| Finished goods | | 126,188 | 133,331 | - | - |
| Raw-materials | | 39,286 | 4,138 | - | - |
| Work in progress | | 35,532 | 2,850 | - | - |
| Goods in transit | | 96,748 | 191,092 | 96,748 | 191,092 |
| | | 2,355,669 | 1,839,705 | 2,154,663 | 1,639,414 |
| Provision for obsolete and slow moving inventories | | (354,540) | (304,642) | (354,540) | (304,642) |
| | | 2,001,129 | 1,535,063 | 1,800,123 | 1,334,772 |
| 19 TRADE AND OTHER RECEIVABLES | | | | | |
| Trade receivables - Related parties | 19.1 | 30,753 | 94,343 | 30,753 | 30,763 |
| Trade receivables | | 2,459,218 | 2,394,439 | 2,458,745 | 2,385,271 |
| | | 2,489,970 | 2,490,327 | 2,489,499 | 2,416,034 |
| Other receivables - Related parties | 19.2 | 4 24,788 | 211,755 | 254,980 | 254,219 |
| Other receivables | | 1,287,240 | 809,564 | 1,277,000 | 807,043 |
| Provision for impairment of trade and other receivables | | (530,900) | (532,927) | (527,282) | (523,572) |
| | | 3,671,098 | 2,978,719 | 3,494,197 | 2,953,724 |
| 19.1 Trade receivables - related parties | | | | | |
| Ceylon Electricity Board | | 30,753 | 94,343 | 30,753 | 30,763 |
| | | 30,753 | 94,343 | 30,753 | 30,763 |
| 19.2 Other receivables - related parties | | | | | |
| Ceylon Electricity Board | | 424,788 | 211,187 | 210,837 | 210,837 |
| LECO Projects (Private) Limited | | - | - | 5,141 | 4,617 |
| Ante LECO Metering Company (Private) Limited | | - | - | 3 9,002 | 38,764 |
| Ante Metering Company (Private) Limited | | - | 568 | - | - |
| | | 424,788 | 211,755 | 254,980 | 254,219 |



| | | Group | | Company | |
|---|------|------------------|------------------|------------------|------------------|
| As at December 31 | Note | 2018 | 2017 | 2018 | 2017 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 20 CASH AND CASH EQUIVALENTS | | | | | |
| Components of cash and cash equivalents comprise the following; | | | | | |
| Cash in-hand and bank | | 416,210 | 465,825 | 408,975 | 389,471 |
| Other cash equivalents | | - | 2,234,023 | - | 2,234,000 |
| Cash and cash equivalents in the statement of financial position | | 416,210 | 2,699,848 | 408,975 | 2,623,471 |
| Bank overdrafts | | (25,128) | (23,982) | (21,029) | (23,982) |
| Cash and cash equivalents for the purpose of statement of cash flows | | 391,082 | 2,675,865 | 387,947 | 2,599,488 |
| 21 STATED CAPITAL | | 2018 | 2017 | 2018 | 2017 |
| Company/ Group | | Number | Number | Rs.'000 | Rs.'000 |
| Issued and fully paid ordinary shares | | | | | |
| 'A' Shares | | 1,135,803 | 1,135,803 | 1,135,803 | 1,135,803 |
| 'B' Shares | | 9,264 | 9,264 | 9,264 | 9,264 |
| | | 1,145,067 | 1,145,067 | 1,145,067 | 1,145,067 |

The holders of ordinary shares ('A' shares & 'B' shares) confer their right to receive dividends as declared from time to time. Only the holders of 'A' shares are entitled to one vote per share at a meeting of the company. However all shares rank equally with regard to Company's residual assets.

| | | Group | | Company | |
|--|--------|------------------|------------------|------------------|------------------|
| As at December 31 | Note | 2018 | 2017 | 2018 | 2017 |
| | | Rs. '000 | Rs. '000 | Rs. '000 | Rs. '000 |
| 22 OTHER COMPONENTS OF EQUITY | | | | | |
| 22.1 Revaluation surplus on valuation of land and buildings | | | | | |
| - Land | | 1,734,202 | 1,636,588 | 1,727,701 | 1,630,088 |
| - Buildings | 22.1.1 | 120,615 | 120,615 | 57,264 | 57,264 |
| | | 1,854,817 | 1,757,203 | 1,784,965 | 1,687,352 |
| 22.1.1 Effect of deferred taxation on revaluation land | | | | | |
| Revaluation reserve | | 2,418,731 | 2,172,878 | 2,412,231 | 2,166,378 |
| Deferred tax impact on revalued building | | (648,529) | (536,289) | (648,529) | (536,289) |
| | | 1,734,202 | 1,636,589 | 1,727,701 | 1,630,089 |
| Building | | | | | |
| Revaluation reserve | | 236,162 | 236,162 | 172,811 | 172,811 |
| Deferred tax impact on revalued building | | (115,547) | (115,547) | (115,547) | (115,547) |
| | | 120,615 | 120,615 | 57,264 | 57,264 |

22.2 The New Income Tax Act No.24 of 2017 was certified on 24th October 2017 and is effective from 01 April 2018. Accordingly, Income Tax provisions for the year ended 31 December 2017 and 2018 were made based on rates applicable for the Year of Assessment 2017/18 with Deferred tax for the same period computed based on rates applicable post 1 April 2018.



| As at December 31 | Note | Group | | Company | |
|------------------------------|--------|------------------|------------------|------------------|------------------|
| | | 2018 Rs. '000 | 2017 Rs. '000 | 2018 Rs. '000 | 2017 Rs. '000 |
| 22.3 Revenue reserves | | | | | |
| - Asset replacement reserve | 22.3.1 | 311,642 | 311,642 | 311,642 | 311,642 |
| - Insurance reserve | 22.3.2 | 29,000 | 29,000 | 29,000 | 29,000 |
| | | <u>340,642</u> | <u>340,642</u> | <u>340,642</u> | <u>340,642</u> |

22.3.1 This represents amounts set aside from profit for replacement and rehabilitation of property, plant and equipment of the Company.

22.3.2 This represents the amounts transferred from the retained earnings to cover losses and damages to property, plant and equipment and inventories of the Company.

| As at December 31 | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2018 Rs. '000 | 2017 Rs. '000 | 2018 Rs. '000 | 2017 Rs. '000 |
| 22.4 Fair value reserve | | | | |
| Balance as at January 01, | 8,202,782 | 6,172,216 | 8,202,782 | 6,172,216 |
| Add : gain/(loss) on fair value changes, net of tax | 284,569 | 2,030,566 | 284,569 | 2,030,566 |
| Balance as at December 31, | <u>8,487,351</u> | <u>8,202,782</u> | <u>8,487,351</u> | <u>8,202,782</u> |

22.4.1 Effect of deferred taxation on fair value reserve

| | | | | |
|--------------------------------|------------------|------------------|------------------|------------------|
| Gross fair value reserve | 8,585,463 | 8,269,276 | 8,585,463 | 8,269,276 |
| Effect of Deferred tax | (98,112) | (66,493) | (98,112) | (66,493) |
| Fair value reserve, net of tax | <u>8,487,351</u> | <u>8,202,783</u> | <u>8,487,351</u> | <u>8,202,782</u> |

Total other components of equity as at December 31,

| | | | | |
|--|-------------------|-------------------|-------------------|-------------------|
| | <u>10,682,809</u> | <u>10,300,627</u> | <u>10,612,957</u> | <u>10,230,776</u> |
|--|-------------------|-------------------|-------------------|-------------------|

23 DEFERRED TAX LIABILITIES

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Balance as at the beginning of the year | 806,359 | 424,715 | 805,005 | 424,081 |
| Origination/ (reversal) of temporary differences Recognised in profit or loss | (408,055) | (258,882) | (396,779) | (259,613) |
| Recognised in other comprehensive income | 175,506 | 640,526 | 175,506 | 640,537 |
| Balance as at the end of the year | <u>573,810</u> | <u>806,359</u> | <u>583,733</u> | <u>805,005</u> |

Deferred tax liability

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Depreciation allowances for tax purposes | 552,990 | 744,089 | 550,492 | 742,330 |
| Revaluation reserve | 745,385 | 597,146 | 745,385 | 597,146 |
| Net changes in fair value of FVOCI - Financial assets | 98,112 | 66,493 | 98,112 | 66,493 |
| | <u>1,396,487</u> | <u>1,407,728</u> | <u>1,393,990</u> | <u>1,405,969</u> |

Deferred tax asset

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Deferred income on consumer contribution | (280,331) | (119,920) | (280,331) | (119,920) |
| Employment retirement benefits | (283,496) | (249,549) | (283,016) | (249,144) |
| Provision for obsolete and slow moving inventories | (99,271) | (85,300) | (99,271) | (85,300) |
| Carried forward tax losses | (10,612) | - | - | - |
| Provision for impairment of trade and other receivables | (148,967) | (146,600) | (147,639) | (146,600) |
| | <u>(822,677)</u> | <u>(601,369)</u> | <u>(810,257)</u> | <u>(600,964)</u> |
| | <u>573,810</u> | <u>806,359</u> | <u>583,733</u> | <u>805,005</u> |



| | | Group | | Company | |
|--------------------------|--|------------------|------------------|------------------|------------------|
| | | 2018 Rs. '000 | 2017 Rs. '000 | 2018 Rs. '000 | 2017 Rs. '000 |
| <i>As at December 31</i> | | | | | |
| 24 | DEFERRED INCOME | | | | |
| | Deferred income on consumer contributions | 24.1 | 4,474,772 | 4,209,635 | 4,474,772 |
| | Deferred income on ADB grant | 24.2 | 90,206 | 96,019 | 90,206 |
| | | | <u>4,564,978</u> | <u>4,305,654</u> | <u>4,564,978</u> |
| 24.1 | Deferred income on consumer contributions | | | | |
| | Balance as at January 01, | | 4,209,635 | 3,964,632 | 4,209,635 |
| | Consumer contributions during the year | | 627,393 | 593,364 | 627,393 |
| | Transferred to profit or loss | | (362,256) | (348,361) | (362,256) |
| | | | <u>4,474,772</u> | <u>4,209,635</u> | <u>4,474,772</u> |
| 24.2 | Deferred income on ADB grant | | | | |
| | Balance as at January 01, | | 96,019 | 12,958 | 96,019 |
| | Transferred to profit or loss | | (5,813) | (16,939) | (5,813) |
| | | | <u>90,206</u> | <u>96,019</u> | <u>90,206</u> |

The Company has received grants from Asian Development Bank during 2015 including streets lighting renovation project by way of a grant amounting to Rs. 111,244 Mn under grant number ADB 0149-SRI. This amount is amortised over the useful life of the asset.

| | | Group | | Company | |
|---------------------------|---|------------------|------------------|------------------|------------------|
| | | 2018 Rs. '000 | 2017 Rs. '000 | 2018 Rs. '000 | 2017 Rs. '000 |
| <i>As at December 31,</i> | | | | | |
| | Note | | | | |
| 25 | RETIREMENT BENEFIT OBLIGATIONS | | | | |
| | Present value of unfunded obligations | | <u>1,012,484</u> | <u>891,247</u> | <u>1,010,771</u> |
| 25.1 | Movement in present value defined benefit obligations | | | | |
| | Balance at the beginning of the year | | 8 91,247 | 708,912 | 889,799 |
| | - Current service cost | | 44,852 | 85,119 | 44,639 |
| | - Interest on obligation | | 98,050 | 40,432 | 97,878 |
| | - Actuarial (gains)/losses on obligation | | 15,516 | 82,549 | 15,544 |
| | | | <u>1,049,664</u> | <u>917,013</u> | <u>1,047,860</u> |
| | - Benefits paid by the plan | | (37,179) | (25,766) | (37,089) |
| | Balance at the end of the year | | <u>1,012,484</u> | <u>891,247</u> | <u>1,010,771</u> |
| 25.2 | Provision for retiring gratuity for the year is recognised in the following line items in the statement of profit or loss and other comprehensive income. | | | | |
| | Profit or loss | | | | |
| | - Current service cost | | 44,852 | 85,119 | 44,639 |
| | - Interest on obligation | | 98,050 | 40,432 | 97,878 |
| | | | <u>142,901</u> | <u>125,552</u> | <u>142,517</u> |
| | Other comprehensive income | | | | |
| | - Actuarial (gains)/ losses on obligation | | 15,516 | 82,549 | 15,544 |
| | | | <u>15,516</u> | <u>82,549</u> | <u>15,544</u> |

The provision for retirement benefits obligations is based on the actuarial valuation carried out by professionally qualified Actuaries, Messer, Actuarial & Management Consultants (Private) Limited. The liability is not externally funded. The key assumptions used for the calculation are as follows;



| | 2018 | 2017 |
|---|-----------------|----------|
| - Discount rate | 12% | 12% |
| - Rate of salary increment | 9.2% | 9.2% |
| - Retirement age | | |
| Appointments up to December 31, 2006 | 65 years | 65 years |
| Appointments after January 01, 2007 | 57 years | 57 years |
| - Staff turnover factor | | |
| Up to age 50 | 0.40% | 0.40% |
| Age above 50 | 0% | 0% |
| - The company will continue as a going concern. | | |

In addition to the above, demographic assumptions such as mortality, withdrawal and disability, and retirement age were considered for the actuarial valuation. "A 67/07 mortality table" issued by the Institute of Actuaries, London was used to estimate the gratuity liability of the Company.

25.3 Sensitivity analysis

Sensitivity variation on rate of salaries / wages increment

Value appearing in the financial statements are sensitive to the changes of financial and non-financial assumptions used. Simulations made for retirement obligations show that a rise or decrease by 1% of the rate of salary/ wage increment has the following effects on retirement benefit obligation.

| As at December 31, 2018 | Company Variance | |
|---|-------------------------|-----------|
| Rate of salary increment | -1% | +1% |
| | (Rs. 000) | (Rs. 000) |
| Change in retirement benefit obligation | 23,535 | (24,156) |

Sensitivity variation on discount rate

| As at December 31, 2018 | Company Variance | |
|---|-------------------------|-----------|
| Discount rate | -1% | +1% |
| | (Rs. 000) | (Rs. 000) |
| Change in retirement benefit obligation | (90,842) | 80,114 |



| | Note | Group | | Company | |
|--|------|------------------|------------------|------------------|------------------|
| | | 2018 Rs. '000 | 2017 Rs. '000 | 2018 Rs. '000 | 2017 Rs. '000 |
| As at December 31, | | | | | |
| 26 TRADE AND OTHER PAYABLES | | | | | |
| Trade payable - Related parties | 26.1 | 4,526,744 | 3,585,875 | 4,526,744 | 3,585,875 |
| Trade payable - Other | | 677,320 | 702,061 | 677,902 | 699,448 |
| Other payables - Related parties | 26.2 | 45,965 | 108,450 | 658 | 131,717 |
| Other payables - Other | | 506,994 | 151,028 | 436,460 | 150,545 |
| Sundry creditors including accrued expenses | | 192,237 | 267,425 | 192,237 | 277,785 |
| Provision for interest for commitment of NSB Sooriya Bala Sangramaya Loan Scheme | | 40,318 | - | 40,318 | - |
| Nation building tax (NBT) payable | | 31,352 | 205,394 | - | 205,394 |
| PAYE payable | | 14,692 | 19,873 | 14,676 | 19,873 |
| Advance received from Ceylon Electricity Board | | - | 75,972 | - | - |
| | | 6,035,620 | 5,116,078 | 5,888,994 | 5,070,637 |
| 26.1 Trade payable - related parties | | | | | |
| Ceylon Electricity Board | | 4,526,744 | 3,585,875 | 4,526,744 | 3,585,875 |
| | | 4,526,744 | 3,585,875 | 4,526,744 | 3,585,875 |
| 26.2 Other payables - related parties | | | | | |
| Ceylon Electricity Board | | 5,799 | 84,352 | 304 | 84,352 |
| Leco projects (Private) Limited | | - | - | 354 | 354 |
| Ante Leco Metering Company (Private) Limited | | - | - | - | 23,413 |
| Lanka Transformers (Private) Limited | | - | 23,598 | - | 23,598 |
| Ante Meter Co, China | | 40,166 | 500 | - | - |
| | | 45,965 | 108,450 | 658 | 131,717 |

27 CONTINGENT LIABILITIES

There were no material contingent liabilities as at the reporting date that require adjustments to or disclosure in the financial statements.

28 CAPITAL COMMITMENTS

There were no material capital commitments as at the reporting date that require adjustments to or disclosure in the financial statements.

29 RELATED PARTY TRANSACTIONS

The company carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 "Related Party Disclosures", the details of which are listed out below.

29.1 Transactions with companies in which Directors of the Company hold other Directorships

The company has carried out transactions with entities where the Chairman or a Director of the Company is the Chairman or a Director of such entities as detailed below.

(i) Loans given to directors

No loans have been given to directors of the company.



(ii) Key Management Personnel compensation

The Company defined, the Key Management Personnel of the Company are the members of its Board of directors and that of its Parent.

| <i>For the year ended December 31,</i> | 2018 | 2017 |
|---|----------------|---------|
| | Rs.'000 | Rs.'000 |
| Key Management Personal compensation | | |
| Directors fees and short term benefits | 2,921 | 2,784 |

(iii) Transactions with related companies

The company has related party relationship with its affiliate companies. The following transactions were carried out with related party during the year ended December, 2018.

| Name of the company | Relationship | Nature of transaction | Amount | Balance due from/ (to) | |
|---|-------------------------|----------------------------|--------------|------------------------|-------------|
| | | | | 31-Dec-18 | 31-Dec-17 |
| | | | Rs.'000 | Rs.'000 | Rs.'000 |
| Ceylon Electricity Board | Immediate parent | Purchase of electricity | (26,007,451) | (4,285,458) | (3,428,627) |
| | | Payments for electricity | 25,117,887 | | |
| | | Accrued expenses | 1,377 | | |
| | | Accrued expenses paid | (1,377) | | |
| | | Dividends declared | (383,909) | | |
| | | Dividend paid | 383,909 | | |
| | | Meter sales | (806) | | |
| | | NET Metering | 25,889 | | |
| | | Self Generation | 1,583 | | |
| | | Viduliathwala loan settled | 2,716 | | |
| | | Settlements | 3,351 | | |
| Ante Leco Metering Company (Private) Limited (ALMC) | Subsidiary | Dividend income | 3,445 | 39,002 | 15,351 |
| | | Dividend received | (3,445) | | |
| | | Test Benches | (314) | | |
| | | Rent on leased asset | 5,457 | | |
| | | Purchase of Meters | 273,749 | | |
| | | Payment against purchases | (255,261) | | |
| Leco Projects (Private) Limited | Subsidiary | Receivable | 524 | 4,787 | 4,263 |
| | | | | | |
| Lanka Transformers (Private) Limited | Common parent | Settlements | 23,598 | - | (23,598) |
| Treasury | Other major shareholder | Dividend declared | (152,462) | | |
| | | Dividend paid | 152,462 | | |



29 RELATED PARTY TRANSACTIONS (CONTD.)

29.2 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 transactions are given below (other than transactions disclosed in note 29.1)

| Government institution | Nature of the transaction | As at December | As at December |
|---|---|---------------------|---------------------|
| | | 31, 2018 Rs.'000 | 31, 2017 Rs.'000 |
| People's Bank Deposits | | 11,663,640 | 8,692,342 |
| State Mortgage & Investment Bank & HDFC | Investment for loans given to employees | 950,646 | 820,445 |
| | | <u>12,614,286</u> | <u>9,512,787</u> |

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.

30 ASSETS PLEDGED

Following assets have been pledged as security for liabilities.

| Nature of assets | Nature of liabilities | Carrying amount of pledged assets | |
|------------------|--|-----------------------------------|------------------|
| | | 2018 Rs.'000 | 2017 Rs.'000 |
| Fixed deposits | Bank overdraft facilities of People's Bank | 45,500 | 45,500 |
| Fixed deposits | SMI loan schemes of People's Bank | 161,378 | 144,360 |
| Fixed deposits | Staff loan schemes of SMIB Bank and HDFC Bank facilities | 950,646 | 820,444 |
| | | <u>1,157,524</u> | <u>1,010,304</u> |

31 FINANCIAL RISK MANAGEMENT

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.



31 FINANCIAL RISK MANAGEMENT (CONTD.)

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 review and agree policies for managing each of these risks which are summarized below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise of two types of risk: interest rate risk, foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

Wide fluctuation in interest rates may have a significant impact on the company's cash flows given its borrowing portfolio. The company may enter into interest rate swap and options to manage such risk at an appropriate time.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company transacts business both in local currency and in foreign currency, primarily U.S. dollars when in foreign currency. The Company has foreign currency trade payables, and is therefore exposed to foreign exchange risk arising from various currency exposures primarily with respect to US dollar. The company may enter into appropriate hedging products to mitigate this risk.

31.1 Credit risk

Credit risk is the risk that counter-party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities including any deposits with banks and financial institutions and other financial instruments. The company maintains an adequate oversight over its debtors and deals with reputable financial institutions.

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

For bulk consumers 15 days 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 . Subsequent to this a red notice will be issued and further 10 days given after 40 days if not acceded to this a disconnection order will be issued for disconnection of supply.



31 FINANCIAL RISK MANAGEMENT (CONTD.)

Based on our past experience, the Company is able to achieve 92% of the collection of the sales. For doubtful and bad debts sufficient provision has been made in the financial statements.

Financial instruments and cash deposits

Majority of funds 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 with reputed institution registered with Central Bank

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was.

| | 31-Dec-2018 | 31-Dec-2017 |
|---------------------------|--------------------------|-------------------|
| As at, | Rs.'000 | Rs.'000 |
| Trade receivables | 2,489,499 | 2,416,034 |
| Other receivables | 1,531,980 | 1,061,262 |
| Other financial assets | 14,265,068 | 10,912,342 |
| Cash and cash equivalents | 387,947 | 2,599,488 |
| | <u>18,674,494</u> | <u>16,989,126</u> |

31.2 Market risk

'Market risk' is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

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

31.2.1 Currency risk

The following significant exchange rates were applied during the year:

| | Average Rate | | Reporting Date Spot Rate | |
|-----|---------------------|--------|---------------------------------|-------------|
| | 2018 | 2017 | 31-Dec-2018 | 31-Dec-2017 |
| USD | 162.31 | 153.18 | 182.75 | 155.45 |

The carrying amount of financial liabilities represents the maximum currency risk exposure. The maximum exposure to currency risk at the reporting date.



31 FINANCIAL RISK MANAGEMENT (CONTD.)

31.3 Liquidity risk

The liquidity risk of the Company arises from having insufficient cash resources to meet its obligations as they arise. Insufficient liquidity resources could have an adverse impact on the Company's operations while impairing investor, customer and supplier confidence thereby weakening its competitive position.

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

The Company ensures its liquidity is maintained by investing in short, medium term financial instruments to support operational and other funding requirements.

The company monitors its risk to a shortage of funds by setting up a minimum liquidity level. Since the Company collects 92% of funds and the company has a heavy cash surpluses the liquidity risk is minimised.

| <i>As at,</i> | 31-Dec-2017 | 31-Dec-2018 |
|----------------|------------------|-------------------------|
| | Rs.'000 | Rs.'000 |
| Trade payables | 5,204,645 | 4,285,323 |
| Other payables | 684,349 | 785,314 |
| | <u>5,888,994</u> | <u>5,070,637</u> |



32 CLASSIFICATION OF FINANCIAL ASSET AND FINANCIAL LIABILITIES - COMPANY

Financial assets and financial liabilities are measured on an ongoing basis at either fair value or amortised cost. The following table sets out the carrying amount/fair value of financial assets and liabilities by category as defined in LKAS 39- Financial Instruments : Recognition and measurement under headings reported in the Statement of Financial Position and related fair value hierarchy.

| As at December 31, 2018 | Financial assets at Other comprehensive Income Rs.'000 | Financial assets at amortised cost Rs.'000 | Financial liabilities Rs.'000 | Total carrying amount Rs.'000 | Fair value Rs.'000 | Level 1 Rs.'000 | Fair value Level 2 Rs.'000 | Level 3 Rs.'000 | Total Rs.'000 |
|-------------------------------------|---|---|----------------------------------|----------------------------------|-----------------------|--------------------|-------------------------------|--------------------|------------------|
| Non-Financial assets | | | | | | | | | |
| Land and Building | - | - | - | - | 3,504,707 | - | - | 3,504,707 | 3,504,707 |
| Financial assets | | | | | | | | | |
| Trade and other receivables | - | 3,494,197 | - | 3,494,197 | 3,494,197 | - | - | - | - |
| Available for sale financial assets | 10,585,463 | - | - | 10,585,463 | 10,585,463 | - | - | 10,585,463 | 10,585,463 |
| Other financial asset | - | 14,306,698 | - | 14,306,698 | 14,306,698 | - | - | - | - |
| Cash and bank balances | - | 408,975 | - | 408,975 | 408,975 | - | - | - | - |
| Total financial assets | 10,585,463 | 18,209,870 | - | 28,795,333 | 28,795,333 | - | - | 10,585,463 | 10,585,463 |
| Financial liabilities | | | | | | | | | |
| Trade and other payables | - | - | 5,888,994 | 5,888,994 | 5,888,994 | - | - | - | - |
| Bank overdraft | - | - | 21,029 | 21,029 | 21,029 | - | - | - | - |
| Total financial liabilities | - | - | 5,910,023 | 5,910,023 | 5,910,023 | - | - | - | - |
| <i>As at December 31, 2017</i> | | | | | | | | | |
| Non-Financial assets | | | | | | | | | |
| Land and Building | - | - | - | - | 3,314,450 | - | - | 3,314,450 | 3,314,450 |
| Financial assets | | | | | | | | | |
| Trade and other receivables | - | 3,477,296 | - | 3,477,296 | - | - | - | - | - |
| Available for sale financial assets | 10,269,276 | - | - | 10,269,276 | 10,269,276 | - | - | 10,269,276 | 10,269,276 |
| Other financial asset | - | 10,912,342 | - | 10,912,342 | - | - | - | - | - |
| Cash and bank balances | - | 2,623,471 | - | 2,623,471 | - | - | - | - | - |
| Total financial assets | 10,269,276 | 17,013,109 | - | 27,282,384 | 10,269,276 | - | - | 10,269,276 | 10,269,276 |
| Financial liabilities | | | | | | | | | |
| Trade and other payables | - | - | 4,887,446 | 4,887,446 | - | - | - | - | - |
| Bank overdraft | - | - | 66,126 | 66,126 | - | - | - | - | - |
| Total financial liabilities | - | - | 4,953,572 | 4,953,572 | - | - | - | - | - |



CLASSIFICATION OF FINANCIAL ASSET AND FINANCIAL LIABILITIES (CONTD.)

32 CLASSIFICATION OF FINANCIAL ASSET AND FINANCIAL LIABILITIES - COMPANY

32.1 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.

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

B. The Management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

32.2 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 December 31, 2018, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

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 December 31, 2018, 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 | 2018 | Level 1 | Level 2 | Level 3 |
|--------------------------------------|-----------------------|-------------|----------------|----------------|----------------|
| Available for sale financial assets | | | | | |
| Unquoted equity shares | 31-Dec-18 | 10,585,463 | - | - | 10,585,463 |
| Land and Building | 31-Dec-18 | 3,504,707 | | | 3,504,707 |

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

32.2.1 Valuation method

Fair value of the unquoted ordinary shares has been estimated using Net Asset based valuation. Under a net assets approach, total value is based on the sum of net asset value plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet. Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values. Due to the minority stake of West Coast Power (Private) Limited, the Management is not in a position to access the direct management and insider information. However considering the nature of the industry and general features of Power Purchasing agreement, market values of assets and liabilities are assumed to be remain similar to the carrying value recorded as at December 31, 2018.

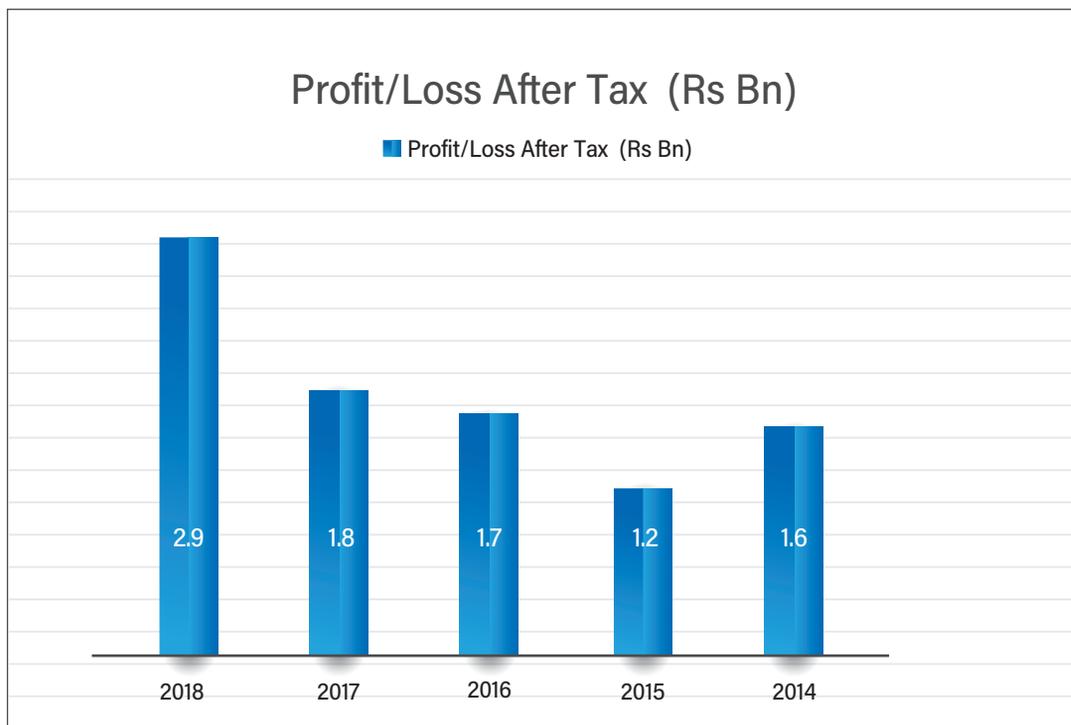
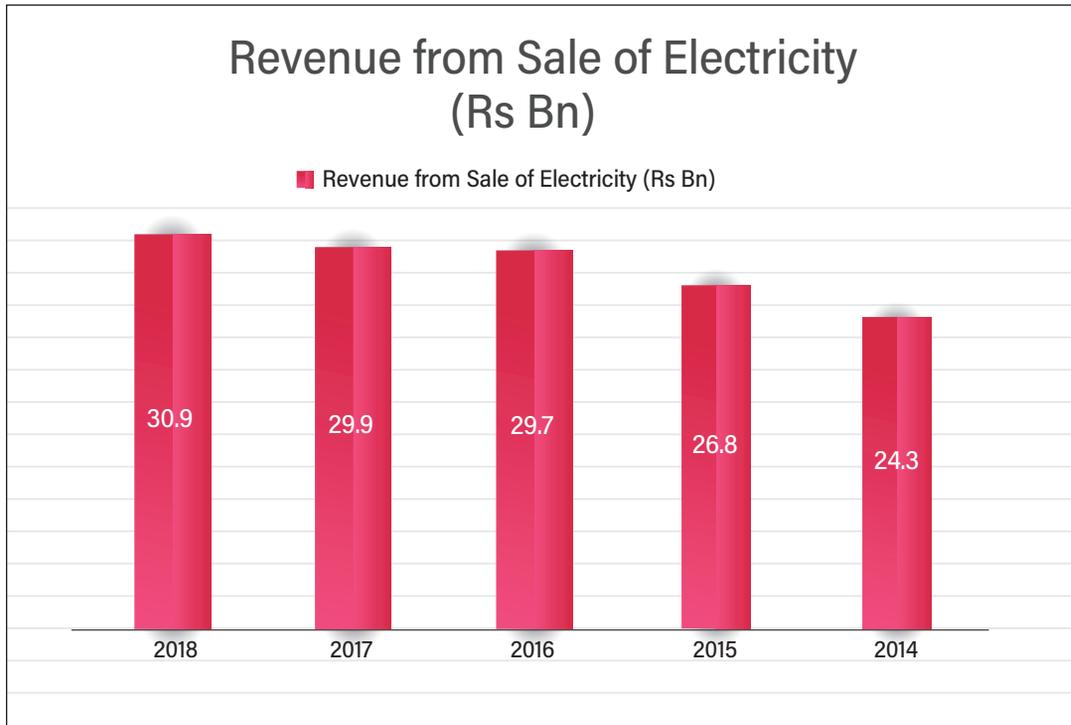
Net asset value method valuation summary

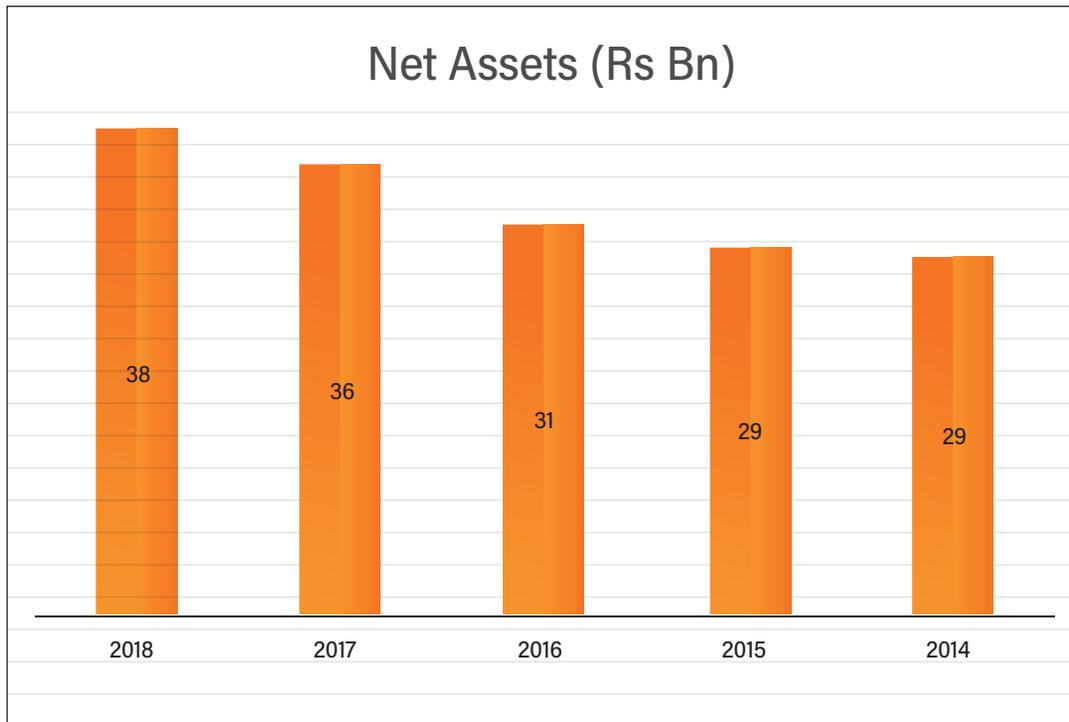
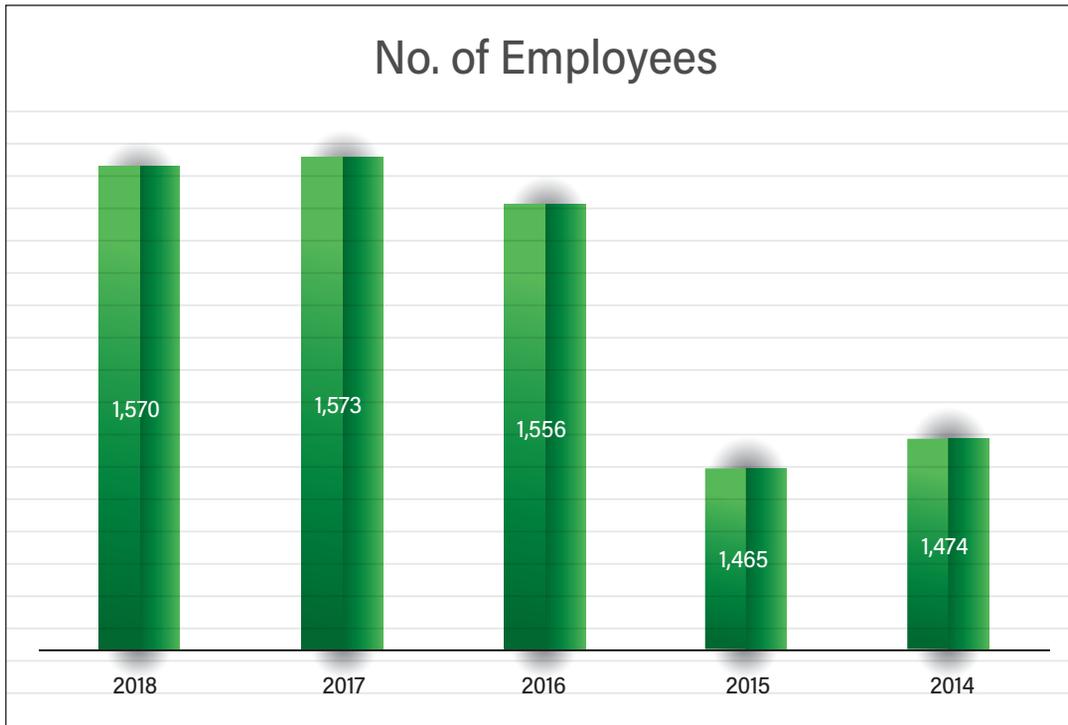
The NAV approach was undertaken based on the management accounts for the nine-month ended 31 December 2018

The net asset value of West Coast Power (Private) Limited and the value attributable to LECO based on their 18.18% stake is Rs.10,585,462,961/-



| For the Year ended 31 st Dec. | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| | Rs. ' 000 |
| Operating Results | | | | | | | | | | |
| Revenue | 31,827,090 | 30,573,686 | 29,740,583 | 26,774,028 | 24,332,107 | 22,373,120 | 19,761,169 | 19,079,629 | 14,354,489 | 13,657,688 |
| Profit from operations | 1,901,901 | 993,817 | 1,335,387 | 962,998 | 1,013,188 | 184,139 | 1,202,166 | 1,599,323 | (424,361) | (318,188) |
| Finance income | 1,332,554 | 1,309,082 | 931,412 | 560,937 | 1,286,990 | 1,451,314 | 1,213,185 | 626,342 | 186,842 | 218,253 |
| Finance cost | (60,624) | (21,209) | (35,421) | (15) | (7,481) | 17,028 | 26,062 | 33,276 | 41,793 | 51,335 |
| Profit before taxation | 3,173,831 | 2,281,690 | 2,266,799 | 1,523,935 | 2,300,178 | 1,635,453 | 2,415,351 | 2,284,274 | (237,519) | (99,935) |
| Income tax expenses | (236,129) | (446,311) | (566,622) | (360,644) | 9,695,753 | 150,699 | 627,319 | (157,775) | (361,065) | 298,102 |
| Profit for the year | 2,937,702 | 1,835,379 | 1,700,177 | 1,163,291 | 1,604,425 | 308,553 | 2,003,981 | 2,442,049 | (598,584) | (398,037) |
| | - | - | - | - | 10,391,506 | 1,477,599 | 1,038,689 | (315,550) | - | 596,204 |
| Equity & Liabilities | | | | | | | | | | |
| Stated 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 |
| Other components of equity | 30,995,436 | 28,388,220 | 24,713,108 | 23,223,632 | 22,830,596 | 14,276,633 | 14,155,333 | 10,852,022 | 7,911,937 | 8,505,310 |
| Total equity | 32,140,503 | 29,533,287 | 25,858,175 | 24,368,699 | 23,975,663 | 15,421,700 | 15,300,400 | 11,997,089 | 9,057,004 | 9,650,377 |
| Non-current liabilities | 6,151,272 | 6,003,261 | 5,211,217 | 4,948,946 | 4,564,677 | 3,928,575 | 3,946,042 | 3,309,851 | 4,011,931 | 3,609,811 |
| Current liabilities | 6,339,219 | 5,572,550 | 5,287,030 | 2,878,453 | 2,824,961 | 6,086,695 | 3,700,400 | 3,555,033 | 2,804,542 | 2,453,201 |
| Total Liabilities | 12,490,491 | 11,575,811 | 10,498,247 | 7,827,399 | 7,389,638 | 10,015,270 | 7,646,442 | 6,864,884 | 6,816,473 | 6,063,012 |
| Total equity & liabilities | 44,630,994 | 41,109,098 | 36,356,422 | 32,196,098 | 31,365,301 | 25,436,970 | 22,946,842 | 18,861,973 | 15,873,477 | 15,713,389 |
| Assets | | | | | | | | | | |
| Non-current assets | 23,805,689 | 24,704,760 | 21,344,417 | 21,808,964 | 20,597,862 | 14,617,839 | 16,187,421 | 11,393,375 | 11,115,557 | 11,519,212 |
| Current assets | 20,825,305 | 16,404,338 | 15,012,005 | 10,387,134 | 10,767,439 | 10,819,131 | 6,759,421 | 7,468,598 | 4,757,920 | 4,194,177 |
| Total assets | 44,630,994 | 41,109,098 | 36,356,422 | 32,196,098 | 31,365,301 | 25,436,970 | 22,946,842 | 18,861,973 | 15,873,477 | 15,713,389 |
| Total capital employed | 38,291,775 | 35,536,548 | 31,069,392 | 29,317,645 | 28,540,340 | 19,350,275 | 19,246,442 | 15,306,940 | 13,068,935 | 13,260,188 |
| Key Indicators | | | | | | | | | | |
| Earnings per share (Rs.) | 26 | 16 | 15 | 10 | 14 | 3 | 18 | 21 | (5) | (3) |
| Net Assets Per Share (Rs.) | 334 | 310 | 271 | 256 | 249 | 169 | 168 | 134 | 114 | 116 |
| Dividend paid (Rs '000) | 700,000 | 500,000 | 350,000 | 200,000 | 57,253 | 171,760 | 171,760 | - | - | - |
| Dividend per share (Rs.) | 6 | 4 | 3 | 2 | 0.5 | 1 | 1 | - | - | - |
| Dividend cover (no. of times) | 4.20 | 3.67 | 4.86 | 5.82 | 28.02 | 1.80 | 11.67 | - | - | - |
| Annual sales growth (%) | 4% | 3% | 11% | 10% | 9% | 13% | 4% | 33% | 5% | 4% |
| Equity to total assets ration (%) | 72% | 72% | 71% | 76% | 76% | 61% | 67% | 64% | 57% | 61% |
| Current ratio (no. of times) | 3.3 | 2.9 | 2.8 | 3.6 | 3.8 | 1.8 | 1.8 | 2.1 | 1.7 | 1.7 |
| Revenue to capital employed (no. of times) | 0.8 | 0.9 | 1.0 | 0.9 | 0.9 | 1.2 | 1.0 | 1.1 | 1.1 | 1.0 |
| No. of Consumers LECO | 562,412 | 551,123 | 539,829 | 526,119 | 523,734 | 520,997 | 500,783 | 491,042 | 473,079 | 469,323 |
| No. of employees | 1,570 | 1,573 | 1,556 | 1,465 | 1,474 | 1,462 | 1,463 | 1,451 | 1,338 | 1,326 |
| Consumers per employee ratio | 358 | 350 | 347 | 359 | 351 | 347 | 342 | 338 | 354 | 354 |
| Sales (GWh) Purchases from CEB (GWh) LECO | 1,570 | 1,519 | 1,466 | 1,356 | 1,272 | 1,221 | 1,216 | 1,184 | 1,123 | 1,052 |
| Purchases from CEB (GWh) LECO (including upward adjustment) | 1,640 | 1,597 | 1,553 | 1,446 | 1,352 | 1,302 | 1,301 | 1,275 | 1,228 | 1,120 |
| Distribution System Losses (11 Kv) % LECO | 2 | 3 | 3 | 4 | 4 | 5 | 5 | 5 | 5 | 6 |







NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 35th Annual General Meeting of Lanka Electricity Company (Private) Limited will be held at the Registered Office of the Company at No. 411, E.H.Coaray Building, 3rd Floor, Galle Road, Colombo 3, on Friday 8th November 2019 at 3.30 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 2018 with the Report of the Auditors thereon.
2. To re-appoint The Auditor General as the Auditor for the ensuing financial year in compliance with Article 154 of the 19th Amendment to the Constitution.
3. To authorize the Directors to determine donations for the year ending 31st December 2019 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

4th November 2018

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 Registered Office of the Company at No. 411, E.H.Coaray Building, 3rd Floor, Galle Road, Colombo 3, not less than forty seven (47) hours, before the time appointed for the meeting.



FORM OF PROXY

We THE TREASURY of the Secretariat, Lotus Road, Colombo 01, being a shareholder of LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED hereby appoint (or failing him)

Mr. S T Nanayakkara or failing him*

Mr. R Jayawardena or failing him *

Mr. S D W Gunawardanaor failing him*

Mr. P Algama or failing him*

Mr. N J Weerakoon or failing him*

Mr. V S Dickwella

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 Friday, 8th November 2019 at 3.30 p.m. 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 appoint The Auditor General as the Auditor for the ensuring financial year in compliance with Article 154 of the 19 th Amendment to the Constitution. | <input type="checkbox"/> | <input type="checkbox"/> |
| 2 To authorize the Directors to determine donations for the year ending 31 st December 2019 and up to the date of the next Annual General Meeting. | <input type="checkbox"/> | <input type="checkbox"/> |

In witness our hands this _____

day of _____ Two Thousand and Nineteen.

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 Registered Office of the Company at No. 411, E.H.Coaray Building, 3rd Floor, Galle Road, Colombo 3, 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.



LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED