



LECO

**LANKA ELECTRICITY
COMPANY (PRIVATE) LIMITED**

2019

ANNUAL REPORT

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.

Present Composition of the Board

Mr. M P A P De Silva (Chairman)
Mr. H M V Herath
Mr. D D K Karunaratne
Mr. P Algama
Mr. N P K Ranaweera
Mr. J S Vidanage
Mr. R M D Lakshman

Present Composition of the subsidiary companies

Ante Leco Metering Company (Pvt) Ltd

Mr. M P A P De Silva (Chairman)
Mr. D D K Karunaratne
Mr. Liu Jianwu
Mr. Shen Dingqing
Dr. P S Narendra De Silva

Leco Projects (Pvt) Ltd

Mr. M P A P De Silva (Chairman)
Mr. S. L Jayasekera

Company Secretaries

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

Registered office

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

Bankers

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

Chairman's Message



It gives me a great pleasure and I feel very privileged to welcome our valued shareholders to the 36th Annual General Meeting of the company.

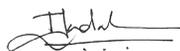
Our company has matured over a period of 37 years of sail from its inception through both rough seas and calm waters to become a highly technical, innovative and benchmarked utility in electricity distribution sector. The company has been able to lived up to its expectations by being a modern, efficient, customer oriented public enterprise providing a valuable and essential service to the customers.

During the year under review, the overall performance of LECO has been satisfactory. The overall revenue generated by the group was Rs. 33.710 Billion while making an overall Net Profit of Rs. 2.735 Billion. The Company was able to operate within the allocated operational expenditure and was able to generate the allowed regulated profit of Rs. 195.74 Million. I wish to thank our customers, shareholders and all stakeholders for their assistance and co-operation extended towards achieving this.

I wish to render my sincere appreciation to the Hon. Minister of Power and Secretary of the Ministry for the guidance and leadership provided for the achievements accomplished throughout the year. In addition I fail in my duty if I do not place on record my sincere gratitude and appreciation to our major shareholder as well as the industrial leader, Ceylon Electricity Board. I would also like to thank our regulator, Public Utilities Commission of Sri Lanka, in paving our way to this success. Further I wish to appreciate the Board of Directors who rendered their maximum support in guiding the company by their knowledge and experience without which this success is unimaginable.

My special thank goes to our business associates, bankers, suppliers, company Secretaries and auditors for their assistance.

Further my sincere appreciation goes to our senior management and the staff for their dedication, commitment and enthusiasm displayed in achieving this success.



Athula De Silva
Chairman

General Manager's Message



I take it a pride to declare we have recorded yet another year of good performance and success. LECO and its subsidiaries (The Group) recorded the revenue of Rs 33.71 Billion which is an increase of 6% from last year. We have recorded good profit of Rs 2.73 Billion with the high dividend from our investment at West Coast Power Private Limited.

Our core business of electrical distribution, regulated by the Public Utilities Commission of Sri Lanka is at optimum performance. We have outperformed the regulatory targets and delivered an outstanding service to our customers.

We have recorded a high compliance levels and higher profit than envisage due to our reduced losses and optimum management. This is further contributed by our strict compliance to operate ourselves within the regulated allowed cost.

Our customer services have started its migration from the traditional paper based systems to modern digitalized platform. Our network awaits a major transformative infusion of capital, through the envisage Asian Development Bank funded network enhancement project.

Our mission towards process modernization, making our network smart and providing advanced digitalized services to our customers is in good progress. Company, while delivering its best performance to the public has taken care of social corporate responsibility through various projects.

We are looking forward for a transformative era, where our management is converted to customer participatory transparent process. Exemplary progress we have shown in this year, under extreme pressures and complications, has given strength and confidence to us for this challenging transformation.



Dr. P S N De Silva
Acting General Manager

Digital Transformation

As we are gearing up for the future, we attempt to take significant strides and stay competitive while operating in a business environment which is technologically driven and new technological change has to be adopted. Year after year we have been committed and dedicated to provide our service to nation and continue to be a key player in utility sector. And we realize that there is still a long way to go with our high-reaching ambitions. While staying loyal to our core consumers, which we always have honored, we created various strategies to up the standards of our service going forward. With that in mind our decision to transform our business processes into rather digital friendly format is destined to produce convenient, reliable and safe electrical services to our customers, in times to come.

Our initiatives for transformation toward digitalization in LECO started in year 2018. The main reason we decided to go down in the path of digitalization is that we recognized the remarkable results and change it can bring to our company. Thus we decided to continue our way in an ambitious journey to take our company to a new level through digitalization. As a utility service provider, our digitalization plans were made targeting particular sectors and processes in the company that we believe to be capable of resulting desired outcomes diligently. During the year under review, we dedicated

ourselves to continuously put efforts to implement our digitalization strategies successfully through establishing necessary foundation for it.

We attempt to be as specific as possible about the areas of LECO that can gain a measurable return as we put in time and resources to digitalize. Our considerations in making digitalization strategies were based on current trends in business world and consumer behaviors. Also our intentions with digital transformation we ensure it to be an inside out change. In that, we started focusing on our internal processes and how we can make them better with the assistance of digitization while focusing on some of our external environment factors, predominantly customers, and make our approach well balanced.

We are confident about the steps we are taking towards digital transformation in our company and its ability to build and scale our business into new and better version that's competitive and ideal for present day business world, as well as for the future. On the same token, as we strive to implement our digital goals, we are well prepared to adjust and improvise when it's necessary given that there's always room for unexpected challenges to happen along the way.



Paperless office
Less Physical presence
Digital security

Process Digitalization

Our main goal was to focus on sections of our company which are highly promising to generate a remarkable ROI when digitalization is implemented. One of the key areas where we sought to improve our productivity through digitalization is our internal operational process. As a utility service company the quality of our service depends on the efficiency of our operations. In that regard, our transformation into digital technology based utility operation system, enables us to reach our efficiency targets comfortably. With that intention in mind, following measures were recognized as ideal for our digital transformation in internal operational processes.

One of the ways that we can apply digitalization to our company is to achieve paperless office concept. Usually a typical office is expected to use paper predominantly, which can be overwhelming from efficiency point of view. Ability to minimize paper usage and transfer all those processes to digital platforms gives a great leverage for the company as well as customers.

We believe paperless culture can affect our company in number of ways. From customer inquiries to internal office documentation procedures, everything can greatly benefit from it. Usually in a paper used office situation, inefficiency with documents occurs when necessary “physical copies” not being there on right time at the right place. On the other hand, in a digitalized office, necessary documents can be obtained conveniently in matter of seconds. Further, through the reduction of “Search Time” paperless culture can save tremendous amount of time for the company.

We are confident that implementation of paperless office concept can cause internal processes to speed up in many folds. Also it is worth emphasizing the cost it will reduce in terms of resources required to maintain a paper based office culture. Costs for paper itself, storage cost for paper, labor cost for maintaining them are just to name a few unnecessary costs that paperless office will be able to cut off. Not only the time it could save, which is one of the obvious benefits, but we need to keep in mind the actual “physical space” it will save in an office as well. A de-cluttered office space creates conducive environment for productivity to take place.

To further ensure the applicability of digitalizing office processes in our company we fine tune our approach to it by establishing new performance appraisal system and document tracking system to enhance possibilities of better outcomes through the implementation of a paperless office. Meanwhile, it's essential to create the supportive infrastructure for our paperless office culture strategies to prevail. So we procure our office spaces with required supporting hardware resources. Since we are fully committed to these new changes we are about to make in our internal processes we believe that by strengthening all bases on which our paperless culture will be built upon, we can completely avoid any obstacle that could potentially come in our way.

In every measure taken in our company to make a change, the coordination of our employees is a key factor for it to be successful. In order to ensure they are on the same page and willing as well as competent to head towards right direction with these new strategies, staff will be given training with regard to how to adapt to and evolve in an office environment with zero paper.

Another important measure we consider to take under internal digitalization is “System Integration”. Along with the support of cloud based information platform we expect to broaden the horizons of integrity and transparency in our information circulated through our internal process related systems. In addition to that, through the reduction of data analytics and processing time, an integrated system can help to further minimize unnecessarily expended time in our company.

As we are aware, procurement is an important aspect of our operations. In our digitalizing strategies we intend to completely move those operations on to E-procurement platforms, where it will be a level playing environment for all national and international bidders to compete and also, more importantly, due to the elimination of paper submissions, there will be zero physical presence of paper, thus adhering to our paperless office culture strategies in order to achieve our digitalizing goals.

Process Digitalization (Contd...)

Our system integration efforts extend over to number of different areas. 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) are the areas that we are predominantly focusing on while taking action toward developing an API gateway which would be the mastermind that would organize and coordinate all these above said systems.

To take another step forward with system integration we intend to introduce more advanced technological measures such as IOT (Internet of Things). IOT will play a role of a centralized database and synergize all systems facilitating large volumes of data to transfer back and forth without any difficulty or error getting in the way.

We continue our focus to achieve excellence in our human resource information systems (HRIS) through digitalization. Admittedly, human resource information plays a vital role in LECO and we recognize the positive impact it could create on the company if proper digitalization steps were taken with regard to HR information. A great starting point for that is to redefining our HR and Admin operations. We believe the digitalization transformation should happen in HR section from grass root levels. Therefore introducing new HR and Admin policy is the way to go about it. It can eliminate shortcomings of traditional methods in HR information and Admin practices. In addition to that a new policy can put a solid foundation for digitalization measures in HR information and make them progress drastically.

We are always dedicated to stay loyal to our stakeholders and wish their best interest. Therefore we take steps to make an easy access for our stakeholders to their relevant information through digitalization processes. And we continue to update and make information accessible to ensure a reliable flow of data is communicated between LECO and its stakeholders. Further, it will help us to display and maintain our integrity and transparency toward our stakeholders.



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

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 2019.

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 Pages 2 & 3 of this Annual Report.

Shareholders' Information & Substantial Shareholdings

Shareholders' position of the LECO as at 31st December 2019 is as follows.

Shareholder	Shareholding %
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.



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd...)

BOARD OF DIRECTORS & ITS COMPOSITION

Lanka Electricity Company (Private) Limited

The names of the Directors of the Company who held office as at 31st December 2019 are given below:

Mr. S T Nanayakkara	-	Chairman (from 30.01.2019 to 02.12.2019)
Mr. W B Ganegala	-	Chairman (upto 01.01.2019)
Mr. Rakhita Jayawardena	-	Director (from 30.01.2019 to 21.11.2019)
Mr. N J Weerakoon	-	Director (upto 29.11.2019)
Mr. K D M Silva	-	Director (upto 16.01.2019)
Mr. S D W Gunawardana	-	Director (from 30.01.2019 to 25.01.2020)
Mr. N J Weerakoon	-	Director (from 30.01.2019 to] 29.11.2019)
Mr. W B Ganegala	-	Director (upto 01.01.2019)
Mr. A K Samarasinghe	-	Director (upto 15.01.2019)
Mr. V S Dickwella	-	Director (from 21.02.2019)

The changes to the Directorate of the Company from 01st January 2020 as at date:

Mr. V S Dickwella	-	Director (upto 11.06.2020)
Mr. P Algama	-	Director (upto 16.01.2020)
Mr. Anton Perera	-	Director (from 16.01.2020 upto 11.03.2020)

Present Composition of the Board

Mr. M P A P De Silva	-	Chairman (from 17.01.2020)
Mr. H M V Herath	-	Director (from 17.01.2020)
Mr. D D K Karunaratne	-	Director (from 28.01.2020)
Mr. P Algama	-	Director (re-appointed from 11.03.2020)
Mr. N P K Ranaweera	-	Director (from 12.02.2020)
Mr. J S Vidanage	-	Director (from 11.02.2020 onwards)
Mr. R M D Lakshman	-	Director (from 11.06.2020 onwards)

Names of the Directors of the Subsidiary Companies as at 31st December 2019

Ante Leco Metering Company (Pvt) Ltd.

The names of the Directors of the Company who held office as at 31st December 2019 are given below:

Mr. T N Nanayakkara	-	Chairman (upto 02.12.2019)
Mr. B S J Perera	-	Director (upto 31.12.2019)
Mr. H N Gunsekera	-	Director (upto 01.10.2019)
Mr. Liu Jianwu		
Mr. Shen Dingqing		



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd...)

Present Composition of the Board

Mr. M P A P De Silva - Chairman (from 10.02.2020)
Mr. D D K Karunaratne - Director (from 10.02.2020)
Mr. Liu Jianwu
Mr. Shen Dingqing
Dr. P S Narendra De Silva- Director (from 10.02.2020)

* 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 2019 are given below:

Mr. S T Nanayakkara - Chairman (upto 02.12.2019)
Mr. H N Gunsekera - Director (upto 01.10.2019)
Mr. S L Jayasekera

Present Composition of the Board

Mr. M P A P De Silva - Chairman (from10.02.2020)
Mr. S. L Jayasekera

Directors' Remuneration

The Directors' emoluments are disclosed in Note 07 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 28 to the Financial Statements.

Directors' Meetings

The Board of Directors met 14 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 28 of the Financial Statements.



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd...)

FINANCIAL REVIEW

Significant Accounting Policies

The significant accounting policies adopted in the preparation of Financial Statements are given on Note 01 to Note 03 of the Financial Statements.

Directors' responsibility for financial statements

The Board of Directors is 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 2019, 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 2019 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 2019 reflect a true and fair view of the Company and the Group, respectively.

Revenue

The revenue of the Group was Rs. 33.71 Billion. A detailed analysis of the Group's turnover identifying the contributions from different consumer categories is given in Note 04 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 12% from Rs. 4.91 Billion, to Rs. 5.49 Billion compared to the previous year. Additional bad debt provision of Rs 548 Million for CEB receivables from Net Accounting/ Net plus payments and slight, increment in other overhead charges are caused to increment of overhead charges.

Profits

The Group's Gross profit ratio is maintained at the level of 16%. Profit before tax is increased by 26% amounting to Rs 4.0 Billion. The main contribution for such increment is Dividend income received from investments in West Coast Power (Private) Limited and Revenue and Gross profit improvement in Ante LECO Metering Company (Pvt) Ltd. However due to current year income tax and deferred tax provisions, profit after tax is declined by 7.2%, amounting to Rs 2.74 Billion.

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 Inland Revenue Act. No 24 of 2017 and amendments there to. All operating companies are liable to pay income tax at 28%.

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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd...)

Dividends

The total dividend payment during the year is Rs 1.15 Billion.

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 9 to the financial statements.

Stated Capital

Please refer Note 21.1 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	8,752,517	21,725,353	150,631	33,969,027
Company	1,145,067	340,642	1,784,965	8,752,517	21,513,410	-	33,536,601

Debts

There are no long term debts pertaining to the company or the group except the lease liability shown in Note No 22 – Interest Bearing Loans and Borrowings shows amounting to Rs 141.6 Million.

As per the new Sri Lanka Financial Reporting Standard SLFRS- 16 – Leases which is implemented from January 2019, all contracts greater than US\$ 5,000 need to consider as long term leases and need to account accordingly. Therefore rental agreements relating 20 lands and building premises were considered as Leases and accounting treatments were made as per new SLFRS 16.

This interest bearing borrowing is a notional entry posted to show the future cash flow commitments towards land & building rental payments. There is no separate cash outflow other than the payment of monthly/semi-annually/annually rent.

Property, Plant and Equipment

The consolidated property, plant and equipment amounted to Rs. 13.62 Billion by 31st December 2019 compared to Rs.13.17 Billion in the previous year. The value of the Company's property, plant and equipment was Rs. 13.28 Billion compared to Rs. 12.87 Billion a year earlier.



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd...)

Current Assets

The Group recorded total current assets of Rs. 21.94 Billion as at end of 2019, against Rs. 19.17 Billion in the previous year. The total current assets of the Company stood at Rs. 21.28 Billion compared to Rs.18.75 Billion 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 expenditure commitments are disclosed in Note 26 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 29 in relation to Financial Investments Risk Management.

AUDITORS

The Audit of the Financial Statements of the Group for the year ended 31st December 2019 comprising the Statement of financial position, Statement of profit or loss, Statement of 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.



ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY (Contd...)

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

Company	Name of Auditor/	Type of Payment	Amount (Rs.)
Lanka Electricity Company (Private) Limited	Auditor General	Service Charge	375,000/=
	Assisted by M/S Ernst & Young Chartered Accountants	Audit fees	2,500,000/=
			(Excluding VAT)
Ante Leco Metering Company (Pvt) Ltd	Auditor General	Service Charge	45,000/=
	Assisted by M/S Ernst & Young Chartered Accountants	Audit fees	300,000/=
			(Excluding VAT)
Leco Projects (Pvt) Ltd	Auditor General	Service Charge	-
	Assisted by M/S Ernst & Young Chartered Accountants	Audit fees	120,000/=
			(Excluding 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 1535.

ANNUAL GENERAL MEETING

The 36th Annual General Meeting will be held on Thursday, 22nd October 2020 at the Registered Office at No. 411, E. H. Cooray Building, 3rd Floor, Galle Road, Colombo 3 at 3.30 p.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

September 10, 2020

Colombo

Engineering Division

2019 can be considered as a fruitful year for the Engineering Division. In this rapidly changing and challenging time of the electricity distribution sector, Engineering Division is thriving through its key tri-axis of operation namely the planning and development of the network, development of the IT platforms & systems and capacity development of the staff to meet the ever growing consumer expectations progressively. All the departments operating under the Engineering Division namely, System Planning & Development Department, Regulatory Department and Projects Department, and sub departments operating under the System Development Department namely, Information Technology, Supplies, Test Laboratory and Training Centre worked tirelessly towards achieving this progress throughout the year.

LECO has been confronted with many capacity and reliability issues with the existing network architecture which was designed for a semi-urban areas thirty years back. Therefore, in order to find sustainable solutions for prevailing issues, LECO launched a study with the assistance of Asian Development Bank (ADB) out of which it was revealed that LECO network architecture should be transformed in to a network with combined 33kV and 11kV voltage levels. System Development Department was entrusted with the task of revising the planning criteria accordingly. With the introduction of mixed voltage system, LECO is planned to gain the capability to transfer high capacity spot loads to 33kV networks. Further it is envisaged to obtain future capacity injections from either 132/33kV grid substations or high reliable 33kV injection points which avoids additional cost for intermediate primary substations. Further it has proposed to convert the existing overhead network in to a network with Underground cables

and Aerial Bundle Cables where high reliability is demanded. LECO released its first Medium Voltage Development Plan for the planning horizon of 2019-2028 based on this newly adopted planning criteria.

Due to the declined network reliability over the past few years which can be mainly attributed to the predominantly overhead distribution network affected by increased urban activity levels and lack of investment over the past decades, System Development Department proposed a network modernization project for Kelaniya, Kotte, Nugegoda, Moratuwa and Kalutara areas. System Development Department, with the assistance of Project Preparatory Technical Assistance Consultants of Asian Development Bank were able to carry out the initial designs and planning activities of this project in 2019, which is expected to be realized by 2021 embarking a new juncture in LECO's evolution. Further consolidating this project, ADB has agreed to fund a 132/33 kV grid substation at Dalugama Area to source the proposed network development in Kelaniya area under this project. This will be the first ever direct grid capacity addition to the LECO distribution network and this area is expected to be heavily relieved due to this addition. System Development Department was able to carry out a comprehensive network reliability study and found out that the project was economically feasible.

System Development Department continued with its usual works of procurement and system development works, issuing the cost manual and other planning documents at the beginning of the year and handled total of 217 procurements totalling to a cost of nearly Rs. one billion.



Engineering Division (Contd...)

System Development Department successfully completed the smart metering pilot project at Kotte Green Zone area with the financial assistance of GSM Association, technical assistance of Dialog Axiata PLC and University of Moratuwa. This project added state of art IOT based smart meter headend system with 3,200 installed smart meters, prepaid electricity facility to consumers for the first time in Sri Lanka and 150 nos of Network Monitoring Devices which designed for the distribution voltage monitoring requirements stipulated in the Distribution Service Regulations planned to be implemented in year 2020.

The IT department of LECO saw a productive year 2019 with the implementation of Information System & Management System. This implementation has developed all the IT policy documents and procedure manuals complying with ISO 27000 guidelines. Further IT department has been able to complete all the recommendations identified by the implementation consultants IT department launched the MYLECO Mobile Application which regarded as a highly effective tool for its consumers to interact with LECO. Through this app, LECO customers will be able to make inquiries or breakdowns complaints, receive information on electricity bill payments and payment history. Additionally, IT department has launched Breakdown App and Breakdown Vehicle Tracking System to get breakdown alerts and responses and allocate breakdown vehicles effectively.

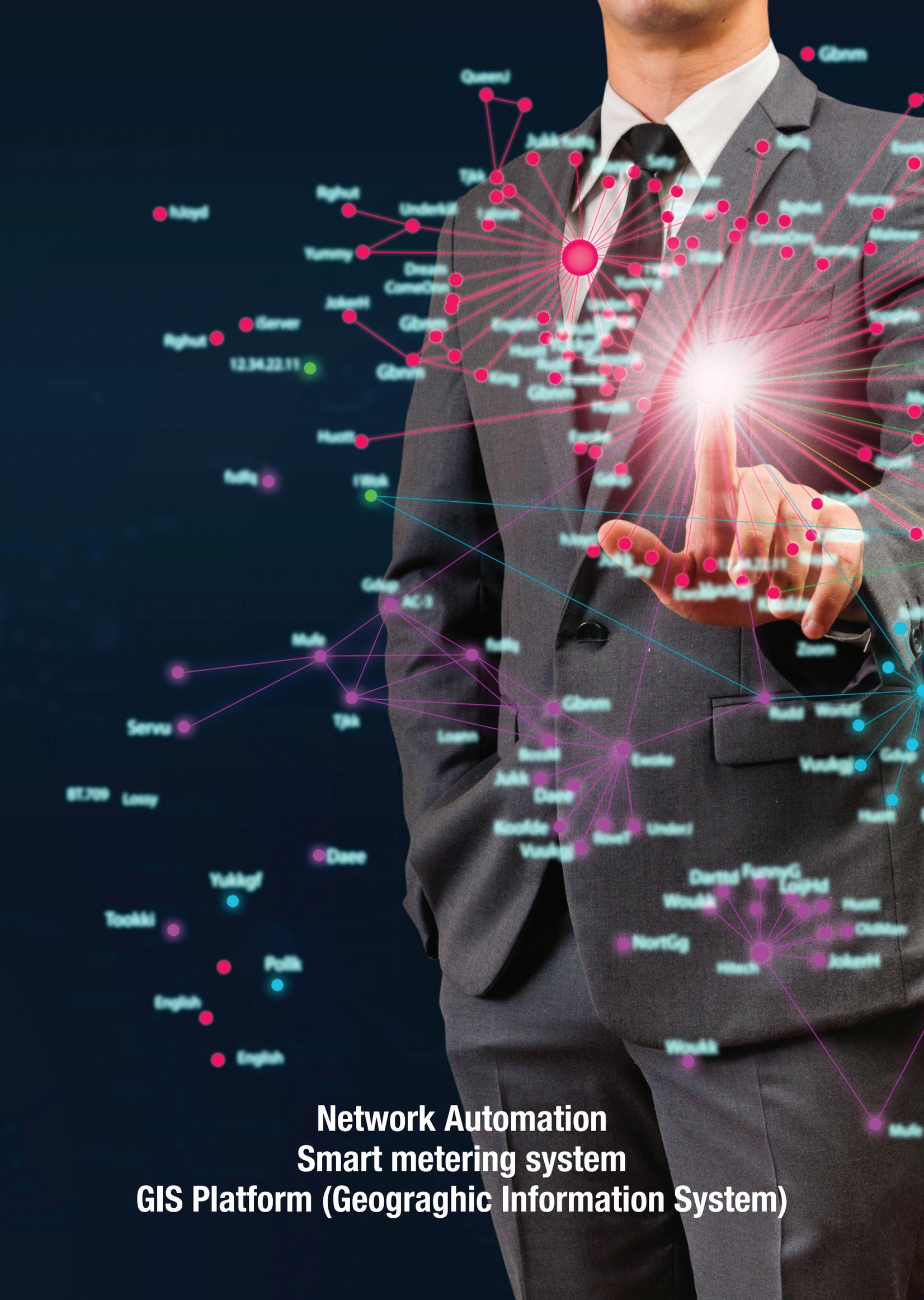
LECO technical training centre operating under the system development department has carried out 55 training programs for 1223 staff which amounts to a total of 80% of the staff being at least once have undergone a training session at the centre. They have achieved 100%

performance of the internal training plan of the year 2019.

Test Department successfully completed their test cycles for the year 2019 as usual, covering all 1945 numbers of bulk customers of LECO who contributes nearly 40% of the company's revenue. They have also achieved 100% performance plan of the year 2019.

Regulatory Department is currently implementing the electricity distribution performance standards as directed by PUCSL. Preliminary stage was already completed and now in stage of adaptation. Furthermore, to improve quality of consumer experience and to gain an insight of the present satisfaction levels and future customer expectations, Regulatory Department is conducting a consumer satisfaction survey to cover entire LECO area. Further it has submitted all the data required by the Public Utilities Commission timely and has continued publishing the Regulatory Information System (RIS).

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

Understandably LECO as a utility company has a great potential for increased productivity through the introduction of network digitalization. This will pave the way for better efficiency, accuracy and clarity when running day today business operations in our company. In this regard, our strategies to accomplish network digitalization starts with taking a comprehensive look at our business model and seek to enhance the experiences of our own day to day operations and in doing so, to create a positive impact on our business and our stakeholders. Some of the key steps we intend to take in terms of network digitalization in LECO are as follows.

Essentially network digitalization to sustain and prevail there has to be functional and reliable network automation. For that to be a reality certain fundamental level changes on current network infrastructure must take place. With that in mind, we expect to strengthen our network with automated switches, meters and controllers that can be remotely operated and can create efficient and reliable integration with our core network automation platform.

As a utility service company, to provide an uninterrupted and efficient service to our customers at all times is our prime goal. That includes keeping electricity supply break down repairing time to minimum as well. For our service to be competitive as well as satisfying we need to be able to deliver our technical support diligently so that our customers' flow of their daily life doesn't get affected with inconvenience. In that sense, we intend to implement automated switching mechanisms to enhance the efficiency and reliability of our network. This allows us to identify the fault locations of the network whenever a technical breakdown or an error takes place. With this new method in place we are able to isolate the location where fault has occurred without interrupting rest of the network.

The smart metering concept that we are focused on implementing has many reasons to be a success. It is capable of building a convenient and accurate system monitoring and customer billing methods. In addition to that, unlike in traditional ways, it allows us to communicate to our customers about their consumption behavior and relevant information to that in real time. We are currently transforming most of meters to smart meters which are

digital based. Along with that through a smart phone based application we will let our customers to have quick and easy access to their utility related information. This new introduction of smart metering system could save time and effort for both customers as well as the LECO employees who read traditional meters going from one house hold to another.

We continuously seek new ways to create a sustainable business environment through practical digitalization measures. Speaking of sustainability as a utility company it's our duty to develop new methods through digitalization in order to find solutions to energy wastage and more importantly to preserve it in the long run. Especially street lights in particular, have inefficiencies when it comes to how they are currently being operated, which can be prevented through proper implementation of digitalization techniques. We expect to introduce new technically advanced method such as automated street light controlling system that can offer solutions to current street light related shortcomings. Automated street light controlling system is essentially operates automatically while being sensitive to the intensity of daylight. That allows street lights to function only when it is necessary, without any human supervision.

Another positive of digitalization in LECO that we find is, the ability that integrated systems can give us to acquire, compute and analyze data in many usefully ways. This enables us to produce advanced analysis of the network and forecast future energy supply and demand. It is also worth highlighting that these data will be stored and updated in real-time on a cloud based data management platform. This can greatly reduce our costs related to data storage as well as analysis. And further it helps to result in fast and reliable data access and processing time.

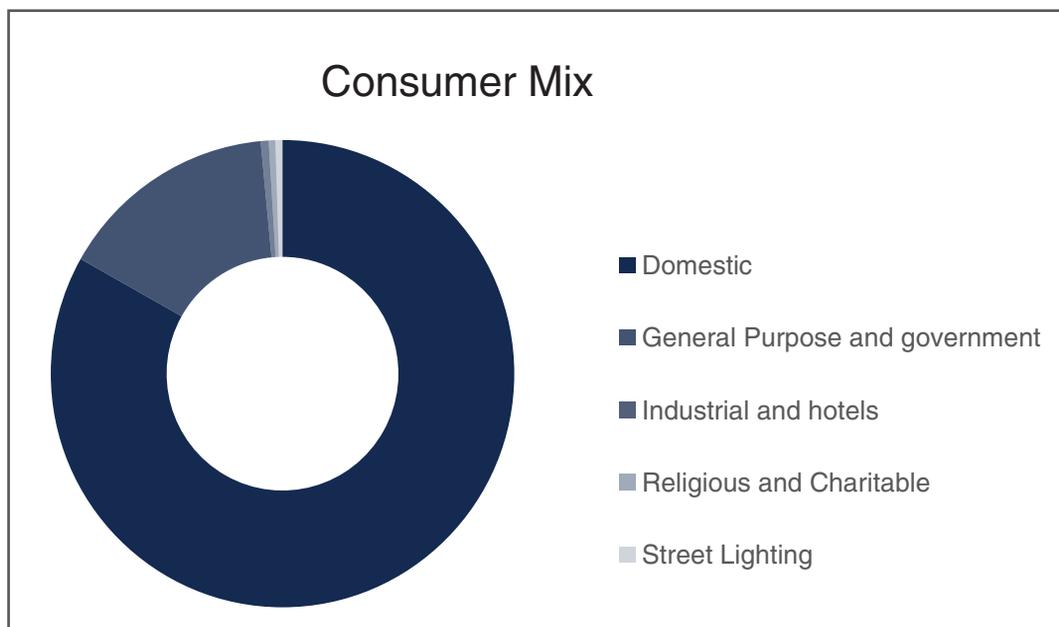


Operations Division

LECO Operations Division while achieving the company’s corporate objectives, provided an efficient service to 568,393 consumers in the year 2019. LECO delivered 1679 GWh in total to consumers in compliance with the standards and regulations implemented by regulator the Public Utilities Commission. An annual increase of 1.7% of consumer base, compared to the year 2018 was in-include into the Distribution Network while maintaining the supply quality to the required standards with the loss percentage of LECO at 3.98%. Meanwhile the process of identifying the abnormal low loss reported in Kelaniya Branch continued through-out the year 2019 and was able to identify the area of low loss.

The annual consumption of the LECO consumers, categorized by the tariff, is depicted in the table below.

Tariff	Consumer No	Annual Consumption (kWh)	Annual Consumption (MWh)
Domestic	472,715	631,586,701	646,824
General Purpose and government	87,100	554,534,071	644,172
Industrial and hotels	3,138	352,822,584	354,580
Religious and Charitable	2,614	10,927,632	11,652
Street Lighting	2,826	22,438,418	22,704
Total	568,393	1,572,309,406	1,679,932



Operations Division (Contd...)

LECO maintains Distribution System Asset as below

Asset Type	Unit	Length/ Count
11kV HV OH	km	1017
11kV HV UG	km	70
LV ABC lines	km	4404
Substations	no	2460
Switches	no	1844
Auto Recloses	no	18

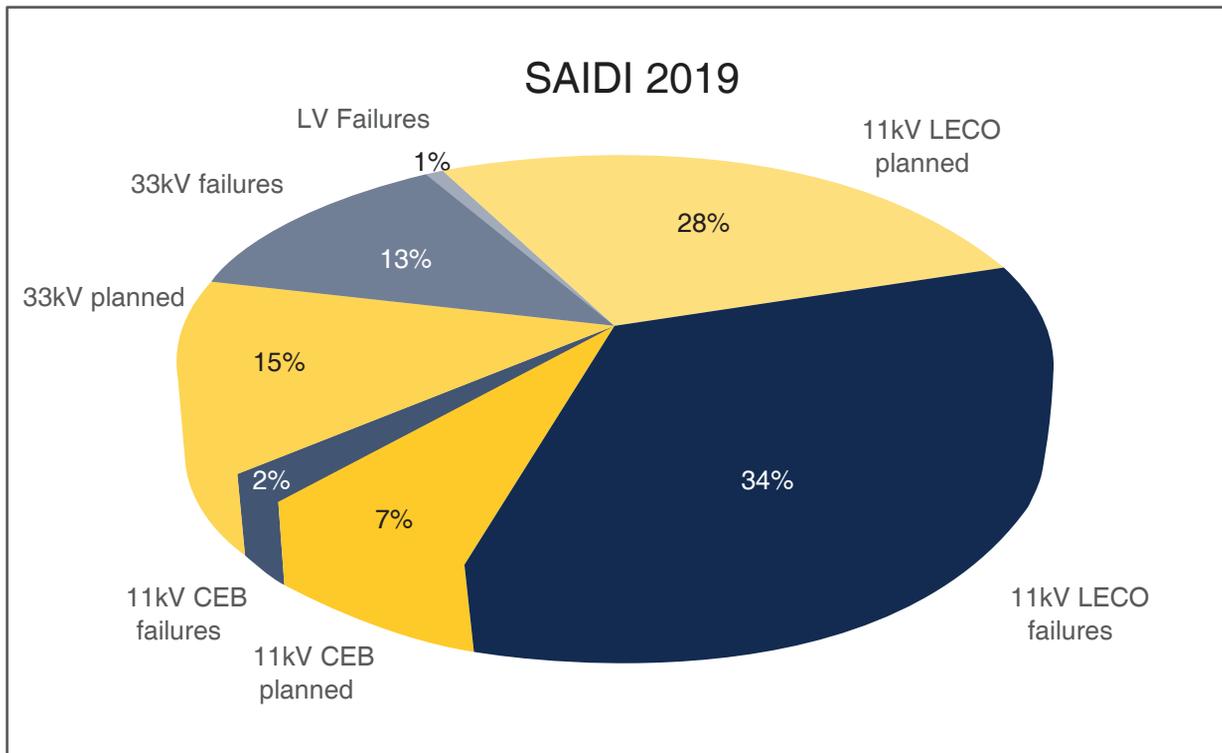
Supply Reliability

Supply reliability is the key concern of LECO. Installation of 27 remote operated Load Break Switches in the year 2019 contributed to improve the supply reliability. Distribution Control Center monitored and attended all network operations to maintain a reliable, safe distribution system in LECO. This enabled the Operation Division to maintain a Zero fatal accidents during the year 2019.

Reliability indices with comparison of previous years are given below.

CATEGORY	SAIDI hrs/Consumer					
	2014	2015	2016	2017	2018	2019
LV Failures	0.28	0.31	0.47	0.5	0.38	0.37
11kV LECO planned	15.86	13.34	18.56	21.14	17.5	17.55
11kV LECO failures	5.96	6.98	15.18	20.15	21.13	21.70
11kV CEB planned	7.07	6.81	5.12	5.85	6.97	4.40
11kV CEB failures	1.75	1.67	2.26	1.35	1.69	1.44
33kV planned	12.33	8.57	11.2	10.43	12.52	9.32
33kV failures	16.14	12.71	14.37	10.44	10.19	8.22

Operations Division (Contd...)



Customer Service

Service guarantees achieved in the year 2019

Service Assurance	% achieved
Estimates issued within 10 working days	87
New Connections given within 10 working days after payment	89
Billing efficiency for 30±3 days	98

To improve the billing efficiency and to allow the consumers to obtain smart metering facilities three thousand Smart meters have been deployed in Kotte area in year 2019 in line with the decision taken by the Ministry to convert Sri Lankan Grid to a SMART Grid. Also this enhances billing efficiency with facilities to read meters remotely and deliver bills, issue of soft bills etc. on customer requests.

Call center established in year 2018 with Sri Lanka Telecom was uplifted in facilities this year, by introducing three Agents to communicate in three languages. This was one major achievement for LECO inbound Call center. This enhanced the service quality of Call Center and increased the no of consumer interactions per month to nearly 20,000.

In line with developing the consumer serving environment in LECO, four new buildings for customer Service Centers were completed and occupied in the year 2019. They were Payagala CSC of Kalutara Branch, Jaela CSC of Negombo Branch, Kotikawatha CSC of Kotte Branch and Amblangoda CSC of Galle Branch.



Operations Division (Contd...)

Even though LECO has been serving the consumers to their fullest satisfaction from the beginning, the company had not been identified the gains to be earned through a marketing role for the betterment of the functions of LECO. In the year 2019, after identifying such needs for the company, the media campaign was introduced to the company and was implemented under the supervision of the Customer Service Department under Operations Division.

The campaign consisted of paper, television, radio commercials, digital media and hoardings to make the public aware of the services they could obtain from LECO. LECO did not want to restrict this campaign to get only a popularity for the company but from this campaign, it served its social responsibility towards the country by making aware the public on tips of Energy Savings. The social media marketing campaign too gained a popularity among the youth. Hoardings that were fixed by this marketing campaign in front of every Branch office and CSC of LECO has given a customer to gain an aware at a glance on services they could obtain from LECO on the first stepping to a LECO premise.



Paper advertisement



Hoarding at a Branch



Human Resources & Administration

The company's performance this year underscores how "a motivated, Committed and technically competent human capital delivered, for the organization to make strides towards achieving the objectives that were set out for 2019." Several steps have been taken for the development and motivation of the company's most valuable assets for the period under review.

Training and Development

During the year 2019, local training, foreign training, and conference were arranged for the staff to develop their skills and technical knowledge, and the followings are some programs conducted in the year.

- Participation of Sri Lankan Power Sector Institutions in the First Regional Conference of Women in Power Sector Professional Network in South Asia organized by South Asia Gender and Energy Facility (SAGE) at the World Bank
- Conference on "Inclusive Community Resilience in Bangladesh" organized by ADB
- ADB-Korea New Energy Business Conference and Technical Tour
- Knowledge Sharing Workshop on Demand-Side Energy Efficiency organized by ADB
- KGGTF Knowledge Exchange Program and KGID 2019 organized by ADB
- Workshop on Development of Roadmap for Implementation of Smart Grid: Concept, Practices, and Technologies in SAARC
- To present a research paper at the 8th IET International Conference on Renewable Power Generation (RPG 2019) organized by the Engineering and Technology Consultancy (Beijing) Company Limited (IET)

All the employees of the company have the opportunity to receive financial assistance for their postgraduate studies under the company's scholarship scheme to develop their career; accordingly, two employees were granted this facility, and the staffs possess professional qualifications obtained from recognized professional institutes are also granted professional allowances monthly and membership subscriptions annually.

Diverse Workforce

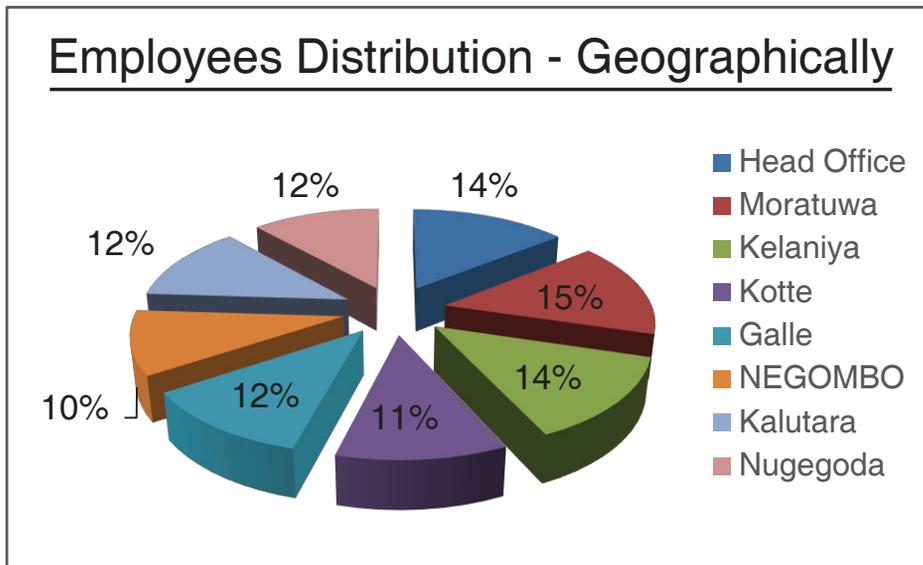
The company promotes workplace diversity from the point of recruitment. And diversity encompasses ethnic, religious, gender, physical, cultural diversity of talents as we believe that diversity brings richness in perspective, skills, and experience, thus enriching a talent pool and the resources for constant innovation and growth of the company. And these include processes that manage the life cycle of an employee effectively. From Recruitment to Selection, Induction, Performance Appraisal, Performance Management, and if the need arises, Disciplinary Procedures, Grievance handling, and welfare.

The fact that many in team LECO have been part of its journey since inception and that their careers have followed the growth path of the company is a relationship with our People. Thus, the company enjoys attrition rates that are above the industry average, and 15 new employees were recruited to the cadre.



Human Resources & Administration (Contd...)

In the year 2019, Our total workforce was 1535, including newly recruited employees, and distributed among the seven branches and one Head office.



Employees' welfare

Annual get to gather of Head office was held on 2nd and 3rd November 2019 at Udawala Safari hotel with the participation of 200 staff and their family members. The members of the welfare committee had organized many activities, and this was a very successful, enjoyable event. All the employees of the company received a holiday allowance equal to half a month salary to spend on holiday in the year 2019

All the employees and their family members were covered by the Surgical and Hospitalization expenses scheme obtained by the company, and many employees were benefited under this scheme. Also, ten employees were granted financial assistant for critical illnesses paying Rs 800000.00 for each employee. Under this unique scheme introduced by the company.

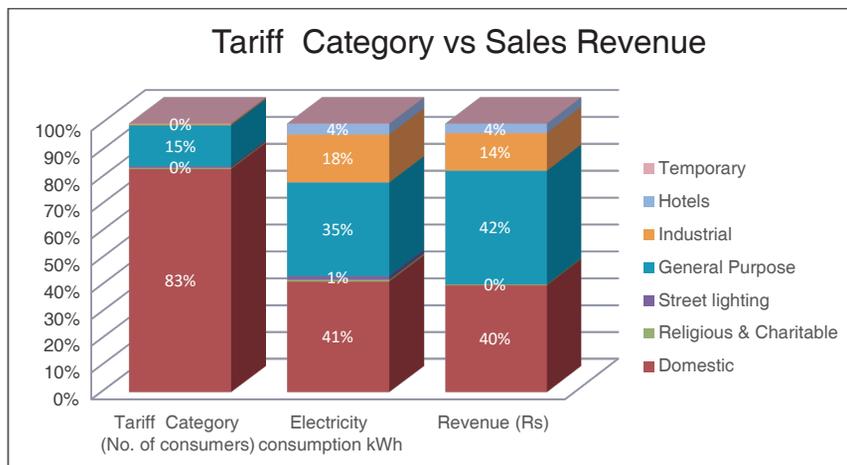
During the year, the blood donation campaign was arranged by the Welfare Society with the assistance of the company, and around 50 employees participated in this event.



Financial Review

Revenue

LECO Group's revenue grew by 5.9% to Rs.33.71 Billion during the year, supported by 4.9% growth in the company's electricity distribution while Ante Leco Metering Company (Pvt) Ltd increased its revenue by 42% amounting to Rs 1.25Billion. Distribution of electricity contributed 96% of the group's total revenue. This revenue is generated from various tariff categories and nearly 568,250 consumers spread out from Negombo to Galle coastal area.



Gross Profit

Group's gross profit increased by 9.15% to Rs.5.38 Billion during the year. LECO's gross profit increased by 6.7%. Ante Leco Metering Company (Pvt) Ltd's gross profit was increased to Rs 113Million with compared to previous year gross loss of Rs 7.5Million. Group is able to maintain approximately 16% gross profit margin on year on year basis.

Profit after tax

Apart from imprint of gross profit, dividend income of Rs 1.99 Billion received from West Coast Power (Pvt) Ltd was another reason for increment in profit before tax from Rs 3.17 Billion to Rs 3.9Billion when compared to last year. However provision for taxation, specially deferred tax adjustments made during the year reduced net profit to Rs 2.7 Billion when compared to last year net profit of Rs 2.9Billion. This is a 7% reduction of the net profit.

Earnings per share

Group Earnings per Share (EPS) for the financial year under review was Rs. 23.76 vs. Rs. 25.73 during the prior year 2018. Earnings per share of the Company were Rs. 23.46 vs. Rs. 25.94 in year 2018.

Dividend

Company paid a dividend of Rs. 10.04 per share amounting to Rs. 1.15 Billion during the financial year ended 31st December 2019.

Return on Equity

Return on Group equity for the year under review was 8.2%, whilst return on equity of the Company also 8.2%, compared to 9.8% in 2018. 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.



Financial Review (Contd...)

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 8.2% to Rs. 48.2 Billion compared to previous year.

Total liabilities

Total liabilities of the Group represented 50% (49% in 2018) of long-term liabilities and 50% (51% in 2018) of current liabilities. Long-term liabilities of the Group consisted with interest bearing borrowings, deferred tax liabilities, deferred revenue and post employment benefit obligations. Interest bearing borrowing included the lease liabilities accounted under SLFRS – 16- Leases.

Total Equity

Equity of the Group funded 70% of the total assets, stood at Rs. 33.97 Billion as at 31st December 2019 including non controlling interest of Rs 0.150 Billion.

Cash Flow

Group net operating cash inflow was Rs. 1.8 Billion, compared to Rs. 0.684 Billion in prior period. This is attributable to efficient cash collection from its debtors and proper working capital management. Net cash outflow from investing activities of the Group is Rs. 0.828 Billion. Dividend payment of Rs 1.05 Billion resulted in a net outflow from financing activities amounting to Rs. 1.0 Billion.

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.



Internal Audit Department

Management Review

Internal Audit Department of LECO comprises professionally qualified staff; perform duties with due professional care and helps to maintain the clarity & high quality performance of LECO, by providing meaningful information for the wider spectrum of participants while fulfilling the requirements of Public Interest and also adhere the compliances of 19th Amendment provisions as the company is under the supervision of National Audit Act, No.19 of 2018.

In the year 2019, Internal Audit Department expansion program was approved by its Board after having detailed discussions with respective expertise. This program was initiated with the suggestions of External Auditors commented in their Management letter in 2016, highlighting the fact that the size of Internal Audit Department was small in relation to the nature and level of the company's operations and activities.

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.

Internal Audit Department 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 it duties with in the Sections/Divisions at Head Office.

Audits for Sections / Divisions in Head Office were performed in rotation basis.

During the period under review Audit Division has conducted Audits on selected functional areas, clusters and Branches - as per the initial Audit Plan approved by Audit & Management Committee. Branch Audit Reports were discussed in detailed by Chairman with respective staff members 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 of the company work performances. Further, two representatives from our line Ministry and National Audit Office were made their participation as observers for the Committee.

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

Internal Audit Charter

In order to improving the integrity and clarity of LECO work performances "Internal Audit Charter" was introduced with effect from June 2020. Internal Audit Department makes special thanks to its Audit & management Committee who gave blessing and active participation throughout this process.



CRD

Customer Relationship Digitalization (CRD)

To further reinforce our commitment to manage healthy and effective interactions with our customers while delivering a service that exceeds their expectations, we do our best to improve the facilities we have already provided to them in terms of digitalization.

We understand the value of better customer experience has long term effects in terms of business longevity. Therefore we strive toward keeping a continuous communication and making necessary and up to date information available and accessible for customers through digital platforms. Optimizing our web presence and functionality is one of those steps we take to ensure continuous customer communication happens with us always. At its best, web site allows customers to make bill payments, registrations and give access to any other relevant information with regard to customers' electricity consumption. In addition to that, our efforts to introduce a smart phone application that can perform almost as a substitute for our website, has great potential to add tremendous value to our customers lives. In this day and age, smart phones being an essential part of everyone's lives, we cannot go wrong with a mobile app that represents our company.

Further, to keep up with our web presence we intend to expand our involvement in social media platforms. Today social media is connected and consumed by a large number of people everywhere in the world and it has broken the barriers and limits of reach when it comes to business promotion. In that regard, we concentrate on taking the full advantage of this trend fully as we use social media platforms to educate, update and connect with our customers regularly through value adding media content.

We also understand the value of our prosumers. We consider them as one of the key stakeholders in the future electricity market. Therefore we intend to provide opportunities for them to participate in their electricity generation and integrate their contribution into distribution network. With that intention in mind, we embrace them through mature business models where they get to produce energy and feed the market demand and balance the energy supply.

Our ongoing efforts to increase efficiency in our company through the initiatives of digitalization, great deal of our focus goes on to making our customers lives easier. In that relentless pursuit, we commit ourselves to continuously fine tune our customer payment mechanism. Our end goal is to simplify the payment process to the point where just clicking a few buttons customers can complete their payment procedures, even through their mobile phones. In order to accomplish that level of flexibility in customer payment procedure, we can introduce a customer centric mobile app as well as, payment through website, so people can complete these transactions at their own comfort. In the meantime, we integrate all the internal procedures with regard to payments and create a comprehensive payment management system.



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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE



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Your No.

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திகதி
Date

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31 August 2020

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 2019 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 2019 comprising the statement of financial position as at 31 December 2019 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 2019 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 (2) (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 which 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 course 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 .

A handwritten signature in black ink, appearing to be 'W.P.C. Wickramaratne'.

W.P.C. Wickramaratne

Auditor General

**STATEMENT OF PROFIT OR LOSS***For the year ended December 31, 2019*

	Note	Group		Company	
		2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Revenue	4	33,710,930	31,827,090	32,460,557	30,943,889
Cost of sales		(28,330,701)	(26,897,850)	(27,193,532)	(26,007,451)
Gross profit		5,380,229	4,929,240	5,267,025	4,936,438
Other operating income	5	2,733,393	1,882,505	2,732,010	1,885,355
Operating expenses		(2,430,040)	(2,546,817)	(2,423,086)	(2,536,063)
Administrative expenses		(3,062,843)	(2,363,027)	(3,039,440)	(2,337,646)
Profit from operations		2,620,739	1,901,901	2,536,509	1,948,084
Finance income	6.1	1,541,363	1,332,554	1,536,542	1,325,962
Finance cost	6.2	(162,203)	(60,624)	(145,259)	(56,744)
Profit before taxation	7	3,999,899	3,173,831	3,927,792	3,217,303
Income tax expense	8	(1,264,513)	(236,129)	(1,240,993)	(247,423)
Profit for the year		2,735,386	2,937,702	2,686,799	2,969,879
Profit attributable to :					
- Equity Holders of the company		2,720,852	2,946,320		
- Non-controlling interests		14,534	(8,618)		
Profit for the year		2,735,386	2,937,702		
Basic Earnings Per Share (Rs.)	9	23.76	25.73	23.46	25.94

The accounting policies and notes on pages 46 through 89 form an integral part of the financial statements.



STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Note	Group		Company	
		2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Profit for the year		2,735,386	2,937,702	2,686,799	2,969,879
Other comprehensive income					
Other Comprehensive Income to be reclassified to Statement of Profit or Loss in subsequent period					
Gain on FVOCI instruments	21.4	220,747	316,187	220,747	316,187
Deferred tax on net changes in fair value of FVOCI instruments		44,419	(31,619)	44,419	(31,619)
Other Comprehensive Income not to be reclassified to Statement of Profit or Loss in subsequent period					
Actuarial gain/(loss) on post employment benefit liabilities	24.1	(30,595)	(15,544)	(29,807)	(15,544)
Deferred tax reversal on actuarial loss		8,567	4,352	8,346	4,352
Revaluation of property, plant and equipment	21.2	-	245,853	-	245,853
Deferred tax charge on revaluation surplus		-	(148,240)	-	(148,240)
Other comprehensive income, net of tax for the year		243,137	370,990	243,705	370,991
Total comprehensive income for the year		2,978,523	3,308,692	2,930,504	3,340,870
Attributable to :					
- Equity Holders of the company		2,963,989	3,317,310		
- Non-controlling interests		14,534	(8,618)		
		2,978,523	3,308,692		

The accounting policies and notes on pages 46 through 89 form an integral part of the financial statements.

**STATEMENT OF FINANCIAL POSITION**

As at 31 December 2019	Note	Group		Company	
		2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	10	13,613,721	13,168,188	13,280,678	12,875,186
Investment property	11	-	-	124,538	127,847
Intangible assets	12	37,813	52,038	30,479	42,872
Investments in subsidiaries	13	-	-	31,320	31,320
Financial assets at fair value through other comprehensive income	14	10,806,210	10,585,463	10,806,210	10,585,463
Advance for shares	15	-	-	47,085	47,085
Right of use assets	16	145,388	-	145,388	-
Other Financial Assets	19	1,751,207	1,650,782	1,751,207	1,650,782
Total non-current assets		26,354,339	25,456,471	26,216,906	25,360,555
Current assets					
Inventories	17	2,084,383	2,001,129	1,802,136	1,800,123
Trade and other receivables	18	3,331,396	3,671,098	3,015,604	3,494,197
Prepayments and advances		249,098	430,170	249,084	425,956
Other financial assets	19	15,905,707	12,655,916	15,865,707	12,614,285
Cash and bank balances	20	366,494	416,210	347,399	411,902
Total current assets		21,937,078	19,174,523	21,279,931	18,746,464
Total Assets		48,291,418	44,630,994	47,496,836	44,107,019
EQUITY AND LIABILITIES					
Equity attributable to Equity Holders of the Parent					
Stated capital	21.1	1,145,067	1,145,067	1,145,067	1,145,067
Reserves					
Revaluation Reserve on valuation of land and buildings	21.2	1,854,817	1,854,817	1,784,965	1,784,965
Revenue reserves	21.3	340,642	340,642	340,642	340,642
Fair value reserve	21.4	8,752,517	8,487,351	8,752,517	8,487,351
Retained earnings		21,725,353	20,176,529	21,513,410	19,998,104
Total equity attributable to equity holders of the company		33,818,395	32,004,404	33,536,601	31,756,128
Non-controlling interests		150,631	136,097	-	-
Total equity		33,969,027	32,140,502	33,536,601	31,756,128
Non-current liabilities					
Interest bearing borrowings	22	87,521	-	87,521	-
Deferred tax liabilities	8.3	1,119,750	573,810	1,117,700	583,733
Deferred income	23	4,759,696	4,564,978	4,759,696	4,564,978
Post employment benefit liabilities	24	1,144,179	1,012,484	1,141,440	1,010,771
		7,111,146	6,151,272	7,106,357	6,159,481
Current liabilities					
Trade and other payables	25	6,884,702	6,035,620	6,527,338	5,888,994
Income tax payable		266,861	278,471	266,861	278,471
Current portion of Interest Bearing Loans and Borrowings	22	59,679	25,128	59,679	23,956
Total current liabilities		7,211,243	6,339,219	6,853,878	6,191,420
Total liabilities		14,322,389	12,490,491	13,960,235	12,350,902
Total Equity and Liabilities		48,291,418	44,630,994	47,496,836	44,107,019

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

Chief Finance Officer

The Board of Directors is responsible for these Financial Statements Approved and Signed for and on behalf of the board, by :

Chairman/Director

Director

The accounting policies and notes on pages 46 through 89 form an integral part of the financial statements.

29 July 2020

Colombo.

STATEMENT OF CHANGES IN EQUITY

Group	Attributable to Equityholders of the Parent						Non-controlling Interests	Total equity
	Stated capital	Revenue reserves	Revaluation surplus	Fair value reserve	Retained earnings	Total		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	
<i>Balance as at December 31, 2017</i>	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	
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	
Profit for the year	-	-	-	-	2,720,852	2,720,852	2,735,386	
Other comprehensive income	-	-	-	265,166	(22,029)	243,137	243,137	
Total comprehensive income for the year	-	-	-	265,166	2,698,824	2,963,990	2,978,523	
Dividends by the parent company	-	-	-	-	(1,150,000)	(1,150,000)	(1,150,000)	
Balance as at December 31, 2019	1,145,067	340,642	1,854,817	8,752,517	21,725,353	33,818,395	33,969,027	

The accounting policies and notes on pages 46 through 89 form an integral part of the financial statements.

For the year ended December 31, 2019

Company**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, 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 for the year	-	-	97,613	284,569	(11,192)	370,991
Total comprehensive income for the year	-	-	97,613	284,569	2,958,689	3,340,871
Dividends	-	-	-	-	(700,000)	(700,000)
Balance as at 31st December 2018	1,145,067	340,642	1,784,965	8,487,351	19,998,072	31,756,097
Profit for the year	-	-	-	-	2,686,799	2,686,799
Other comprehensive income for the year	-	-	-	265,166	(21,461)	243,705
Total comprehensive income for the year	-	-	-	265,166	2,665,338	2,930,504
Dividends	-	-	-	-	(1,150,000)	(1,150,000)
Balance as at December 31, 2019	1,145,067	340,642	1,784,965	8,752,517	21,513,410	33,536,601

The accounting policies and notes on pages 46 through 89 form an integral part of the financial statements.

STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	Group		Company		
	Note	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		3,999,899	3,173,831	3,927,792	3,217,303
Adjustment for:					
Depreciation of property, plant and equipment		892,193	896,603	865,273	872,398
Amortisation of deferred income		(386,846)	(368,069)	(386,846)	(368,069)
Amortisation of intangible asset		12,392	16,756	12,392	14,923
Depreciation of investment property		-	-	3,309	1,817
Depreciation - Right of use assets		-	-	67,120	-
Provision for retiring gratuity		191,546	142,901	190,254	142,517
Impairment of trade receivable		562,230	(2,026)	562,230	3,710
Provision for slow moving inventories		(74,115)	49,898	(74,115)	49,898
Gain/ (loss) on retirement of property, plant, and equipment		20,257	14,655	20,257	14,655
Interest income		(1,541,363)	(1,332,554)	(1,536,542)	(1,325,962)
Interest expense		162,203	20,307	145,259	16,426
Dividend income		(1,993,636)	(1,165,881)	(1,993,636)	(1,169,326)
Operating profit before working capital changes		1,844,760	1,446,420	1,802,746	1,470,289
(Increase)/decrease in inventories		(9,139)	(515,964)	72,103	(515,249)
(Increase)/decrease in advances and prepayments		181,072	(247,648)	176,872	(243,434)
Increase/(decrease) in trade and other receivables		(222,529)	(690,352)	(83,637)	(544,183)
Increase/(decrease) in trade and other payables		849,083	919,542	638,344	818,357
Increase/(decrease) in deferred income		581,565	627,393	581,565	627,393
Cash generated from operations		3,224,811	1,539,390	3,187,991	1,613,173
Income tax paid		(1,197,133)	(797,030)	(755,010)	(746,753)
Interest expense paid		(162,203)	(20,307)	(145,259)	(16,426)
Retiring gratuity paid		(59,851)	(37,179)	(59,585)	(37,089)
Net cash generated from operations		1,805,624	684,874	2,228,138	812,905
CASH FLOWS FROM INVESTING ACTIVITIES					
Net investments in other financial assets		(3,350,217)	(3,298,512)	(3,351,847)	(3,352,726)
Net acquisition of property, plant and equipment		(1,013,367)	(1,466,931)	(1,231,709)	(1,398,067)
Net acquisition of Right of use assets		-	-	(212,508)	-
Acquisition of Investment property		-	-	-	(68,943)
Interest income received		1,541,363	1,332,554	1,536,542	1,325,962
Dividend income received		1,993,636	1,165,881	1,993,636	1,169,326
Net cash generated from/ (used in) investing activities		(828,585)	(2,267,007)	(1,265,885)	(2,324,448)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to equity holders of the parent		(1,150,000)	(700,000)	(1,150,000)	(700,000)
Lease Liability on Net acquisition of Right of use assets		141,679	-	141,679	-
Dividend paid to shareholders of non controlling interest		-	(1,476)	-	-
Net cash used in financing activities		(1,008,321)	(701,476)	(1,008,321)	(700,000)
Net increase/ (decrease) in cash and cash equivalents		(31,282)	(2,283,609)	(46,069)	(2,211,543)
Cash and cash equivalents at the beginning of the year		392,255	2,675,865	387,947	2,599,488
Cash and cash equivalents at the end of the year		360,972	392,255	341,878	387,947

The accounting policies and notes on pages 46 through 89 form an integral part of the financial statements.

1 CORPORATE INFORMATION

1.1 General

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

1.2 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.

LECO Projects (Pvt) Ltd, a subsidiary, is engaged in provide infrastructure facilities for electricity distribution within the country. Ante Leco Metering Company (Pvt) Ltd, a subsidiary, is engaged in manufacture and trading of electricity meters.

1.3 Parent Entity and Ultimate Controlling Party

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

1.4 Date of Authorisation for Issue

The Financial Statements of Lanka Electricity Company (Private) Limited for the year ended 31 December 2019 were authorized for issue in accordance with a resolution of the Board of Directors on 29 July 2020.

2 BASIS OF PREPARATION

The Consolidated Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS and LKAS (hereafter referred as "SLFRS") as issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

The consolidated Financial Statements 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

These Financial Statements are presented in Sri Lankan Rupees and all values are rounded to the nearest thousand (000), except when otherwise indicated. The preparation and presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.1.1 Going Concern

The Company's Management has assessed its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on the going concern basis.

2.1.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

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

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

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in the profit or loss. Any investment retained is recognized at fair value.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

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.

2.1.3 Current Vs Non-Current Classification

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

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

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period or
- It does not have a right at reporting date to defer the settlement of the liability by transfer of cash or other assets for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.2 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.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Financial instruments risk management and policies Note 29
- Sensitivity analyses disclosures Notes 24

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

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.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when

leases are not in the subsidiary's functional currency the Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Revaluation 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.

Provision for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Fair value of financial assets at fair value through other comprehensive income

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 31 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 31 to the financial statements.

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.

2.3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Foreign currency Translation

The Financial Statements are presented in Sri Lankan Rupees, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. All exchange variances are charged to the Statement of Profit or Loss.

2.3.2 Taxation

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 Inland Revenue Act. No 24 of 2017 and amendments there to. All operating companies are liable to pay income tax at 28%.

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;

- 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
- 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:

- 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

- 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.

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.

Sales Tax

Revenues, expenses and assets are recognized net of the amount of sales tax except where the sales tax incurred on a purchase of assets or service is not recoverable from the taxation authorities in which case the sales tax is recognized as a part of the cost of the asset or part of the expense items as applicable and receivable and payable that are stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the reporting date.

2.3.3 Borrowing costs

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

2.3.4 Revenue from contracts with customers

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 electricity meters is generally expected to be the single performance obligation and 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.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group executed performance obligations under the contract.

Finance income

Finance income is recognized as the interest accrues unless collectability is in doubt.

Dividends

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

Other Income

Other income is recognised on an accrual basis.

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.

2.3.5 Intangible assets

Computer Software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of 5 years. Costs associated with maintaining computer software programs are recognized as an expense as incurred.

Technical Know How

Technical know-how is initially measured at cost. These costs are amortised over the contract period of 15 years.

2.3.6 Inventories

Inventories are stated at the lower of cost and net realizable value after making due allowances for slow moving and obsolete items. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated cost necessary to make the sale.

The cost incurred in bringing inventories to its present location and conditions are accounted using the following cost formulae:

Operational and maintenance goods	-	at actual cost on weighted average basis.
Goods-in-transit and other stocks	-	At actual cost
Raw Materials	-	At actual cost on weighted average basis
Finished Goods & Work in Progress	-	At the cost of direct materials, direct labour and an appropriate proportion of fixed and variable production overheads based on normal operating capacity in producing the products
Goods in Transit	-	At actual cost

2.3.7 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, which are subject to an insignificant risk of changes in value.

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 as they are considered an integral part of the Group's cash management.

2.3.8 Property, plant and equipment

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.

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.

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.

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.

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%

2.3.9 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

2.3.9.1 Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and short-term deposits, trade and other receivables and other financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its non-listed equity investments under this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired Or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) 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 a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset 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.

Impairment of Financial Assets

The 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 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 trade 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 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 historical experience and informed credit assessment and including forward-looking information.

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

- the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company 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.

2.3.9.2 Financial liabilities**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, 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.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and other financial liabilities net of directly attributable transaction costs.

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

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in 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 cost in the Statement of Profit or Loss.

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.

2.3.9.4 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.

2.3.9.5 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Management of the Group determines the policies and procedures for both recurring fair value measurement, such as Land and Building, Equity investments.

External valuers are involved for valuation of significant assets, such as Land and Building and unquoted financial assets. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Management decides, after discussions with the Group's external valuer, which valuation techniques and inputs to use for each case.

At each reporting date, the Management analyses the movements in the values of assets which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Management, in conjunction with the Group's external valuer, also compares the change in the fair value of each asset with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.3.10 Investment property

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. 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.

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
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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.

2.3.11 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.

Warranty Provision

The Company provides warranties for general repairs of defects, in accordance with the company's customary business practices. Provisions related to these assurance-type warranties are recognized when the product is sold. Initial recognition is based on historical experience. The initial estimate of warranty related costs is revised annually.

2.3.12 Retirement benefit obligations

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. These costs are included in statement of Profit or Loss.

Defined benefit plan – gratuity

The Group measures the present value of the promised retirement benefits of gratuity, which is a defined benefit plan with the advice of an independent actuary.

For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimation provided by the qualified actuary is used.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Re-measurements, comprising of actuarial gains and losses, excluding net interest (not applicable to the Group), are recognized immediately in the statement of financial position with a corresponding debit or credit to retained earnings through Other Comprehensive Income in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The Group recognises the following changes in the net defined benefit obligation under 'cost of sales' and 'administration expenses' in the Statement of Profit or Loss:

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements
- Net interest expense or income

However, as per the payment of Gratuity Act No. 12 of 1983 this liability only arises upon completion of 5 years of continued service. The gratuity liability is not externally funded.

2.3.13 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.

2.3.14 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the

commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and Building 2 to 4 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Impairment of non-financial assets.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 22).

Group as a Lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

2.3.15 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

The Group present the grant in the statement of financial position as deferred income, which is recognised in profit or loss on a systematic and rational basis over the useful life of the asset.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations

The Group applied SLFRS 16 and IFRIC-23 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

SLFRS 16 Leases

SLFRS 16 supersedes LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SLFRS 16 is, however, substantially unchanged from present accounting under LKAS 17. Lessors continue to classify all leases using the same classification principle as in LKAS 17 and distinguish between two types of leases: operating leases and finance leases. One exception is that SLFRS 16 requires the intermediate lessor to classify the sublease by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. However, this change does not have an impact on the Group's classification of the subleases. Therefore, SLFRS 16 does not have an impact for leases where the Group is the lessor.

The Company adopted SLFRS 16 using the modified retrospective method of adoption with the date of initial application of 01 January 2019. The Company elected to use the transition practical expedient to not reassess whether a contract is or contains a lease at 01 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying LKAS 17 and IFRIC 4 at the date of initial application.

The Company has lease contracts for various branches. Before the adoption of SLFRS 16, the Company classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease.

Upon adoption of SLFRS 16, the Company applied a single recognition and measurement approach for all leases except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Company.

Leases previously accounted for as operating leases

The Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short term leases (leases with a lease term of 12 months or less) and leases of low-value assets. The right-of use assets were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application.

In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 January 2019:

- Right-of-use assets of Rs. 212,508 Mn. (Company) were recognised and presented in the statement of financial position within "Right-of-use assets".

Additional lease liabilities of Rs. 212,508 Mn. (included in "Interest bearing Loans and Borrowings") were recognised.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions where the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

3.1 Comparative Information

Presentation and classification of the financial statements of the previous year have been amended, where relevant for better presentation and to be comparable with those of current year. These have not resulted any change in results of the Company and Group.



	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
4 REVENUE				
Industrial	4,554,172	4,429,734	4,554,172	4,429,734
Hotels	1,153,342	1,173,299	1,153,342	1,173,299
Domestics	12,978,108	12,049,541	12,978,108	12,049,541
Commercial	13,671,689	13,186,571	13,671,689	13,186,571
Street light	4,297	6,553	4,297	6,553
Religious	92,016	88,245	92,016	88,245
Temporary connections	6,933	9,946	6,933	9,946
Meter sales	1,250,373	883,201	-	-
Sale of electricity	<u>33,710,930</u>	<u>31,827,090</u>	<u>32,460,557</u>	<u>30,943,889</u>
5 OTHER OPERATING INCOME				
Amortisation of Consumer Contribution	381,033	362,256	381,033	362,256
Amortisation of Government Grants	5,813	5,562	5,813	5,562
Recoveries from customers	363,969	360,025	363,969	360,025
Gain/ (loss) on disposal of property, plant, and equipment	(20,257)	(14,655)	(20,257)	(14,655)
Sundry Income	9,198	3,436	7,815	2,842
Dividend Income	1,993,636	1,165,881	1,993,636	1,169,326
	<u>2,733,393</u>	<u>1,882,505</u>	<u>2,732,010</u>	<u>1,885,355</u>
6 NET FINANCE INCOME				
6.1 Finance income				
Interest on staff loans and concessionary loans to consumers	23,550	60,916	23,432	60,536
Interest on term deposits	1,517,813	1,271,180	1,513,110	1,265,426
Interest on government securities	-	458	-	-
	<u>1,541,363</u>	<u>1,332,554</u>	<u>1,536,542</u>	<u>1,325,962</u>
Finance cost				
Interest expense on consumer deposits	78,331	13,680	78,331	13,680
Interest expense on bank overdrafts and bank charges	19,565	6,627	2,621	2,746
Lease interest	15,472	-	15,472	-
Interest for NSB Sooriya Bala Sangramaya Loan Scheme	48,834	40,318	48,834	40,318
	<u>162,203</u>	<u>60,624</u>	<u>145,259</u>	<u>56,744</u>



7 PROFIT BEFORE TAXATION

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

	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Directors' emoluments	1,441	4,034	1,441	3,999
Audit fees	2,800	3,152	2,500	2,700
Depreciation - Property, plant and equipment	892,193	896,603	865,273	872,398
Depreciation - Right of use assets	-	-	67,120	-
Amortisation - Intangible asset	12,392	16,756	12,392	14,923
Depreciation of investment property	-	-	3,309	1,817
Donations and contribution	320	1,548	-	-
Public relations and advertising	39,947	28,457	39,947	28,457
Impairment of obsolete and slow moving inventories	74,115	49,898	74,115	49,898
Impairment of trade receivables	562,230	(2,026)	562,230	3,710
Staff cost (Note 7.1)	3,258,693	3,188,212	3,220,282	3,178,961

7.1 Staff cost

Salaries and wages	1,803,483	1,787,790	1,781,595	1,782,941
Other staff related costs	384,520	349,314	378,888	346,842
Bonus	216,466	222,143	214,603	221,746
Overtime	392,558	388,090	388,218	387,740
Contribution to Employee Provident Fund (EPF)	249,771	248,081	247,120	247,423
Contribution to Employee Trust Fund (ETF)	49,985	49,893	49,411	49,752
Retirement benefit obligations (Gratuity)	161,910	142,901	160,447	142,517
	<u>3,258,693</u>	<u>3,188,212</u>	<u>3,220,282</u>	<u>3,178,961</u>



	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
8 INCOME TAX EXPENSE				
Current income tax expense				
Income Tax Expenses for the year (Note 8.1)	715,543	644,202	704,217	644,202
(Over)/ under provision in respect of previous years	(49,955)	(18)	(49,955)	-
Deferred Tax Charge/(Reversal) for the year	598,925	(408,055)	586,731	(396,779)
Income tax expense/ (reversal)	1,264,513	236,129	1,240,993	247,423
8.1 Income Tax				
Major components of income tax expenses are as follows				
Profit before tax	3,999,758	3,173,831	3,927,792	3,217,304
Other Sources of Income	(3,915,394)	(2,863,923)	(3,911,212)	(2,857,545)
Aggregate allowable items	(1,116,116)	(921,988)	(1,089,021)	(858,351)
Aggregate disallowable items	1,717,610	1,142,687	1,684,128	1,114,841
Business Profit	685,859	530,606	611,687	616,249
Other Sources of Income				
Interest income	1,540,724	1,332,341	1,536,542	1,325,962
Taxable consumer contribution income	366,830	358,509	366,830	358,509
Statutory income from business	2,593,412	2,221,456	2,515,059	2,300,720
<i>Less</i>				
Tax loss utilised	(37,901)	(6,336)	-	-
Taxable Income	2,555,511	2,215,119	2,515,059	2,300,720
Tax Rate	28%	28%	28%	28%
Tax on profit for the year	715,543	644,202	704,217	644,202
8.2 Deferred tax expenses / (Reversal)				
Origination and reversal of temporary differences	545,940	(232,549)	533,967	(221,273)
Break up of deferred tax expense				
<i>Expense recognized in;</i>				
Profit or loss	598,925	(408,055)	586,731	(396,779)
Other comprehensive income	(52,985)	175,506	(52,765)	175,506
	545,940	(232,549)	533,967	(221,273)



	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
8 INCOME TAX EXPENSE (Contd...)				
8.3 Deferred tax liability				
Balance as at the beginning of the year	573,810	806,359	583,733	805,005
<i>Origination/ (reversal) of temporary differences</i>				
Recognised in profit or loss	598,925	(408,055)	586,731	(396,779)
Recognised in other comprehensive income	(52,985)	175,506	(52,765)	175,506
Balance as at the end of the year	<u>1,119,750</u>	<u>573,810</u>	<u>1,117,700</u>	<u>583,733</u>
Closing deferred tax asset, liabilities relates to the following				
Deferred tax liability				
Accelerated depreciation s for tax purposes	1,186,963	552,990	1,184,077	550,492
Right of Use Assets	3,150		1,039	
Impact on revaluation	745,385	745,385	745,385	745,385
Fair value of FVOCI - Impact on Financial Instrument	53,693	98,112	53,693	98,112
	<u>1,989,191</u>	<u>1,396,487</u>	<u>1,984,194</u>	<u>1,393,990</u>
Deferred tax asset				
Deferred income on consumer contribution	(160,104)	(280,331)	(160,104)	(280,331)
Employee benefit liability	(320,370)	(283,496)	(319,603)	(283,016)
Provision for obsolete and slow moving inventories	(78,519)	(99,271)	(78,519)	(99,271)
Tax lossess available for off set against future taxable income	-	(10,612)	-	-
Provision for impairment of trade and other receivables	(310,449)	(148,967)	(308,269)	(147,639)
	<u>(869,441)</u>	<u>(822,677)</u>	<u>(866,495)</u>	<u>(810,257)</u>
	<u>1,119,750</u>	<u>573,810</u>	<u>1,117,700</u>	<u>583,733</u>

Deferred tax is calculated at the rate of 28%, which is the tax rate effective from 1st January 2019 as per Inland Revenue Act No. 24 of 2017

8.4 As per the interview held on 22nd December 2009, 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 tax the consumer contribution on the following basis;

- From the year of assessment 2007/2008 onward, the consumer contribution will be taxed to be compatible with the rates of capital allowances.
- The remaining of the consumer contributions at the beginning of the year of assessment 2007/2008, taxed on accounting amortization basis, over twenty years.

Accordingly, from 2007/08 - 2017/18, company taxed the consumer contribution based on the applicable capital allowance rates for the respective periods.

Due to the introduction of Inland Revenue Act No. 24 of 2017, the aforesaid decision dated 22/12/2009 has no application.

Therefore, from 2018/19 onwards, by following the provision in section 21 of Inland Revenue Act No 24 of 2017, income recognized in the Income Statement shall be taxed as it is. Accordingly, consumer contribution is taxed on accounting amortization basis over 20 years.


9 BASIC EARNINGS PER SHARE

9.1 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.

9.2 The following reflects the income and share data used in the Basic Earnings Per Share computation:

	Group		Company	
	2019	2018	2019	2018
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Amount use as the Numerator :				
Net profit for the year attributable to ordinary shareholders	<u>2,720,852</u>	<u>2,946,320</u>	<u>2,686,799</u>	<u>2,969,879</u>
Number of Ordinary Shares used as the Denominator :				
Current number of ordinary shares	<u>114,507</u>	<u>114,507</u>	<u>114,507</u>	<u>114,507</u>
Basic earnings per share	<u>23.76</u>	<u>25.73</u>	<u>23.46</u>	<u>25.94</u>



10 PROPERTY PLANT AND EQUIPMENT

10.1 Group

	Freehold land	Freehold building	Motor vehicles	Computers	Office equipment	Plant and machinery	Supply of infrastruc- ture	Capital working- progress	Total
<i>Cost / Fair Value</i>	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance as at January 01, 2019	2,835,857	906,667	1,456,955	358,898	435,758	151,912	22,454,165	884,541	29,484,752
Additions	12,738	67,153	5,978	13,507	74,728	12,726	1,072,413	1,232,171	2,491,415
Transfers	-	-	-	-	-	-	-	(1,118,216)	(1,118,216)
Disposals	-	(2,116)	(6,671)	-	-	-	(79,303)	(3,377)	(91,467)
Balance as at December 31, 2019	2,848,595	971,704	1,456,262	372,405	510,486	164,638	23,447,275	995,119	30,766,476
Depreciation									
Balance as at January 01, 2019	-	34,652	834,229	296,662	364,353	76,367	14,710,301	-	16,316,565
Depreciation for the year	-	29,579	133,890	24,947	53,421	18,363	635,301	-	895,501
Disposals / adjustments	-	(101)	(6,671)	-	-	-	(52,539)	-	(59,312)
Balance as at December 31, 2019	-	64,130	968,119	321,609	417,774	94,730	15,293,063	-	17,152,755
Written down value									
- As at December 31, 2019	2,848,595	907,574	488,143	50,796	92,712	69,908	8,154,212	995,119	13,613,721
- As at December 31, 2018	2,835,857	872,014	622,725	62,236	71,405	75,545	7,743,863	884,541	13,168,188

10 PROPERTY PLANT AND EQUIPMENT
10.2 Company

	Freehold land	Freehold building	Motor vehicles	Computers	Office equipment	Supply of infrastructure	Capital working-progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Cost / Fair Value								
Balance as at January 01, 2019	2,807,328	725,984	1,358,864	355,877	496,195	22,454,163	884,569	29,082,980
Additions	12,738	67,153	5,978	13,507	74,112	1,072,413	1,175,233	2,421,135
Transfer	-	-	-	-	-	-	(1,118,216)	(1,118,216)
Disposals / Adjustments	-	(2,116)	(6,671)	-	-	(79,303)	(3,377)	(91,467)
Balance as at December 31, 2019	2,820,066	791,021	1,358,171	369,384	570,307	23,447,273	938,209	30,294,432
Depreciation								
Balance as at January 01, 2019	-	28,602	811,017	294,477	363,395	14,710,302	-	16,207,792
Depreciation for the year	-	18,728	133,890	24,627	52,728	635,301	-	865,273
Disposals / adjustments	-	(101)	(6,671)	-	-	(52,539)	-	(59,312)
Balance as at December 31, 2019	-	47,228	938,236	319,104	416,123	15,293,063	-	17,013,754
Written down value								
- As at December 31, 2019	2,820,066	743,793	419,935	50,280	154,184	8,154,210	938,209	13,280,678
- As at December 31, 2018	2,807,328	697,382	486,306	61,398	194,341	7,743,862	884,570	12,875,186
Fully depreciated assets								
- As at December 31, 2019	-	-	289,677	246,873	211,457	7,962,746	-	8,710,753
- As at December 31, 2018	-	-	264,732	226,953	195,954	6,045,474	-	6,733,114

- 10.3** 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	
	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000	2019 Rs.'000	2018 Rs.'000
Cost	616,789	604,051	525,484	458,331	1,142,274	1,062,382
<i>Less;</i>						
Accumulated depreciation	-	-	147,535	135,238	147,535	135,238
Carrying value	616,789	604,051	377,949	323,093	994,738	927,144

- 10.4** On a once in three year basis the group engages a valuer to determine the fair value of land and building. When significant change in fair value are expected between two valuations that necessitated a make regular basis of valuation adopted. The board based on its judgment ensure that the carrying amount do not differ materially with fair value at the end of the reporting period.

11 INVESTMENT PROPERTIES

	Company	
	2019 Rs.'000	2018 Rs.'000
Cost		
As at 01st January	132,224	63,281
Additions during the year	-	68,943
As at 31st December	132,224	132,224
Accumulated depreciation		
As at 01st January	4,377	2,560
Charge for the year	3,309	1,817
As at 31st December	7,686	4,377
Written down value	124,538	127,847

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, 2019.

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.



	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
12 INTANGIBLE ASSETS				
Cost				
Balance as at 01st January	110,293	85,439	82,614	57,760
Additions	-	24,854	-	24,854
Balance as at 31st December	110,293	110,293	82,614	82,614
Amortisation				
Balance as at 01st January	58,254	41,498	39,742	24,819
Charge for the year	14,225	16,756	12,392	14,923
Balance as at 31st December	72,480	58,254	52,134	39,742
Net book value as at December 31	37,813	52,038	30,479	42,872

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	
			2019 Rs. '000	2018 Rs. '000
13 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	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME				
West Coast Power (Private) Limited (Note 14.1)	10,806,210	10,585,463	10,806,210	10,585,463
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
	10,826,210	10,605,463	10,826,210	10,605,463
Less: Impairment of Investments	(20,000)	(20,000)	(20,000)	(20,000)
	10,806,210	10,585,463	10,806,210	10,585,463

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Contd..)	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
14.1 West Coast Power (Private) Limited				
Balance as at 01st January	10,585,463	10,269,276	10,585,463	10,269,276
Remeasurement recognized in Other Comprehensive Income	220,747	316,187	220,747	316,187
Balance as at 31st December	<u>10,806,210</u>	<u>10,585,463</u>	<u>10,806,210</u>	<u>10,585,463</u>

Equity investments designated at FVOCI include investments in equity shares of non listed company. The group hold non controlling interest in this company. These investments were irrecoverably designated as FVOCI as group consider these investments to be strategic in nature.

Group received dividend in the amount of Rs 1,993,636,364 from West Coast Power (Private) Ltd

15 ADVANCE FOR SHARES	Company	
	2019 Rs. '000	2018 Rs. '000
Ante LECO Metering Company (Pvt) Ltd - Application for Shares	<u>47,085</u>	<u>47,085</u>

16 RIGHT OF USE ASSETS

The key assumptions used for the computation of operating lease liabilities include the following:

Incremental Borrowing rate	9.75%
Lease Period	2 to 4 years

	Group 2019 Rs. '000	Company 2019 Rs. '000
Gross Carrying Amount		
Impact of first time adoption of SLFRS 16 as at 01 January 2019	212,508	212,508
Additions	-	-
As at 31st December 2019	<u>212,508</u>	<u>212,508</u>
Depreciation		
Charge for the year	(67,120)	(67,120)
As at 31st December 2019	<u>(67,120)</u>	<u>(67,120)</u>
Net Book Value		
As at 31st December 2019	<u>145,388</u>	<u>145,388</u>

Impact on statement of profit or loss is as follows;

Depreciation during the year	(67,120)	(67,120)
	<u>(67,120)</u>	<u>(67,120)</u>

Land & Building leases have a remaining lease period of 1-3 years from its initial recognition date.



	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
19 OTHER FINANCIAL ASSETS				
Loans given to employees (Note 19.1)	1,679,429	1,569,033	1,679,429	1,567,772
Loans given to consumers	71,779	83,010	71,779	83,010
Investments in debt instruments - Amortized cost (Note 19.2)	15,905,707	12,654,654	15,865,707	12,614,285
	<u>17,656,915</u>	<u>14,306,698</u>	<u>17,616,915</u>	<u>14,265,068</u>
Current	15,905,707	12,655,916	15,865,707	12,614,285
Non-current	1,751,207	1,650,782	1,751,207	1,650,782
	<u>17,656,915</u>	<u>14,306,698</u>	<u>17,616,915</u>	<u>14,265,068</u>
19.1 Loans given to employees				
Festival advances	4,126	4,411	4,126	4,411
Medical loans	4,184	7,760	4,184	7,760
Vehicle and distress loan (Note 19.1.1)	1,671,119	1,556,863	1,671,119	1,555,601
	<u>1,679,429</u>	<u>1,569,033</u>	<u>1,679,429</u>	<u>1,567,772</u>
19.1.1 Loans given to employees				
Employees' loan balance (Note 19.1.1.1)	1,337,921	1,277,372	1,337,921	1,277,372
Prepaid expenses (Note 19.1.1.2)	333,198	278,229	333,198	278,229
	<u>1,671,119</u>	<u>1,555,601</u>	<u>1,671,119</u>	<u>1,555,601</u>
19.1.1.1 Employees' loan balance				
Balance before fair value adjustment	1,277,372	917,735	1,277,372	917,735
New loans granted during the year	548,879	697,988	548,879	697,988
Recoveries from employees	(407,379)	(333,400)	(407,379)	(333,400)
	1,418,872	1,282,323	1,418,872	1,282,323
Fair value adjustment on loans granted at below market interest rate	(80,951)	(4,950)	(80,951)	(4,950)
Balance at the end of the year	<u>1,337,921</u>	<u>1,277,372</u>	<u>1,337,921</u>	<u>1,277,372</u>
Loans to members				
Distress loan	565,922	500,673	565,922	500,673
Vehicle loan	771,999	776,699	771,999	776,699
	<u>1,337,921</u>	<u>1,277,372</u>	<u>1,337,921</u>	<u>1,277,372</u>
19.1.1.2 Prepaid expense				
Distress loan	146,101	131,993	146,101	131,993
Vehicle loan	187,097	146,236	187,097	146,236
	<u>333,198</u>	<u>278,229</u>	<u>333,198</u>	<u>278,229</u>


19 OTHER FINANCIAL ASSETS (Contd...)

The fair value adjustment arises on members' loans granted at a beneficial rate.

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
New loans granted during the year				
Distress loan	288,546	245,342	288,546	245,342
Vehicle loan	260,332	452,645	260,332	452,645
	<u>548,879</u>	<u>697,988</u>	<u>548,879</u>	<u>697,988</u>
19.2 Investments in debt instruments - Amortized cost				
Investments in Term deposits (REPO)	1,791,000	1,157,524	1,791,000	1,300,285
Investment in Fixed deposits	14,114,707	11,497,130	14,074,707	11,314,000
	<u>15,905,707</u>	<u>12,654,654</u>	<u>15,865,707</u>	<u>12,614,285</u>

20 CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents comprise the following;

Cash in-hand and bank	366,494	416,210	347,399	411,902
Cash and cash equivalents in the statement of financial position	366,494	416,210	347,399	411,902
Bank Overdraft	(5,521)	(23,956)	(5,521)	(23,956)
Cash and cash equivalents for the purpose of Cash Flow	<u>360,972</u>	<u>392,255</u>	<u>341,878</u>	<u>387,947</u>

21 CAPITAL AND RESERVE

	2019	2018	2019	2018
	Number	Number	Rs.'000	Rs.'000
21.1 Stated Capital				
Company/ Group				
Issued and fully paid ordinary shares				
'A' Shares	11,358,026	11,358,026	1,135,803	1,135,803
'B' Shares	92,639	92,639	9,264	9,264
	<u>11,450,665</u>	<u>11,450,665</u>	<u>1,145,067</u>	<u>1,145,067</u>

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.

21.2 Reserves
Revaluation Reserves on valuation of land and buildings

- Land	1,727,701	1,734,202	1,727,701	1,727,701
- Buildings	57,264	120,615	57,264	57,264
	<u>1,854,817</u>	<u>1,854,817</u>	<u>1,784,965</u>	<u>1,784,965</u>



21 CAPITAL AND RESERVE (Contd...)

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
21.3 Revenue Reserves				
- Asset replacement reserve (Note 21.2.2.1)	311,642	311,642	311,642	311,642
- Insurance reserve (Note 21.2.2.2)	29,000	29,000	29,000	29,000
	<u>340,642</u>	<u>340,642</u>	<u>340,642</u>	<u>340,642</u>

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

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

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
21.4 Fair Value Reserve				
Balance as at January 01,	8,487,351	8,202,782	8,487,351	8,202,782
Add : Gain on FVOCI instruments	220,747	316,187	220,747	316,187
Effect of deferred tax	44,419	(31,619)	44,419	(31,619)
	<u>265,166</u>	<u>284,569</u>	<u>265,166</u>	<u>284,569</u>
Balance as at December 31,	<u>8,752,517</u>	<u>8,487,351</u>	<u>8,752,517</u>	<u>8,487,351</u>
Total other components of equity as at December 31,	<u>10,947,974</u>	<u>10,682,809</u>	<u>10,878,123</u>	<u>10,612,958</u>

22 INTEREST BEARING LOANS AND BORROWINGS

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Leases (Note 22.1)	141,679	-	141,679	-
Bank Overdraft	5,521	25,128	5,521	23,956
	<u>147,200</u>	<u>25,128</u>	<u>147,200</u>	<u>23,956</u>

22.1 Leases

Balance as at 01, January	-	-	-	-
Impact of first time adoption of SLFRS 16 as at 01 January 2019	174,386	-	174,386	-
Accretion of interest	15,472	-	15,472	-
Lease payment during the year	(48,179)	-	(48,179)	-
Balance as at 31, December	<u>141,679</u>	<u>-</u>	<u>141,679</u>	<u>-</u>
Amount repayable within one year	59,679	25,128	59,679	23,956
Amount payable more than one year	87,521	-	87,521	-
	<u>147,200</u>	<u>25,128</u>	<u>147,200</u>	<u>23,956</u>



	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
23 DEFERRED INCOME				
Deferred income on consumer contributions (Note 23.1)	4,675,304	4,474,772	4,675,304	4,474,772
Deferred income on ADB grant (Note 23.2)	84,393	90,206	84,393	90,206
	<u>4,759,696</u>	<u>4,564,978</u>	<u>4,759,696</u>	<u>4,564,978</u>
23.1 Deferred income on consumer contributions				
Balance as at January 01	4,474,772	4,209,635	4,474,772	4,209,635
Consumer contributions during the year	581,565	627,393	581,565	627,393
Transferred to profit or loss	(381,033)	(362,256)	(381,033)	(362,256)
Balance as at December 31,	<u>4,675,304</u>	<u>4,474,772</u>	<u>4,675,304</u>	<u>4,474,772</u>
23.2 Deferred income on ADB grant				
Balance as at January 01	90,206	96,019	90,206	90,206
Transferred to profit or loss	(5,813)	(5,813)	(5,813)	(5,813)
Balance as at December 31,	<u>84,393</u>	<u>90,206</u>	<u>84,393</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	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
24 POST EMPLOYMENT BENEFIT LIABILITIES				
24.1 Balance as at January 01,	1,012,484	891,247	1,010,771	889,799
- Current service cost	49,597	44,852	49,262	44,639
- Interest on obligation	111,354	98,050	111,185	97,878
- Actuarial (gains)/losses on obligation	30,595	15,516	29,807	15,544
- Payments made during the year	(59,851)	(37,179)	(59,585)	(37,011)
Balance as at December 31,	<u>1,144,179</u>	<u>1,012,484</u>	<u>1,141,440</u>	<u>1,010,771</u>

24.2 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.

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
Profit or loss				
- Current service cost	49,597	44,852	49,262	44,639
- Interest on obligation	111,354	98,050	111,185	97,878
	<u>160,951</u>	<u>125,552</u>	<u>160,447</u>	<u>142,517</u>
Others comprehensive income				
- Actuarial (gains)/ losses on obligation	30,595	15,516	29,807	15,544
	<u>30,595</u>	<u>15,516</u>	<u>29,807</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.



24 POST EMPLOYMENT BENEFIT LIABILITIES (Contd...)

Principal actuarial assumptionsent		2019	2018
- Discount rate		11%	11%
- Salary Increase		25%	25%
- 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	0.96%	0.96%
	Age above 50	0%	0%

24.3 Sensitivity of Assumptions Employed in Actuarial Valuation

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 and discount rate has the following effects on retirement benefit obligations.

Change in Assumptions	Effect in Post Employment Benefit Liabilities (Rs. 000')
+1% Change in discount rate	Rs 1,058,221
-1% Change in discount rate	Rs 1,240,648
+1% Change in rate of salary increase	Rs 1,172,710
-1% Change in rate of salary increase	Rs 1,115,869

	Group		Company	
	2019 Rs. '000	2018 Rs. '000	2019 Rs. '000	2018 Rs. '000
25 TRADE AND OTHER PAYABLES				
Trade payable - Related parties (Note 25.1)	5,294,391	4,526,744	5,032,104	4,527,048
Trade payable - Other	899,833	677,320	878,221	932,008
Other payables - Related parties (Note 25.2)	156	45,965	-	-
Other payables - Other	196,417	506,994	176,713	182,708
Sundry creditors including accrued expenses	493,906	278,599	440,300	247,231
	6,884,702	6,035,620	6,527,338	5,888,994
25.1 Trade payable - related parties				
Ceylon Electricity Board	5,294,391	4,526,744	5,032,104	4,527,048
	5,294,391	4,526,744	5,032,104	4,527,048
26.2 Other payables - related parties				
Ceylon Electricity Board	156	5,799	-	-
Ante Meter Co, China	-	40,166	-	-
	156	45,965	-	-

26 COMMITMENTS AND CONTINGENCIES
26.1 Contingent Liabilities

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

26.2 Capital Expenditure Commitments

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

27 ASSETS PLEDGE

Following assets have been pledged as security for liabilities.

Nature of assets	Nature of liabilities	Carrying amount of pledged assets	
		2019 Rs.'000	2018 Rs.'000
Fixed deposits	Bank overdraft facilities of People's Bank	241,552	1,300,285
Fixed deposits	SMI loan schemes of People's Bank	57,518	57,456
Fixed deposits	Staff loan schemes of SMIB Bank and HDFC Bank facilities	1,061,638	893,251
		1,360,707	2,250,992

28 RELATED PARTY DISCLOSURES

28.1 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.

Transactions with Key Management Personnel of the Company or its Parent

The key Management Personnel of the Company and the members of its Board of Directors

(i) Loans given to directors

No loans have been given to directors of the company.

(ii) Key Management Personnel compensation

	2019 Rs.'000	2018 Rs.'000
Key Management Personal compensation		
Directors fees and short term benefits	1,441	2,921



28 RELATED PARTY DISCLOSURES (Contd...)

(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, 2019.

Name of the company	Relationship	Nature of transaction	Amount Rs.'000	Balance due from/ (to)	
				2019 Rs.'000	2018 Rs.'000
Ceylon Electricity Board	Immediate parent	Purchase of electricity	(27,182,128)	(5,032,104)	(4,527,048)
		Payments for electricity	36,799,539	595,907	30,753
		Dividend paid	630,708		
		Meter sales	1,076,347		
		NET Metering	565,153		
Ante Leco Metering Company (Private) Limited (ALMC)	Subsidiary	Rent on leased asset	4,273	37,427	34,999
Leco Projects (Private) Limited	Subsidiary	Receivable	(3)	5,145	5,141
Treasury	Other major shareholder	Dividend paid	500,949	-	-

28.2 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 28.1)

Government institution	Nature of the transaction	As at December	As at December
		31, 2019 Rs.'000	31, 2018 Rs.'000
People's Bank	Deposits	6,532,552	10,549,579
Bank of Ceylon	Deposits	2,200,076	60
National Savings Bank	Deposits	6,014,000	1,114,000
State Mortgage & Investment Bank	Deposits	57,442	57,396
HDFC	Deposits	1,061,638	893,251
		15,865,707	12,614,285

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:


28 RELATED PARTY DISCLOSURES (Contd...)

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.

29 FINANCIAL INVESTMENTS RISK MANAGEMENT

The group's principal financial liabilities, comprise trade and other payables and loans and borrowings, The main purpose of these financial liabilities is to finance the group's operations. The group's principal financial assets include trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

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

The group's senior management oversees the management of these risks. The company's senior management is supported by the Board of Directors that advises on financial risks and the appropriate financial risk governance framework for the company. BOD provides assurance to the group'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.

29.1 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, equity price risk.

Financial Instruments affected by market risk include deposits, equity investments.

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.

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 group transacts business both in local currency and in foreign currency, primarily U.S. dollars when in foreign currency. The group 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 group may enter into appropriate hedging products to mitigate this risk.

The following significant exchange rates were applied during the year:

	Average Rate	Reporting Date Spot Rate	
	2019	31-Dec-2019	31-Dec-2018
USD	178.63	181.50	182.75

29 FINANCIAL INVESTMENTS RISK MANAGEMENT (Contd...)

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

Equity price risk

The group's non listed equity installments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The groups Board of Directors review and approve all equity investment decisions.

29.2 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 group 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.

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 licensed commercial banks registered with Central Bank, with appropriate credit ratings.

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

	31-Dec-2019	31-Dec-2018
	Rs.'000	Rs.'000
Trade receivables	3,140,238	2,489,499
Other receivables	976,327	1,531,981
Other financial assets	17,616,915	14,265,068
Cash and cash equivalents	347,399	411,902


29 FINANCIAL INVESTMENTS RISK MANAGEMENT (Contd...)

- b) Deposits with institutions and their credit rating details are as follows. The group held current financial assets other than cash in various financial and related institutions.

Institute	Instrument	Credit Rating for 2019	Instrument value Rs'000
Bank of Ceylon	Fixed Deposit	AA+	2,200,076
National Savings Bank	Fixed Deposit	AA+	6,014,000
People's Bank	Fixed Deposit	AA+	4,741,552
People's Bank	REPO	AA+	1,791,000
State Mortgage & Investment Bank	Fixed Deposit		57,442
HDFC	Fixed Deposit		1,061,638
			15,865,707

29.3 Liquidity risk

The liquidity risk of the group 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 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 trade receivables and the company has a heavy cash surpluses the liquidity risk is minimised.

	31-Dec-2019 Rs.'000	31-Dec-2018 Rs.'000
Trade payables	5,910,325	5,459,056
Other payables	617,013	429,938
	6,527,338	5,888,994



30 CLASSIFICATION OF FINANCIAL ASSET AND FINANCIAL LIABILITIES - GROUP

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 9- Financial Instruments.

As at December 31, 2019	Financial assets at FVOCI	Financial assets at amortised cost	Financial liabilities	Total carrying amount
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets				
Trade and other receivables	-	3,331,396	-	3,331,396
FVOCI	10,806,210	-	-	10,806,210
Other financial asset	-	17,656,915	-	17,656,915
Cash and bank balances	-	366,494	-	366,494
Total financial assets	10,806,210	21,354,805	-	32,161,015
Financial liabilities				
Trade and other payables	-	-	6,884,702	6,884,702
Interest Bearing Loans and Borrowings	-	-	147,200	147,200
Total financial liabilities	-	-	7,031,902	7,031,902
<i>As at December 31, 2018</i>				
Financial assets				
Trade and other receivables	-	3,671,098	-	3,671,098
Available for sale financial assets	10,585,463	-	-	10,585,463
Other financial asset	-	14,306,698	-	14,306,698
Cash and bank balances	-	416,210	-	416,210
Total financial assets	10,585,463	18,394,006	-	28,979,469
Financial liabilities				
Trade and other payables	-	-	6,035,620	6,035,620
Interest Bearing Loans and Borrowings	-	-	23,956	23,956
Total financial liabilities	-	-	6,059,575	6,059,575

31 FAIR VALUE

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

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

- a. The Management assessed that cash and 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.
- b. Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at December 31, 2019, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

31.1 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.


31 FAIR VALUE (Contd...)

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, 2019 the Company held the following Financial instruments carried at fair value on the statement of financial position.

Assets measured at fair value	Date of valuation	2019	Level 1	Level 2	Level 3
FVOCI - Financial Assets					
Unquoted Equity Shares (Note 14)	31-Dec-19	10,806,210	-	-	10,806,210
Land and Building	31-Dec-17	3,563,859	-	-	3,563,859

Description of significant unobservable inputs to valuation of FVOCI - Financial assets

Fair value of unquoted equity investments has been estimated using market Market Multiple Methodology (MMM). Under MMM approach value is estimated based on suitable levels of future earnings for a business ("maintainable earnings") and applies an appropriate multiple to these earnings, capitalizing them into a value for the business. Company applies EBIT as earning base. To identify appropriate peers to use in reviewing the fair value of West Coast Power (Private) Ltd , listed companies involved in the supply of electricity using fossil fuel in the Asian Region were analysed. Outliers were estimated based on the differences in the nature of operations and size of the entities.

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, 2019.

Company held 18.8% stake in West Coast Power (Private) Ltd.

32 EVENTS OCCURRING AFTER THE REPORTING DATE

32.1 No circumstances have arisen since the Statement of Financial Position date, which would require adjustments to or disclose in the Financial Statements.

32.2 The Group do not have impact of COVID-19 as reporting period ended on 31 December 2019.



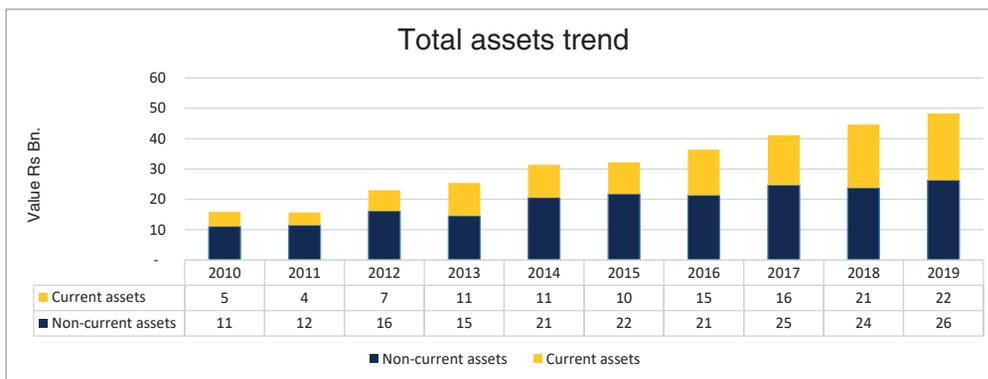
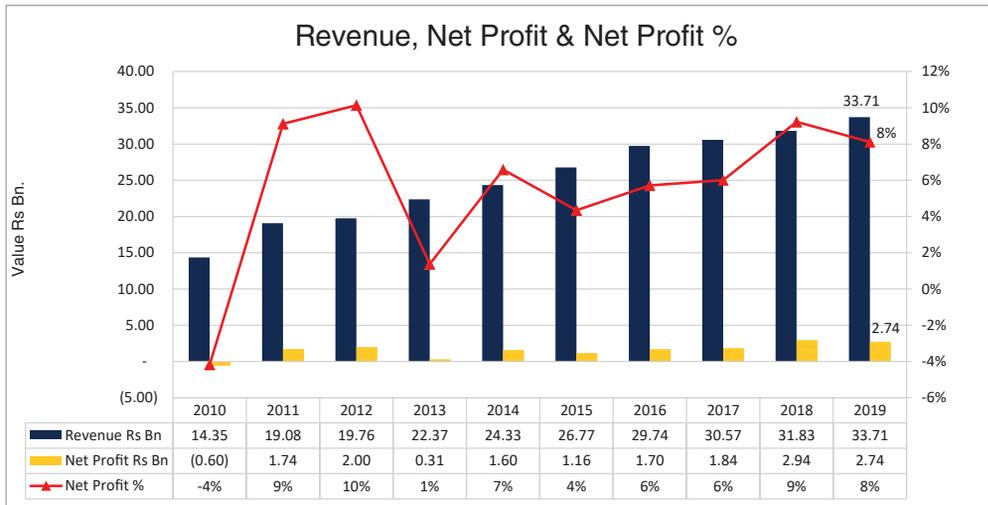
Performance Highlights for past 10 years

Lanka Electricity Company (Pvt) Ltd. and its Subsidiaries

For the Year ended 31 st Dec.	2019 Rs. Bn	2018 Rs. Bn	2017 Rs. Bn	2016 Rs. Bn	2015 Rs. Bn	2014 Rs. Bn	2013 Rs. Bn	2012 Rs. Bn	2011 Rs. Bn	2010 Rs. Bn	2009 Rs. Bn
Operating Results											
Revenue	33.71	31.83	30.57	29.74	26.77	24.33	22.37	19.76	19.08	14.35	13.66
Profit from operations	2.62	1.90	0.99	1.37	0.96	1.02	(1.49)	1.23	1.63	(0.38)	(0.27)
Profit before taxation	4.00	3.17	2.28	2.27	1.52	2.30	(0.06)	2.42	2.23	(0.24)	(0)
Income tax expenses	(1.26)	(0.24)	(0.45)	(0.57)	(0.36)	(0.70)	0.37	(0.41)	(0.49)	(0.36)	(0)
Profit for the year	2.74	2.94	1.84	1.70	1.16	1.60	0.31	2.00	1.74	(0.60)	(0)
Equity & Liabilities											
Stated capital	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1
Other components of equity	32.82	31.00	28.39	24.71	23.22	22.83	14.28	14.16	12.33	7.91	9
Total equity	33.97	32.14	29.53	25.86	24.37	23.98	15.42	15.30	13.47	9.06	10
Non-current liabilities	7.11	6.15	6.00	5.21	4.95	4.56	3.93	3.95	3.90	4.01	3.61
Current liabilities	7.21	6.34	5.57	5.29	2.88	2.82	6.09	3.70	3.55	2.80	2.45
Total Liabilities	14.32	12.49	11.58	10.50	7.83	7.39	10.02	7.64	7.45	6.82	6.06
Total equity & liabilities	48.29	44.63	41.11	36.36	32.20	31.37	25.44	22.95	20.92	15.87	15.71
Assets											
Non-current assets	26.35	23.81	24.70	21.34	21.81	20.60	14.62	16.19	13.43	11.12	11.52
Current assets	21.94	20.83	16.40	15.01	10.39	10.77	10.82	6.76	7.49	4.76	4.19
Total assets	48.29	44.63	41.11	36.36	32.20	31.37	25.44	22.95	20.92	15.87	15.71
Total assets employed / Total capital employed	41.08	38.29	35.54	31.07	29.32	28.54	19.35	19.25	17.37	13.07	13.26
Key indicators											
Earnings per share (Rs.)	25.73	25.73	15.90	14.85	10.16	14.01	2.69	17.50	15.19	(5.23)	(3.48)
Net Assets Per Share (Rs.)	359	334	310	271	256	249	169	168	152	114	116
Dividend per share (Rs.)	0.00	6.11	4.37	3.06	1.75	0.50	1.50	1.50	-	-	-
Dividend approved (Rs 'Bn)	1.15	0.70	0.50	0.35	0.20	0.06	0.17	0.17	-	-	-
Annual sales growth (%)	6%	4%	3%	11%	10%	9%	13%	4%	33%	5%	#DIV/0!
Equity to total assets ration (%)	70%	72%	72%	71%	76%	76%	61%	67%	64%	57%	61%
Dividend cover (no. of times)	2.4	4.2	3.7	4.9	5.8	28.0	1.8	11.7	-	-	-
Current ratio (no. of times)	3.0	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	0.8	0.9	1.0	0.9	0.9	1.2	1.0	1.1	1.1	1.0
No. of Consumers	568,250	562,412	546,571	539,829	526,119	523,734	520,997	500,783	491,042	473,079	469,323
No. of employees	1,535	1,570	1,573	1,556	1,465	1,474	1,462	1,463	1,451	1,338	1,326
Consumers per employee ratio	370	358	347	347	359	355	356	342	338	354	354
Sales (GWh) Purchases from CEB (GWh) LECO	1,570	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	1,640	1,597	1,553	1,446	1,352	1,302	1,301	1,275	1,228	1,120
Distribution System Losses (11 Kv) % LECO	1.61	1.61	2.7	3.5	3.8	4.0	4.7	4.6	5.4	5.4	5.6

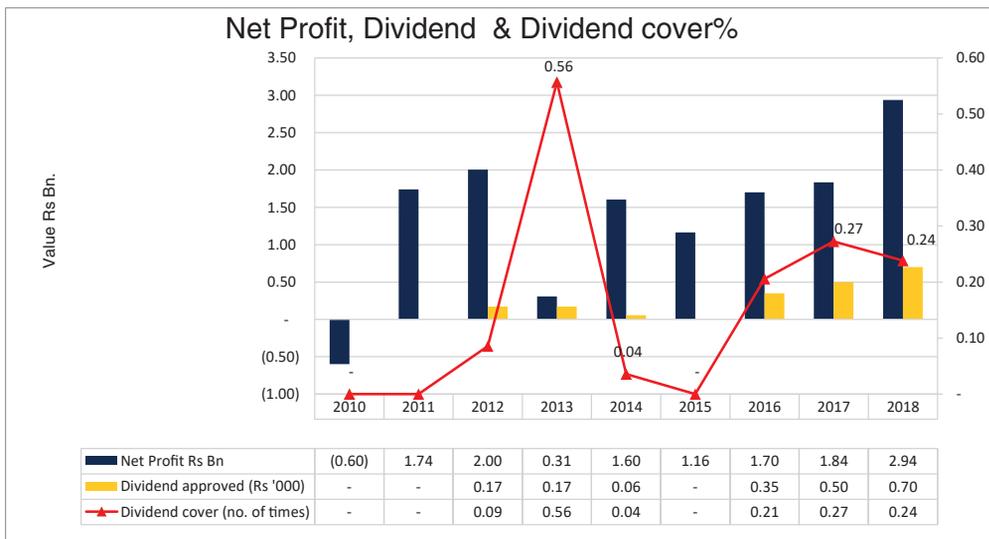
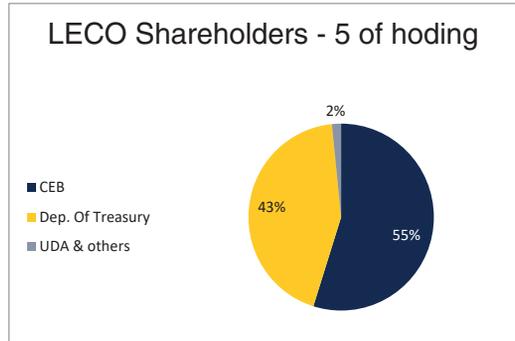


Performance Highlights for past 10 years (Contd...)





Performance Highlights for past 10 years (Contd...)



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 36th Annual General Meeting of Lanka Electricity Company (Private) Limited will be held at the Registered Office of the Company at No. 411, E.H.Cooray Building, 3rd Floor, Galle Road, Colombo 3, on Thursday, 22nd October 2020 at 4.30 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 2019 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 2020 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 September 2020

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.Cooray 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 of, being a shareholder of LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED hereby appoint (or failing him)

- | | |
|-----------------------|------------------|
| Mr. M P A P De Silva | or failing him* |
| Mr. H M V Herath | or failing him * |
| Mr. D D K Karunaratne | or failing him* |
| Mr. P Algama | or failing him* |
| Mr. N P K Ranaweera | or failing him* |
| Mr. J S Vidanage | or failing him* |
| R M D Lakshman | |

as our proxy to represent and speak and vote for us and on our behalf at the Annual General Meeting of the Company to be held on Thursday, 22nd October 2019 at 4.30 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 2020 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 Twenty.

.....
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.Cooray 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.



LECO

LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED
No. 411, Galle Road, E.H. Cooray Building
Colombo 03