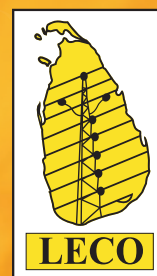




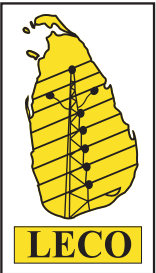
ENERGIZING PRODUCTIVITY

2023
Annual report



Lanka Electricity Company
(Private) Limited

LET THE INDUSTRIOUS BEE INSPIRE YOUR PRODUCTIVITY HIVE!

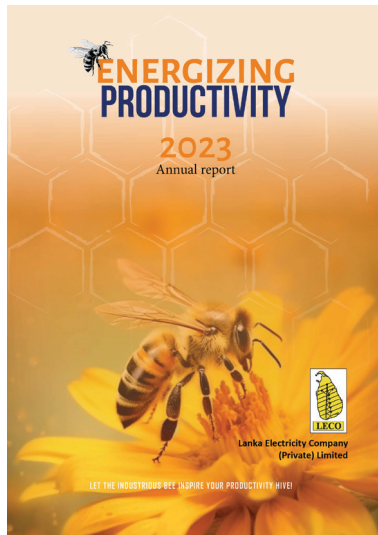


Lanka Electricity Company
(Private) Limited



ENERGIZING
PRODUCTIVITY

2023
Annual report



COVER STORY | ENERGIZING PRODUCTIVITY

The symbol of the bee encourages diligence, collaboration, transforming ideas, optimizing efficiency and enjoying the sweet fruits of labor.

1. Diligence and Consistent Effort:



Bees are diligent workers, tirelessly collecting nectar and pollen. Their unwavering commitment to their tasks reflects the importance of consistency in productivity. Just as bees diligently gather resources for the hive, we can approach our work with a steady focus, accomplishing small tasks consistently.

2. Collaboration and Teamwork:



Bees operate as a harmonious community within the hive. Each bee has a specific role, whether it's foraging, building, or caring for the queen. This cooperative behavior symbolizes teamwork and collaboration. In a workplace, effective collaboration among team members enhances productivity and creativity.

3. Transformation and Creativity:



Bees transform nectar into honey—a creative process that involves alchemy and patience. Similarly, our creative endeavors require transformation—from raw ideas to refined outcomes. The act of transforming inspiration into tangible results energizes our productivity.

4. Efficiency and Purposeful Design:



Beehives are constructed with hexagonal cells, an efficient and purposeful design. Hexagons maximize space while minimizing material usage. This geometry symbolizes efficiency and order. When we organize our tasks effectively, we create a productive environment akin to the hexagonal precision of a beehive.

5. Sweet Rewards and Motivation:



Honey, produced by bees, represents the sweet reward of their labor. It's a reminder that productivity leads to positive outcomes. Similarly, achieving our goals brings a sense of fulfillment and motivation. Just as bees find joy in their honey, we find satisfaction in our accomplishments.

OUR VISION

Be the Best Asian Electricity Distribution

OUR MISSION

Providing best and most productive energy solutions to the society through continuous innovation

OUR VALUE

We **LEAD**, to save **ENVIRONMENT** and serve every customer with utmost **CARE** as a passion, by acting in **ONE TEAM** with high **INTEGRITY** and by maintaining highest degree of **INNOVATIVENESS** and creativity.

CORE COMPETENCIES

Creativity Engineering, Innovative Research, and Productive Development enhanced through diverse experience in the energy sector are the core competencies the company has and will invest upon in achieving our vision.



Corporate Information

LEGAL FORM

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

PRESENT COMPOSITION OF THE BOARD

Mr. M P A P De Silva (Chairman)
Mr. N S Ilangakoon
Mr. S P M W Jayewardene
Dr. I U Dedigma
Mrs. D H S Pullaperuma
Mr. M C Withanaarachchi

PRESENT COMPOSITION OF THE SUBSIDIARY COMPANIES

Ante Leco Metering Company (Pvt) Ltd

Mr. M P A P De Silva (Chairman)
Mr. Liu Jianwu
Dr. P S Narendra De Silva
Ms.Yeye Liu
Mr. A D A C I Premachandra
Ms.Yeye Liu (Alternate Director to Mr Liu Jianwu)

Leco Projects (Pvt) Ltd

Mr. M P A P De Silva (Chairman)
Mr. S D C Gunawardana
Mr. A D A C I Premachandra
Mr. K P K Siriwardena
Mr. Y M Jayarathna

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
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
State Mortgage and Investment Bank
Housing Development Finance Corporation Bank
National Development Bank PLC
National Savings Bank (NSB)
DFCC Vardana Bank PLC
Pan Asia Banking Corporation PLC
Union Bank of Colombo PLC

Table of Contents:

Vision and Mission	3
Corporate Information	4
Contribution to National Development	6
Chairman's Message	8
General Manager's Message	10
Board of Directors	12
Corporate Management	15
Senior Management	16
Annual Report of the Board of Directors on the Affairs of the Company	18
Customer Care and Service Delivery	24
Engineering Division	26
Operations Division	28
Corporate Strategy Division	29
Human Capital Investment	31
Human Resources & Administration	32
Celebrating 40 Years of Excellence	34
Financial Review	35
Corporate Governance	37
Infrastructure & Internal Processes Optimization	38
Audit & Management Committee Report	39
Report of the Auditor General	40
Financial Statements	
Statement of Profit or Loss	48
Statement of Other Comprehensive Income	49
Statement of Financial Position	50
Statement of Changes in Equity	51
Statement of Cash Flows	53
Notes to the Financial Statements	54
Group Performance Highlights for past 10 years	93
Notice of Annual General Meeting	95
Form of Proxy	97



The quotes reflect the bees' diligent work ethic and their incredible ability to organize and work together for the benefit of the hive and the environment. They serve as a metaphor for how we can approach our own tasks and projects with the same level of dedication and teamwork.

Microgrid Project at Moratuwa University



Contribution to National Development

Driving Progress and National Development

Our commitment to productivity extends beyond our organization, contributing to national development. By aligning our goals with broader societal objectives, we drive progress and support national growth. Our initiatives have a tangible impact on various sectors, enhancing overall societal development.

We are proud to be part of the national progress, and our productivity-focused strategies play a crucial role in advancing our country's development agenda.

As we reflect on our achievements in 2023, we recognize the critical role of productivity in our success. Moving forward, we remain committed to enhancing our service delivery, investing in our people, optimizing our infrastructure, and contributing to national development. We invite our stakeholders to join us in this journey and continue supporting our efforts to drive progress and innovation.

As a provider of essential electricity energy service, our primary duty is to ensure a consistent and reliable supply of power to our consumers, even as we face increasing uncertainties in the energy sector. With a strong focus on customer care and operational efficiency, I believe we have delivered service that not only met but exceeded the expectations of our consumers this past year.



The queen bee plays a pivotal role in the management of her colony, which can be likened to a well-organized family.

She influences the behavior of the hive through the production of pheromones. These chemical signals control the workers' activities, such as cleaning the hive, feeding the larvae, and gathering food.

The queen's management of the colony is essential for its survival and productivity, and her role is supported by the diligent work of the worker bees.

Chairman's Message



Dear Esteemed Stakeholders,

It is with great pleasure and satisfaction that I reflect on the completion of a year filled with both challenges and achievements at LECO. Thanks to the dedicated efforts of our national government, partnering agencies, and our committed staff, we have navigated a complex landscape, learning valuable lessons that will propel us forward. Our ability to remain resilient during these difficult times is a testament to the extraordinary dedication of our team, under the wise leadership of our Board of Directors.

As a provider of essential electricity energy service, our primary duty is to ensure a consistent and reliable supply of power to our consumers, even as we face increasing uncertainties in the energy sector. With a strong focus on customer care and operational efficiency, I believe we have delivered service that not only met but exceeded the expectations of our consumers this past year.

To sustain the stability of our power sector and secure the business's future, it became

necessary for the government to significantly revise electricity tariffs. We are acutely aware of the profound impact these changes have had on our customers' lives. In response, LECO has initiated several measures to ease the economic strain on our customers, including offering more convenient payment options while enhancing our debt recovery strategies.

During the year under review, we successfully reached a significant milestone of integrating 150 MW of rooftop solar systems into our distribution network, accommodating every prosumer connection request. This accomplishment represents a crucial step toward the government's ambitious target of generating 70% of electricity from renewable sources by 2030. As we advance on our path toward creating a carbon-neutral society by 2050, we remain dedicated to further expanding renewable energy integration into our network and strengthening it by seeking partnerships with both local and international financial institutions.

I would like to express my heartfelt appreciation to all those who

have contributed to LECO's progress during this period. This includes the Honorable Minister of Power and Energy, the Honorable State Minister, the Secretary of the Ministry of Power and their dedicated teams, our esteemed Board of Directors, our diligent employees, valued consumers, loyal shareholders, trusted business associates, supportive financial partners, reliable suppliers, company secretaries, auditors, and all others who have played a crucial role in our journey.

As the macroeconomic environment stabilizes, we are committed to enhancing our business operations with renewed focus and determination. Our goal is to achieve exceptional performance in the coming years, elevating LECO to new levels of success while continuing to deliver cutting-edge, personalized services to all our stakeholders.



M P A P De Silva

Chairman

General Manager's Message



Our strategic focus on renewable energy has led to notable achievements. In 2023, LECO successfully surpassed a key milestone by integrating 150 MW of Solar PV systems into our network, representing a significant step toward the government's ambitious target of achieving 70% electricity generation from renewable sources by 2030. We are confident that, by maintaining this momentum, we can potentially double this capacity in the coming year.

I am pleased to share our achievements for the year 2023, a year marked by substantial progress and significant milestones. As we embarked on the first year of our new LECO Strategic Plan, developed with valuable input from external stakeholders and comprehensive internal deliberations, we set our sights on driving the company to new levels of excellence. I am delighted to report that our alignment with the objectives of this plan has already borne fruit, with our efforts surpassing regulatory targets and exceeding expectations in delivering exceptional services to our valued customers.

At LECO, we recognize that exceptional customer service is the

cornerstone of our success. Over the past year, we have reimagined how we connect with our customers, focusing on reducing friction and fostering more interactive relationships. Through the integration of advanced technologies and streamlined processes, we have made it easier for customers to access our services and resolve issues. This commitment to innovation is transforming the way we operate, enabling us to provide clear and timely information about service appointments and technical support without any physical intervention by the consumers. By enhancing both the customer and employee experience, we are not only strengthening loyalty but also

creating long-term value for all our stakeholders.

Our strategic focus on renewable energy has led to notable achievements. In 2023, LECO successfully surpassed a key milestone by integrating 150 MW of Solar PV systems into our network, representing a significant step toward the government's ambitious target of achieving 70% electricity generation from renewable sources by 2030. We are confident that, by maintaining this momentum, we can potentially double this capacity in the coming year. Moving forward, we plan to leverage these additions to reduce demand, enhance the capacity of our existing infrastructure, and improve the

reliability of our power supply. This will be achieved through the incorporation of distribution-scale battery systems, which will also serve as voltage support mechanisms, addressing voltage-related challenges without the need for additional investment. Furthermore, we have initiated discussions with international donor agencies to expand our research on distributed generation through the LECO-UOM Smart Grid Research Laboratory at the University of Moratuwa.

A key driver of our success has been the active engagement and participation of our employees. By fostering a culture that values collaboration, open communication, and continuous improvement, we have empowered our teams to take ownership of decision-making processes. Initiatives such as quality circles, where teams regularly convene to identify, analyze, and resolve work-related challenges, have played a pivotal role in our progress. These efforts have not only enhanced our problem-solving capabilities but have also significantly boosted employee morale. This participatory approach has directly contributed to tangible improvements in productivity, allowing us to deliver superior services and achieve our strategic objectives.

In line with our commitment to operational efficiency, we have also made significant strides in our digital transformation efforts. The implementation of the paperless office concept has marked a transformative step in enhancing efficiency across the organization. By digitizing our processes and reducing reliance on physical paperwork, we have streamlined workflows and increased visibility into individual performance

and KPIs. This shift to electronic document management has enabled quicker access to critical data, facilitating more informed decision making. Additionally, the move toward a paperless environment has fostered a culture of accountability, where employees can easily track their contributions and align their efforts with the company's strategic goals.

Complementing our paperless initiative, we have successfully launched the SMS Billing Project, a significant advancement in our efforts to promote sustainability and enhance customer satisfaction. By eliminating paper bills and transitioning to SMS based billing, we have streamlined our billing process while reducing our environmental footprint. Today, 98.6% of our customers receive their bills via SMS, with the convenience of accessing detailed billing information through a link provided within the message. This initiative not only underscores our commitment to sustainability but also ensures that our customers experience a more efficient, timely, and user-friendly billing process.

In our ongoing pursuit of operational excellence, we established a dedicated Business Process Development Unit to revisit and re-engineer all our internal processes. This unit plays a crucial role in aligning our operations with the demands of the modern world by identifying areas for improvement and integrating state of the art technologies. By thoroughly analyzing existing workflows, this unit enhances efficiency, accuracy, and overall performance, ensuring that LECO remains at the forefront of industry advancements.

Furthermore, we completed the upgrade of our Human Resource Information System (HRIS) with the goal of automating essential HR processes. This strategic initiative is designed to minimize manual errors, streamline administrative tasks, and improve overall efficiency within our HR operations. By transitioning to a more automated and integrated system, we aim to enhance the accuracy of our HR data, reduce processing times, and provide our employees with quicker access to important HR services. This upgrade supports our broader objectives of operational excellence and digital transformation while fostering a more responsive and agile HR function that can better meet the evolving needs of our workforce.

As we reflect on 2023, LECO has solidified its position as a leading modern electricity distribution utility. Our commitment to technology and transparency has been instrumental in driving our success, allowing us to enhance our existing platforms and capitalize on emerging opportunities. With the dedication of our staff and the strong leadership of our Chairman and Board of Directors, we are well prepared to achieve even higher levels of customer satisfaction and set a new regional standard for distribution utilities. As we move forward, we eagerly anticipate another year of growth and innovation, aligned with ongoing power sector restructuring efforts, as we continue to build a resilient distribution network.



Dr. P S N De Silva
General Manager

Board of Directors



1 Mr. S P M W Jayewardene

DIRECTOR



Mr. Pradip Jayewardene is an entrepreneur and has wide experience in the fields of Business development, planning and training. He counts well over 25 years of experience as a pioneer solar energy activist and entrepreneur with his wide expertise is in the field of renewable energy.

Mr. Jayewardene served as Sri Lanka's Consul General to Germany. He is a former Member of the Colombo Municipal Council (CMC).

2 Dr. P S Narendra de Silva

BSc (Hons), Dip EPS (Norway), PhD (UK), LLB, CEng, FIET, MIESL, MIEEE

GENERAL MANAGER (ACTING) - CEB

Narendra de Silva holds an Electrical Engineering Degree from University of Moratuwa and a Bachelor of Law from the Open University of Sri Lanka. He has obtained a Post Graduate Diploma in Power Systems from the Science University of Trondheim, Norway under NORAD fellowship. He is a commonwealth fellow and has obtained a PhD in Power Electronics and Advance Machines from Heriot-Watt University, Edinburgh, UK. He is a fellow of the Kings College of Strathclyde University, UK and a research fellow of Rolls Royce Research Centre, Glasgow, UK.

He is a Fellow Member of the Institute of Engineering and Technologies (IET) of UK and a Chartered Member of the Institute of Engineers, Sri Lanka. He is a Senior Member of the Institute of Electrical and Electronics Engineering, USA and a Fellow Member of the Public Utility Research Centre, USA.

He started his carrier in 1995, as a transmission engineer in constructing transmission lines in eastern province of Sri Lanka. He counts experience as a senior researcher in Rolls Royce and British Aerospace in advanced control engineering. He has served a short span of time as a senior lecturer in University of Moratuwa, Department of Electrical Engineering. His engagement with the power sector as senior utility manager from 2006 counts 17 years, first as the Head of Engineering and then as the General Manager of

Lanka Electricity Company and the CEO of Metering Company of LECO. During this tenure, he has chaired many high-level committees including the Energy Policy Committee, Smart grid Policy Committee and National Tariff Committee. He has covered the post of Additional Secretary to the Ministry of Power and Energy in several instances.

He presently serves as the General Manager of Ceylon Electricity Board (Covering), General Manager of Lanka Electricity Company, Additional Secretary (Development) of the Ministry of Power and Energy and as a Director of the Atomic Energy Board of Sri Lanka. Further he holds the post of CEO of the LECO Metering Company. He functions as a consultant to Asian Development Bank in Micro-Grid and advanced Smart Grid technologies. He is a visiting lecturer in University of Moratuwa.

3 Mr. Athula P. de Silva

Attorney-at-Law

CHAIRMAN

Mr. Athula P. de Silva, Attorney-at-Law currently holds the position of the Chairman of Lanka Electricity Company (Pvt) Ltd since February 2020. He serves as the Chairman on the Boards of the two subsidiary companies of LECO, namely Ante-Leco Metering Company (Pvt) Ltd and LECO Projects Company (Pvt) Ltd. Respectively. In addition, he also serves as a Director of the West Coast Power (Pvt) Limited.

He is a past pupil of the Royal College, Colombo 07 and was

enrolled as an Attorney-at-Law in 1996.

Mr. de Silva has served in several capacities such as a Director at the Mineral Sands Company (Pvt) Ltd., a Resource Officer at the Ministry of Constitutional Affairs; a Member at the Kolonnawa Urban Council; the Legal Adviser at the Associated Newspapers of Ceylon Limited and a Director at the Oceanview Company (Pvt) Ltd.

4 Mr. N S Ilangakoon

MBA (UK), Dip. in Human Resource Management (N I B M), FAA (USA)

DIRECTOR

Mr. N S Ilangakoon holds an Master of Business Administration (MBA) from the University of Wales, Cardiff, United Kingdom and is an experienced Managing Director with a demonstrated history of working in the areas of General Management and the corrugated boards industry. In addition, he has gained experience in Defence and Military, Government, administration, Human Resources, Business Strategy, Leadership, and Aviation and is a professional in business development.

Mr. Ilangakoon holds a commercial pilot license with experience in flying passenger aircrafts. He presently serves as the Chairman of the Ceylon Electricity Board and also he serves as Chairman/Director of several CEB Subsidiaries in his ex-officio capacity. He also holds senior positions in several Private and Government Sectors entities.

Board of Directors

5 Dr. Ishanka Dedigama

PhD (UK), MEng (UK)

DIRECTOR

Dr. Ishanka Dedigama was appointed as a Director of Lanka Electricity Company in January 2021. She holds a M.Eng in Chemical Engineering and a PhD in Electrochemical Engineering from University College London (UCL), UK.

Dr. Dedigama is an expert in hydrogen energy devices having completed her PhD in this area. She has published extensively in high-quality scientific journals and is the most published female academic in the UK in water electrolysis. Dr. Dedigama has experience in developing cyber security policies for the UK energy sector with a special focus on the smart energy grid and renewable energies. She is a senior lecturer and the founder of Green Hydrogen Innovation Lab at the faculty of Engineering, University of Sri Jayewardenepura. She is truly passionate about preparing for a zero emissions future and dedicates her efforts towards developing green hydrogen technologies.

6 Mrs. D.H.S. Pullaperuma

Additional Secretary of the Ministry of Finance

DIRECTOR

Mrs. D.H.S. Pullaperuma, an executive officer with over 24 years of experience in Sri Lanka Administrative Service (SLAS), commenced her role as the Additional Secretary of the Ministry of Finance, Economic Stabilization and National Policies with effect from December 2023.

Mrs. D.H.S. Pullaperuma holds a Bachelor of Science degree with Second Class Upper Division from the University of Ruhuna (1997) and a Master Degree in Public Administration from the Sri Lanka Institute of Development Administration (SLIDA). Additionally, she has obtained a Postgraduate Diploma in Business Management from the University of Colombo (2005) and a Higher National Diploma in Public Procurement and Contract Administration from Sri Lanka Institute of Development Administration (SLIDA) in 2023.

Mrs. D.H.S. Pullaperuma began her public service career in February 2000, joining the Sri Lanka Administrative Service. She served as an Assistant Food Controller at the Food Commissioner's

Department from 2001 to 2003, followed by roles as an Assistant Secretary at the Public Service Commission from 2004 to 2008, and as an Assistant Director at the Department of National Planning from February 2008 to June 2010. Subsequently, she held various positions including Deputy Director and Director at the Department of Customs from August 2011 to September 2014, and as Director at the Department of Management Services from October 2014 to November 2017. In December 2017, Mrs. D.H.S. Pullaperuma assumed the role of Director (Premises) at the Ministry of Finance and Mass Media, where she served until April 2019. She then served at the Ministry of Finance, Economy, and Policy Development, holding the position of Senior Assistant Secretary (Admin) from May 2019 to June 2020, and as the Additional Director General (Admin) from June 2020 to December 2023. Currently, Mrs. D.H.S. Pullaperuma serves as the Additional Secretary at the Ministry of Finance, Economic Stabilization and National Policies since the year 2024.

Corporate Management



Standing (L-R) :

Mr. M D Gamage
Additional General Manager
(Engineering)

Dr. P S N De Silva
General Manager

Mr. M P A P De Silva
Chairman

Mr. K K K De Silva
Additional General Manager
(Finance)

Mr. S L Jayasekara
Additional General Manager
(Corporate Strategy)

Seated (L-R) :

Mr. A D A C I Premachandra
Additional General Manager
(Human Resources & Administration)

Mr. S D C Gunawardena
Additional General Manager
(Operations)

Bees operate as a harmonious community within the hive. Each bee has a specific role, whether it's foraging, building, or caring for the queen. This cooperative behavior symbolizes teamwork and collaboration. In a workplace, effective collaboration among team members enhances productivity and creativity.



Senior Management



Standing (L-R) :

G R S Wijewardena
Deputy General Manager
(Corporate Strategy)

B N R Fernando
Deputy General Manager
(Project)

W A C Weerasekara
Deputy General Manager
(Information Technology)

M A S Kumara
Deputy General Manager
(Design & Development)

D A P Amarasena
Deputy General Manager
(System Operations) South

M A D A K Samaraweera
Deputy General Manager
(system Operations) West

G P Seneviratne
Deputy General Manager
(Customer Service)

Seated (L-R) :

N R Fernando
Deputy General Manager
(Planning & Procurement)

W A I Jayawardena
Chief Internal Auditor

P H C Jayamini
Deputy General Manager
(Finance)

Energizing Future

“At LECO, we are dedicated to delivering reliable and efficient electricity to our customers. Our mission is to ensure that every home, business, and community we serve has access to safe, affordable, and sustainable energy. As we look back on the past year, we are proud to share our achievements and outline our future plans for continued excellence in electricity distribution. Over the past year, we have undertaken several key initiatives to enhance our electricity distribution network:

We have invested in upgrading our infrastructure, including the installation of advanced smart grid technology. This has improved the reliability and efficiency of our electricity distribution, reducing outages and enhancing service quality.

We have launched new customer service initiatives, including a user-friendly online portal and mobile app, making it easier for customers to manage their accounts, report issues, and access real-time information about their electricity usage.”

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 2023.

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.

CORPORATE INFORMATION

General

Lanka Electricity Company (Private) Limited is a limited liability company incorporated under the Companies Act, No. 17 of 1982 as a Private Limited Company on 19th September 1983 and re-registered as per the Companies Act, No. 07 of 2007 on 1st November 2007 with PV 1008 as the new number assigned to 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 to domestic and industrial customers. 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.

► Ante Leco Metering Company (Pvt) Ltd

Manufacturing and sale of energy meters 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 are given on this Annual Report.

Shareholders' Information & Substantial Shareholdings

Shareholders' position of the LECO as at 31st December 2023 is as follows:

Shareholder	Share holding %
Ceylon Electricity Board	54.84%
The Treasury	43.56%
Urban Development Authority	0.79%
Maharagama Pradeshiya Sabha	0.48%
Kotikawatte Mulleriyawa Pradesheeya Sabha	0.21%
Peliyagoda Urban Council	0.11%
Sri Jayawardenapura Kotte Urban Council	0.01%

Equitable Treatment to Shareholders

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

BOARD OF DIRECTORS OF THE COMPANY

► Lanka Electricity Company (Private) Limited

The Directors of Lanka Electricity Company (Private) Limited as at 31st December 2023 and the present composition:

Mr. M P A P De Silva	-	Chairman
Mr. N S Ilangakoon	-	Director
Mr. N P K Ranaweera	-	Director
Mr. S P M W Jayewardene	-	Director
Dr. I U Dedigma	-	Director
Ms. D H S Pullaperuma	-	Director (from 28.12.2023)
• Mr. H G Sumanasinghe	-	Director (from 10.05.2021 upto 19.12.2023)
• Mr. N P K Ranaweera	-	Director (from 12.02.2020 upto 26.08.2024)
• Mr. M C Withanaarachchi	-	Director (from w.e.f. 26.08.2024)

BOARD OF DIRECTORS OF THE SUBSIDIARY COMPANIES

► Ante Leco Metering Company (Pvt) Ltd

The Directors of Ante Leco Metering Company (Pvt) Ltd as at 31st December 2023 and the present composition:

Mr. M P A P De Silva	-	Chairman
Mr. Liu Jianwu	-	Director
Dr. P S Narendra De Silva	-	Director
Ms. Yeye Liu	-	Director
Mr. A D A C I Premachandra	-	Director (from 19.12.2023)

* Ms. Yeye Liu is the Alternate Director to Mr. Liu Jianwu

► Leco Projects (Pvt) Ltd

The Directors of Leco Projects (Pvt) Ltd as at 31st December 2023 and the present composition:

Mr. M P A P De Silva	-	Chairman
Mr. Y M Jayarathna	-	Director
Mr. K P K Siriwardena	-	Director
Mr. S D C Gunawardana	-	Director
Mr. A D A C I Premachandra	-	Director
• Mr. H G Sumanasinghe	-	Director (from 31.01.2022 upto 19.12.2023)

Directors' Remuneration

The Directors' emoluments are disclosed in Note 7 to the Financial Statements

Donations

The Company did not make any donations during the year under review.

Directors' Shareholdings

No individual directors hold shares of the Company / the group.

Interest Register

The Company and the Subsidiaries maintain Interest Registers as stipulated by the Companies Act, No. 07 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.

Related Party Transactions

Directors have disclosed related party transactions and all such transactions are given in Note 28 of the Financial Statements.

Directors' Meetings

The Board of Directors met 12 times during the year under review and eight Resolutions were adopted by the Board of Directors of the Company by circulation.

Auditor General's Report

The Auditor General's Report on the Financial Statements of the Company is given on pages 40 to 47.

Financial Statements

The Financial Statements of the Company are given on page 48 to 53.

FINANCIAL REVIEW**Significant Accounting Policies**

The significant accounting policies adopted in the preparation of Financial Statements are given on Note 02 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 and the Group, which reflect a true and fair view of their state of affairs.

The Financial Statement of the Company for the year ended 31st December 2023, are prepared in accordance with the Sri Lanka Accounting Standards and Sri Lanka Financial Reporting Standards, Companies Act, No.07 of 2007 and Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995 and the amendments thereto.

The Board of Directors confirm that the Company and the Group's Consolidated Statement of Financial Position as at 31st December 2023 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 2023 reflect a true and fair view of the Company and the Group, respectively.

Revenue

The revenue of the group was Rs. 75.17 Bn. There is an 89.26% increase in group sales revenue generated compared to the previous year. The regulated tariff increases imposed throughout the financial year under consideration resulted in the aforementioned exorbitant ascension of revenue compared to 2022.

Domestic and Commercial sectors electricity sales contributed for a consequential fragment of the overall revenue recorded at 40% and 38% respectively. Considering the growth of individual revenue categories, the revenue generated from the supply of temporary connections depicted the highest growth rate of 362.45% where, Street light and Religious categories were recorded 185.73% and 148.56% growth correspondingly. Domestic and Commercial revenue categories are providing the major contribution to the revenue stream.

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 7.64% from Rs. 9.41 Bn, to Rs. 10.13 Bn compared to the previous year.

Profits

The group's gross profit ratio is maintained at the level of 16.35%. Profit before tax is increased by 229.45% amounting to Rs 4.38 Bn increase compared to 2022.

The company was able to sustain the positive impact of the remarkable revenue growth derived from the tariff increases imposed in the 2023, by keeping operational and administrative expenses increase at a trifling phase amidst significant challenges intensified by geopolitical risks and slowed down global economy where the country has experienced an unprecedented economic crisis.

The profit after tax has increased by 143.54%, amounting the increase by Rs 2.66 Bn.

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 30% for the financial year.

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

Dividends

A dividend of Rs.1 Bn was declared for the year ended 31st December 2023 and will be paid in 2024.

Earnings 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	3,374,657	11,006,331	30,134,400	222,627	46,223,724
Company	1,145,067	340,642	3,244,189	11,006,331	29,698,516	-	45,434,745

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 30.33 Mn.

Property, Plant and Equipment

The consolidated property, plant and equipment amounted to Rs. 19.28 Bn by 31st December 2023 compared to Rs.15.64 Bn in the previous year. The value of the Company's property, plant and equipment was Rs. 18.95 Bn compared to Rs. 15.38 Bn a year earlier.

Current Assets

The Group recorded total current assets of Rs. 32.10 Bn as at end of 2023, against Rs. 18.82 Bn in the previous year. The total current assets of the Company stood at Rs. 30.51 Bn compared to Rs.17.72 Bn in the previous financial year.

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.

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 Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. The Financial Statements of the Company have accordingly been prepared on a 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 2023 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.

In terms of the 19th and 20th Amendments to the Constitution read together with Article 154 of the Constitution, the Auditor General continues to be the Auditor of the Company.

Company	Name of Auditor/ Tax Advisor	Type of Payment	Amount (Rs.)
Lanka Electricity Company (Private) Limited	National Audit Office	Audit fees	1,654,800/= (Excluding VAT)
Ante LECO Metering Company (Pvt) Ltd	National Audit Office	Audit fees	333,600/- (Excluding VAT)
LECO Projects (Pvt) Ltd	National Audit Office	Audit fees	175,200/= (Excluding VAT)

ENVIRONMENTAL PROTECTION

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

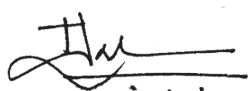
EMPLOYMENT POLICIES

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 1,475.

ANNUAL GENERAL MEETING

The 40th Annual General Meeting will be held on Wednesday, 11th September 2024 at the Registered Office at No. 411, E. H. Cooray Building, 3rd Floor, Galle Road, Colombo 3 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**

August 28, 2024
Colombo

Customer Care and Service Delivery

At LECO, we view customer care and service delivery as a dynamic and multifaceted challenge—a complex puzzle that requires a thoughtful and tailored approach to solve. Our commitment is to deliver excellence at every stage of the customer life cycle, ensuring that our services meet and exceed the diverse needs of our customers.

To address the intricate and varied requirements of our customers, LECO employs a suite of personalized and adaptable services. Each customer interaction is approached with the aim of solving their unique needs with precision. Our service offerings are like pieces of a puzzle, fitting together to create a comprehensive and satisfying customer experience.

Key Features of Our Customer Care Approach:

1. Personalized Service Solutions:

- o Customer Profiling: We utilize data-driven insights to understand each customer's preferences and requirements, allowing us to offer customized solutions.
- o Tailored Communication: Our communication channels are designed to be responsive and adaptable, ensuring that each customer receives relevant information in their preferred format.

2. Proactive Engagement:

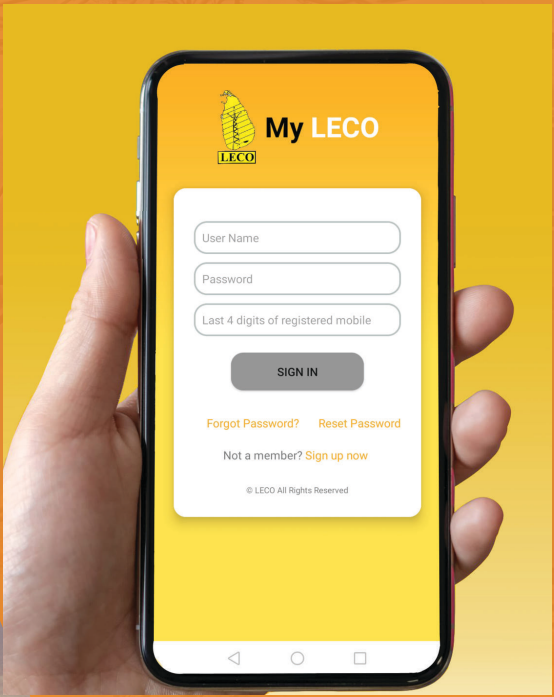
- o Customer Feedback Mechanisms: We actively seek and act upon customer feedback to continuously improve our services.
- o Regular Updates: Our proactive approach includes keeping customers informed about service updates, new features, and any changes that might affect them.

3. Comprehensive Support Channels:

- o 24/7 Call Center: Our dedicated call center operates around the clock to address inquiries and resolve issues promptly.
- o Online Support: We offer a range of online support options, including live chat, email support, and a comprehensive FAQ section on our website.
- o Mobile App: Our mobile app provides easy access to account information, service requests, and real-time updates.

4. Efficient Issue Resolution:

- o Rapid Response Teams: Specialized teams are in place to handle urgent issues swiftly and effectively.
- o Service Level Assurance: We ensure that customer requirements are fulfilled within agreed-upon time frames.



Engineering Division

The Engineering Division at LECO has had an exceptionally productive year in 2023, marked by substantial achievements across various departments. This year, the Civil Department undertook and advanced key projects that are pivotal to LECO's infrastructure development and operational enhancement. The most prominent of these is the LECO Head Office Project, where by the close of the year, the piling work was fully completed, and 75% of the substructure was finished. This project is essential in shaping the future of LECO's administrative capabilities and will serve as a central hub for the organization.

In addition to the head office, the Civil Department successfully completed the construction of the Dalugama Customer Service Center (CSC), which has since been handed over to operations. This new facility is expected to significantly enhance customer service delivery in the area, providing a more efficient and accessible point of contact for our customers. Furthermore, the department initiated the construction of the Nugegoda CSC, with 20% of the work completed by the end of 2023. This project is progressing well and is expected to further expand LECO's customer service upon its completion. Further the Civil Department has also taken on extensive renovation work across various LECO buildings, with a total investment of 45 million rupees.

In the realm of technological advancements, 2023 was a landmark year with the launch

of a new Advanced Distribution Management Software. This innovation marks the culmination of efforts to fully automate the remote switchgear operations at LECO. With this platform, LECO has achieved significant improvements in load transfer, fault isolation, and supply restoration processes, drastically reducing downtime associated with manual switching. Looking forward, LECO plans to further enhance this system by developing it into a self-healing and automatic restoration scheme, which will represent a major leap forward in the reliability and resilience of our network.

Another significant achievement in 2023 was the ISO 17025 certification obtained by the Meter Testing Lab for testing and calibration. This certification underscores the lab's expertise and its capacity to consistently deliver accurate and dependable results. As the second lab in the country to achieve this certification, following the Ante LECO metering company, a subsidiary of LECO, this accomplishment positions us as a leader in quality assurance within the industry, with our results gaining wider acceptance.

The rollout of smart meters has also been a major focus for LECO this year, playing a crucial role in the digitalization of our traditional grid and supporting our market oriented goals. The installation of over 70,000 smart meters, now accounting for more than 10% of our entire meter population, has been a significant milestone. These smart meters enable

customers to better understand and manage their electricity consumption, contributing to more efficient energy use. Additionally, the remote reconnection and disconnection capabilities provided by these meters have proven to be highly effective in our debt management process, offering LECO a powerful tool for managing outstanding payments.

To further capitalize on the wealth of data generated by these technological advancements, LECO established the Smart Data Management Center (SDMC) in 2023. The SDMC is designed to convert this vast amount of data into actionable insights. Its functions include planning smart meter installation projects, collecting data for billing and network monitoring, analyzing data to identify faulty meter readings and tampering events, and developing server applications and user interfaces for operational staff. Moreover, the center is equipped to manage remote disconnections, oversee the remote switchgear infrastructure, and develop self-healing mechanisms for outage management. The SDMC also supports the development of customer communication services, such as SMS notifications for supply breakdowns and scheduled interruptions, and enhances operational efficiency through vehicle tracking and video streaming solutions for breakdown monitoring.

In the area of procurement, the division has achieved a

71% progress rate, successfully awarding 328 procurements with a total value of 4.3 billion rupees. A significant development this year was the fully integration of LECO's procurement operations with the government's electronic procurement portal, promise.lk. This move has not only streamlined the procurement process but also led to substantial savings by reducing paper usage through the issuance of tender documents in digital format.

The LECO Technical Training Center also made remarkable strides in 2023, conducting a comprehensive total of 390 training sessions, including programs, assessments, and field visits. These sessions benefited 6,990 staff members, covering a wide range of areas and reaching most hierarchical layers of the organization. The participants included engineers, customer service superintendents, technical officers, and non-executive staff members such as technicians, technical helpers, drivers, and branch clerical staff. The training programs have been instrumental

in enhancing the skills and knowledge of our workforce, ensuring that LECO remains at the forefront of technological and operational excellence.

LECO implemented the SMS Billing Project in 2023, which has transformed our billing process by eliminating paper bills and enhancing customer satisfaction. Currently, 98.6% of our customers receive their bills via SMS, with an option to view detailed information and make payments online through provided links. This initiative has also accelerated our debt collection efficiency by 40% through the use of SMS Disconnection Notices. In compliance with the Official Language Commission, we introduced billing in Sinhala and Tamil for customers who prefer these languages. The project yields significant environmental benefits, saving an estimated 577 trees annually, and also reduces costs associated with bill transport, storage, and issuance time. This initiative underscores our commitment to sustainability and operational efficiency.

Additionally, we initiated an upgrade to our Human Resource Information System (HRIS) this year. This upgrade is aimed at automating key HR processes, reducing the potential for manual errors, and enhancing overall administrative efficiency. By streamlining these processes, we are not only improving the accuracy and reliability of our HR operations but also freeing up valuable resources that can be redirected toward more strategic initiatives. This commitment to improving our internal systems is yet another example of how we are preparing LECO for a more efficient and innovative future.

In conclusion, 2023 has been a year of substantial progress and accomplishment for LECO's Engineering Division. The developments in infrastructure, technology, data management, procurement, and training have not only enhanced our operational capabilities but also established a strong foundation for sustained growth and innovation in the years ahead.



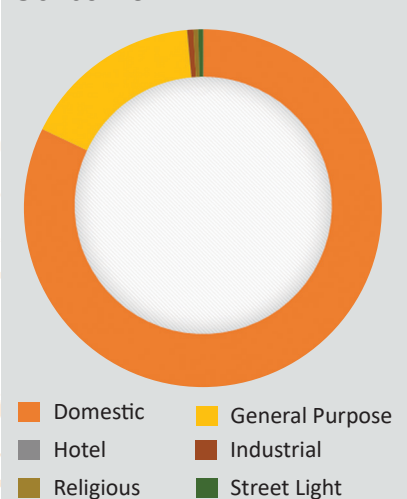
Operations Division

In 2023, the Operations Division had another successful year, providing 1572.54 GWh of electricity to 626973 customers. These customers are located in key cities like Galle, Kalutara, Moratuwa, Kelaniya, Kotte, Nugegoda, and Negombo. Despite being spread out, the division ensured that everyone received a reliable and high-quality power supply. This was done while following all the rules and standards set by the Public Utilities Commission of Sri Lanka (PUCSL), showing the division's dedication to quality and compliance.

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

Tariff category	Total Accounts	Annual Consumption (GWh)
DOMESTIC	511,116	643.70
GENERAL PURPOSE	102,720	574.13
HOTEL	83	59.08
INDUSTRIAL	3,463	258.71
RELIGIOUS	2,705	11.92
STREET LIGHT	2,886	25.00
Total	622,973	1,572.54

Consumer MIX



To serve its 603,921 customers, LECO manages a network that includes 1,109.133 km of high-voltage (HV) lines (Including UG) and 4,548.398 km of low-voltage (LV) lines. As of the end of 2023, this network also includes 4665 substations (including Bulk and Distributions) and 1311 switching points (LBS, LBC & AR).

LECO has been able to maintain a loss value of 2.75% in 2023. This is of particular note because it is well below the approved loss target of 3.99% by the Public Utilities Commission of Sri Lanka.

2023 has been another challenging year for the Operations Division, with the implementation of 100% SMS billing for LECO customers. The Operations Division played a leading role in registering customers under this new system, with a success rate of 99%. Since this SMS billing system was something new that was introduced to the electricity customers of Sri Lanka, it posed considerable challenges to the operations staff. These challenges were however met with determination and skill, culminating in the successful implementation of SMS billing for LECO customers.

In 2023, LECO introduced a new concept by forming an 8-person team dedicated to maintaining transformers and switches in the high-voltage (HV) system. This approach has proven to be highly successful and efficient, significantly reducing customer outage times. System reliability and reduction in breakdowns have improved due to the adoption of formal maintenance methods.

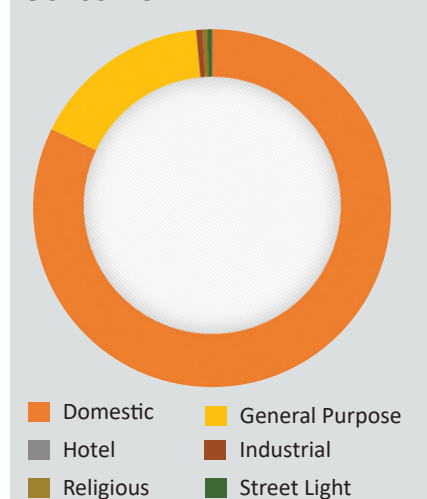
Under the paperless office concept, LECO has implemented the OYSIS system to handle new services, name changes, and tariff changes. This initiative is a step towards creating a paperless

environment in our offices. The system helps improve the efficiency of document handling and allows staff to easily check the status of customer requests.

LECO believes in a reliable distribution system insofar as servicing its customers is concerned. Maintenance and constant improvements to the system help minimize outages and maximize steady electricity supply. Throughout 2023, LECO efficiently managed its network but gave more focus to the minimization of both frequency and duration of power outages. The table shown below details the number and duration of outages experienced in 2023.

Category	SAIDI 2023 (Hrs/Consumer)
LV failures	0.36
LV planned	0.17
11 kV LECO planned	9.48
11 kV LECO failures	12.61
11 kV CEB planned	5.5
11 kV CEB failures	0.89
33 kV planned	14.85
33 kV failures	12.12
Total	55.98

Consumer MIX



Corporate Strategy Division

The Corporate Strategy Division of LECO was formed in the year 2023, as per the LECO Strategic Plan 2023-2027, with the intension of improving the corporate outlook by coordinating the strategy formulation for LECO while assuring the wellbeing of all the employees and the customers. The requirements of the division are to improve the customer focused corporate culture in LECO, to engage in the development of functional strategies and process development activities in addition of handling regulatory affairs.

Amidst the complexities resulting from the country's economic crisis aftermath and its impact on the socio-economic landscape, the Corporate Strategy Division displayed a significant resilience in attaining its targets. The two departments functioning under the Corporate Strategy Division – namely, the Customer Service Department and Regulatory Department– exhibited dedicated

efforts to establish a year of notable accomplishments.

Regulatory Department

The Regulatory Department deals with the matters arising from and related to Distribution License issued to Lanka Electricity Company (Private) Limited, coordinates among the Licensees as well as with the Public Utility Commission of Sri Lanka (PUCSL). In addition to handling regulatory matters, this department is also responsible for coordinating the strategy formulation matters and standardization among various processes of LECO.

During the year 2023, the Department made Multiyear Revenue Requirement filing (2024-2026) to PUCSL according to the Tariff Methodology. It also worked with PUCSL and its consultants for the following:

- Amendment of Distribution Code

- Preparing Disaster Management Plan for Electricity Sector

The department worked with the CEB in finalizing the Power Sales Agreement between Transmission Licensee and LECO.

Regulatory Department has submitted all the data required by the Public Utilities Commission timely and has published the following documents of LECO and completed during the year 2023:

- Regulatory Information System (RIS) (Quarterly basis)
- Statistical Digest 2022

The department is in the process of improving the safety, health and supply quality standards being practiced in the organization. Acquiring standardization certification is currently in progress, and Regulatory Compliance Audits and Engineering Audits are planned to provide improved service quality and network



Consumer Consultative Meeting for Galle Branch Customers

management. The department also in the process of providing safety ratings and performance KPI for individuals working with the LECO network.

Customer Service Department

The year 2023 was a successful year for Customer Service after the drawback of three years of pandemic and economic crisis. Service rendered for customers was achieved to the stipulated standards with successful new implementation of digitized environment. E-application service and e-billing services continued throughout the year.

Assured service guarantees for services of issuing estimates (Retail), provide new connections (Retail) after payments, meter testing, meter shifting and pole shifting within ten working days were achieved to a target of ninety percent (90%) in the year 2023.

A campaign was done consisting of paper, television, digital media and hoardings to make the public aware of the new SMS billing service from LECO. By entering SMS billing, LECO has marked another step towards the digital communication world. Hoardings too were fixed in front of every Branch office and CSC of LECO, making the customers aware of the services by the first step into LECO premises.

The department introduced and successfully implemented a Special Priority Services System for senior citizens and differently abled persons for all seven branches in LECO. With the system, differently abled customers and senior citizens are given priority and special care during their visit to LECO, which marks another step towards the development of customer focused corporate culture within the organization.

A pilot project was successfully launched for Queue Management

System at Moratuwa Model Branch this year. With the new Queue Management System customers can use a token system instead of old physical queues, making the LECO visit a pleasant experience. It is planned to extend this system to all seven branches in LECO in the coming year.

Annual major event of the Customer Service Department, the Consumer Consultative Meetings were successfully conducted in the year 2023 for the Customers in Galle and Nugegoda Areas. Events were conducted at Waskaduwa –Citrus Hotel and Golden Rose Hotel – Boralesgamuwa respectively. These meetings were open forums for customers to meet the LECO management, and the management was able to gather customer expectations and suggestions. The meetings were concluded after awarding valuable gifts for selected winners from raffle draw among the participants.



Consumer Consultative
Meeting for Nugegoda
Branch Customers

Human Capital Investment

Empowering Our Greatest Asset

At LECO, our employees are our most valuable asset in driving productivity and efficiency. We are committed to investing in their development through a structured and supportive lifecycle approach. Our initiatives include:

- **Thorough Induction Processes:** We ensure that new employees are seamlessly integrated into our organization with comprehensive induction programs.
- **Comprehensive Training Programs:** Ongoing training is provided to enhance skills and keep our team updated with the latest industry practices.
- **Performance Management and Evaluation Systems:** We implement performance management systems to track progress and provide constructive feedback.
- **Motivational Strategies:** We foster a culture of excellence by recognizing achievements and motivating our team to excel in their roles.

These investments not only enhance individual performance but also contribute to a more effective and motivated workforce.



Human Resources & Administration

HUMAN RESOURCES & ADMINISTRATION

The Human Resources function plays a pivotal role in the success and sustainability of an organization. As we reflect on last year's accomplishments and challenges, it becomes evident that the HR department is not merely a support function but a strategic partner driving organizational growth. By attracting and retaining top talent, HR ensures that our organization has the human capital necessary to innovate and excel in a competitive landscape. Moreover, HR plays a crucial role in fostering a positive work culture and employee engagement. Through initiatives such as training and development programs, performance evaluations, and employee wellness initiatives, HR cultivates a motivated and productive workforce. Additionally, HR functions as a bridge between management and employees, facilitating effective communication and conflict resolution. As we

move forward, it is imperative to recognize and invest in the importance of Human Resources function, as it serves as the backbone of our organization's success.

OVERVIEW OF EMPLOYEES CADRE

As of December 31, 2023, LECO employed a total staff of 1,413 individuals, comprising 191 executives and 1,222 non-executive staff. Similar to the previous years, our organization managed to uphold an exceptionally minimal rate of employee turnover throughout 2023, a testament to the contentment and enthusiasm of our workforce.

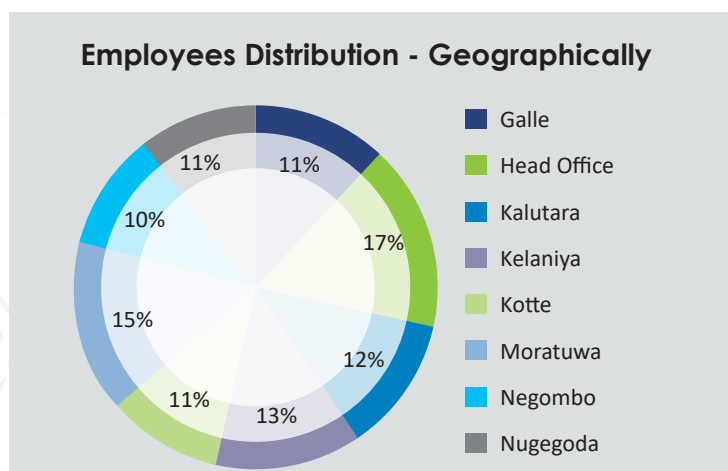
Below diagram is about the breakdown of the workforce located in the seven branches (Negombo to Galle) including the Head Office located in Colombo 03.

TRAINING AND DEVELOPMENT

As we reflect on the accomplishments of the Training & Development function in the

year 2023, it is evident that its significance to our organization cannot be overstated. One notable achievement was the successful implementation of the first NVQ 4 (Linesman) qualification completion certificates Awarding Ceremony for approximately 120 Technicians. This milestone not only underscored our commitment to enhancing the skills and qualifications of our workforce but also exemplified our dedication to professional development. Through structured training programs like these, we empower our employees with the knowledge and expertise needed to excel in their roles, thereby contributing to overall organizational success.

Furthermore, in 2023 LECO conducted a diverse array of training programs, encompassing both technical and non-technical disciplines. A highlight of the year was the NVQ (National Vocational Qualification) Level 3 and 4 qualifications obtaining program for Technicians and Technical Helpers, which equipped participants with advanced skills and knowledge, enhancing their professional competencies. These programs, along with other technical training sessions, focused on areas such as engineering and operations while our non-technical training sessions addressed essential soft skills, leadership, and personal development. This comprehensive approach to training has significantly contributed to the growth and capability of our workforce.



**EMPLOYEES REWARDS,
RECOGNITION AND WELFARE
ACTIVITIES**

In 2023, we proudly conducted a scholarship awarding ceremony to honor and appreciate the excellent academic performance of LECO employees' children. Scholarships were awarded to students who excelled in the Grade 5 Scholarship, Ordinary Level, and Advanced Level

examinations. This initiative not only recognized the hard work and achievements of these young scholars but also reinforced our commitment to supporting the educational aspirations of our employees' families.

We celebrated LECO's 40th anniversary with a glamorous event that highlighted the company's rich history and achievements. This milestone occasion also

served as an opportunity to recognize and award employees who demonstrated excellent performance across various projects throughout the year. Their dedication and outstanding contributions have been instrumental in our continued success, and this event underscored our commitment to celebrating and appreciating the hard work and achievements of our team.



Celebrating 40 Years of Excellence: Lanka Electricity Company (Pvt) Ltd

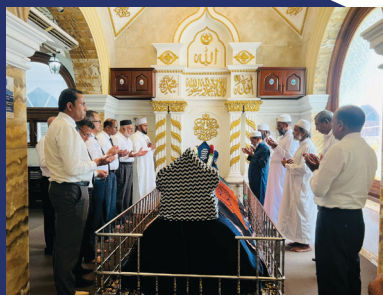
On the 19th of September 2023, Lanka Electricity Company (Pvt) Ltd proudly celebrated its 40th anniversary at the Hotel Taj Samudra, Colombo. The event was graced by the Hon. Minister of Power and Energy, Kanchana Wijesekara, along with the Secretary of the Power and Energy Ministry, and other high-ranking officials. Their presence underscored the significance of this milestone in the company's history.

In addition to the distinguished guests, the event honored the senior management staff whose unwavering dedication and vision have been instrumental in propelling the company to its current level of success. Their contributions, spanning across four decades, were warmly acknowledged and celebrated.

A special highlight of the evening was the recognition of the staff members who played a crucial role in the special projects

initiated in conjunction with the 40th anniversary. Their active participation and innovative contributions have been pivotal in driving the company forward, ensuring its continued growth and success.

As we reflect on this remarkable journey that began in 1983, we are filled with pride and gratitude for all who have been part of our story. The 40th anniversary marks not just a celebration of the past but a commitment to future excellence.



Financial Review

Political and social stability has been restored while a range of necessary corrective measures have been implemented since late 2022. Along with the assistance of IMF and economical sustainability oriented policy and structural reforms are being moving the economy to a new growth trajectory while setting the country on a path of economic recovery and sustainable growth which relies largely on the commitment towards the timely implementation of fiscal and structural reforms through consistent and coordinated policy measures.

Despite challenges posed by geopolitical tensions and the economic crisis in Sri Lanka, Lanka Electricity Company (Pvt) Limited yielded yet another year of exceptional performance, with towering levels of turnover and profitability. Unwavering focus on innovation, hard work, ingenuity and an indomitable spirit has added value to the committed and reliable electricity supply to the service territories.

The group has maintained a remarkable revenue growth throughout the year resulting in significant value creation for stakeholders inspired by long term sustainability oriented initiatives such as prudent cost and fund management, business process management, adoption of digital transformation and the climate stiffening of the network.

LECO recorded a consolidated revenue of Rs . 75.17 Billion in 2023 compared to Rs 39.72 Billion in

2022 an increase of 89.26%. The regulated tariff increases imposed throughout the financial year resulted in the notable revenue growth where, Domestic and Commercial consumer categories were rendered the top notch contribution in securing the epic revenue growth, recorded 40% and 38% respectively from the overall revenue. The revenue generated from the supply of temporary connections, Domestic and Commercial revenue categories are providing the major contribution to the revenue stream.

The ongoing positive trend of consumer payments and the streamlined disconnection process during the year caused a decrease in Trade Receivable to sales ratio to 19.81% (including CEB) compared to 23.93% (including CEB) in the previous year.

The group has achieved a net profit of Rs 4.51 Billion compared to Rs 1.85 Billion in 2022 and operating profit of Rs 4.53 Billion in 2023 compared to 0.8 Billion in 2022.

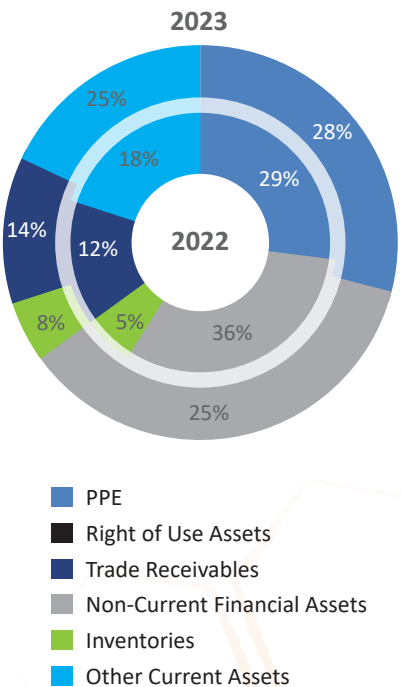
The legacy of mindful governance was the north Star that enabled balancing multiple stakeholder concerns through the past years, and with the exponential stability of the strong financial and liquidity position, the company is thrived to further focus on collaborative innovation, empowerment management and sustainable geo political resilience for a seamless operational excellence in the years ahead.

Return on Equity

Return on Group equity for the year under review was 10.33%, whilst return on equity of the Company was 9.74%. 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.

ASSETS COMPOSITION

Total assets of the group as at 31st December 2023 are Rs 68.86 Billion. Non-current assets represent 53.38% of the total assets. Graphical presentation of composition of the total assets is as follows.



Property, Plant & Equipment (PPE) Rs 19.28 Billion, investments in West Coast Lanka Rs 13.75 Billion and Investments in short term financial

assets such as Repos / Fixed deposits and loans given to employees represent Rs 19.08 Billion are the key components of the total assets of the group.

Cash Flow

Group net operating cash inflow was Rs. 5,984 million, compared to the inflow of Rs. 1,394 million in the prior year. Decrease in Income tax, interest expenses and retiring gratuity expenses paid during the financial year caused in aggrandized cash flows from operating activities.

SHARE HOLDER RETURNS

Group Earnings per Share (EPS) for the financial year under review was Rs. 39.39 vs. Rs. 16.18 during the prior year 2022. Earnings per share of the Company were Rs. 36.63 vs. Rs. 17.06 in year 2022.

CORPORATE GOVERNANCE

Group/Company ensures to comply with established best practices in corporate governance and ensures the highest ethical standards in conduct of its business.

The Financial Statements of the Group and the Company have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRs/LKASs), issued by the Institute of Chartered Accountants of Sri Lanka and comply with requirements of the Companies Act No. 07 of 2007. The Financial Statements for the year ended 31st December 2023 signed on behalf of the Board by the Chairman and a member of the Board of Director.

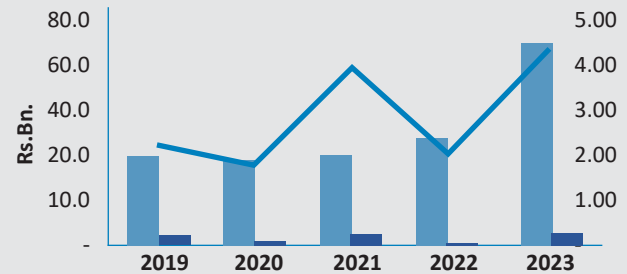
PERFORMANCE HIGHLIGHTS

Summary of the performance highlights for last five years are as follows.

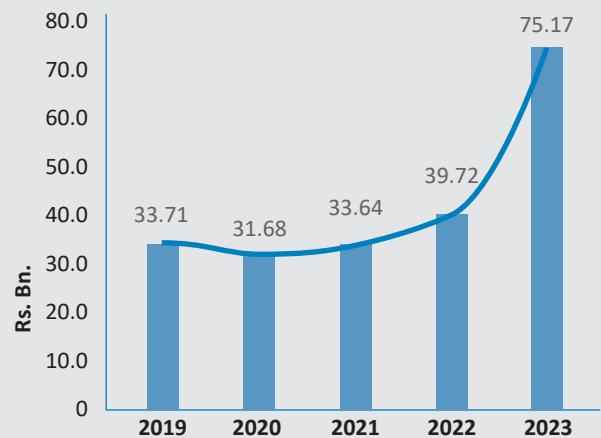
Rs.Bn	2019	2020	2021	2022	2023
Revenue	33.71	31.68	33.64	39.72	75.17
Gross Profit	4.93	6.18	7.90	9.00	12.29
Net Profit	2.74	1.82	3.30	1.85	4.51
Sales KWh	1,570	1,624	1,603	1,560	1,583
Purchases KWh	1,640	1,606	1,633	1,550	1,544
Energy Loss %	1.61	-1.37	1.94	4.02	4.14

Graphical presentation of Financial Performances is as follows

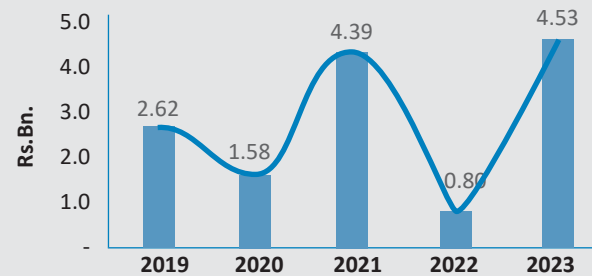
Revenue, Operating Profit & Net Profit



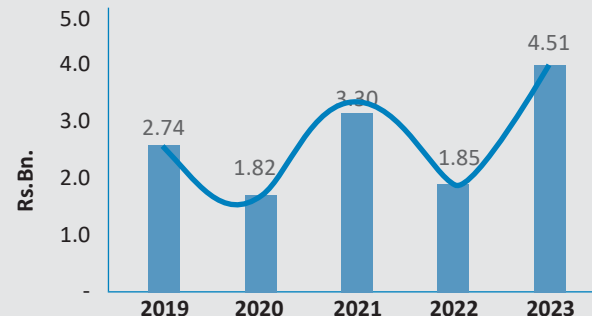
Revenue Growth



Trend in Operating Profit



Trend in Net Profit



Corporate Governance

Good Corporate Governance ensures the interests of all the stakeholders while achieving the corporate success of the Company as well as maintaining ethical corporate behavior. The business decisions are taken based on the principles of Corporate Governance assuring the transparency and accountability of all the events and complying with mandatory regulated benchmarks and internal benchmarks.

COMPLIANCE SUMMARY

Regulatory Benchmarks

Adoption	Standard/Principle /Code	Adherence
Mandatory Provisions	Companies Act No.07 of 2007	√
Mandatory Provisions	Sri Lanka Electricity Act No.20 of 2009 as amended	√
Mandatory Provisions	Finance Act No.28 of 1971	√
Mandatory Provisions	Public Utilities Commission	√
Mandatory Provisions	Public Enterprise Department guidelines for good governance	√
Mandatory Provisions	Treasury /Government Circulars	√
Mandatory Provisions	Sri Lanka Accounting Standards	
Mandatory Provisions	National Audit Act, No.19 of 2018	√
Voluntary Provisions	Code of Best Practice on Corporate Governance issued by CA Sri Lanka	√

Internal Benchmarks	
Article of Association	√
Board-approved policies and policy manuals	√
Internal circulars relating to operations, engineering, Finance, Human Resources, etc.	√
Delegation of Financial Authority	√

Infrastructure & Internal Processes Optimization

Maximizing Infrastructure for Greater Productivity

Optimizing our infrastructure is central to enhancing productivity and ensuring the satisfaction of both our staff and customers. We focus on:

- **Efficient Infrastructure Usage:** By leveraging state-of-the-art technology and systems, we maximize the utility of our infrastructure, leading to more streamlined operations and improved service delivery.
- **Enhanced Staff and Customer Satisfaction:** Our infrastructure improvements are designed to create a more productive environment, resulting in higher levels of satisfaction for both our employees and customers.

These enhancements enable us to deliver services more efficiently and effectively, contributing to our overall productivity goals.

Efficient Internal Processes

Streamlining Operations for Efficiency

Efficiency in our internal processes is crucial for effective service delivery. We utilize a range of advanced tools and systems to streamline operations, including:

- **Control Center Operations:** Our Control Center ensures smooth network operations, providing real-time monitoring and management.
- **Responsive Call Center:** Our call center is designed to handle inquiries promptly and effectively, improving customer interactions.
- **Paperless and SMS Billing Systems:** We have transitioned to paperless and SMS billing systems to reduce administrative overhead and enhance convenience.
- **In the future Handheld Devices for Doorstep Services:** State-of-the-art handheld devices facilitate efficient doorstep services, enhancing operational efficiency.
- **IT and Cloud-Based Infrastructure:** Our IT infrastructure and cloud-based systems support seamless operations and data management.

These internal processes are integral to delivering high-quality services and maintaining operational excellence.

Audit & Management Committee Report

Audit & Management Committee is a subcommittee of the LECO Board of Directors. This committee consists of three board members and, chaired by the Treasury representative of the Board. The Committee is mainly responsible for the integrity of the Financial Reporting while ensuring the maintenance of sound internal control system focusing the key risk areas.

In addition to above board members, further two independent observers are participated in Audit & Management Committee meetings, one observer represents the Ministry of Power & Energy and the other observer represents the National Audit Office.

Seven productive committee meetings were held during the period under review.

During the year, the Audit & management committee involved in several activities in relation to upgrade the efficiency of the certain processes and paid the special attention to review and approve the Financial Budget, Action Plan, Master Procurement Plan, and internal audit plan for the year 2024.

Internal Audit Function

The Internal audit department plays a key role in assuring the interests of all stakeholders complying with the main ethical principles in performing the

audits. Accordingly, the internal audit is carried out to ensure that all the transactions and events are audited in accordance with Sri Lanka Auditing Standards. Further, all audit reviews ensure the work performed by the relevant staff members of the Company are complies with internal circulars, procedure manuals, and government legislations. In addition, ensure that the recording of financial transactions & financial reporting is in compliance with Sri Lanka Accounting Standards.

During the year, the Audit and Management Committee approved audit plan in 2022 was executed while performing the other investigations assigned by the higher Management.

All the audit work are allocated and performed by the staff having due professional competence & skills and work performed are monitored on timely basis to ensure the maintenance of work standards and achieve the agreed time targets. In this process, all branches are audited while performing the certain areas in head office on rotational basis.

The audit observations identified at the audits are discussed in different forums. Finally, all the observations are notified to the Audit and Management Committee for the information purpose or further discussions.



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தேசிய கணக்காய்வு அலுவலகம்

NATIONAL AUDIT OFFICE



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எனது இல.
My No.

PWR/C/LECO/01/23/01

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date

26 August 2024

The 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 2023 in terms of Section 12 of the National Audit Act, No. 19 of 2018

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Lanka Electricity Company (Private) Limited (“Company”) and its subsidiaries (“Group”) for the year ended 31 December 2023 comprising the statement of financial position as at 31 December 2023 and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including material accounting policy information was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018.

In my opinion, except for the effects of the matters described in the basis for Qualified Opinion section of my report, 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 2023, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.



1.2 Basis for Qualified Opinion

1.2.1 Comments on Financial Statements of the Lanka Electricity Company (Private) Limited.

- (a) According to the paragraph 5.5 of the Conceptual Framework for Financial Reporting, the initial recognition of assets or liabilities arising from transactions or other events may result in the simultaneous recognition of both income and related expenses. Simultaneous recognition of income and related expenses is sometimes referred to as the matching of costs with income. However, the Company had not identified solar energy purchased cost for the period of 2017 to 2023 (except 2021) amounting to Rs.4, 658.2 million had been recognized as receivable from Ceylon Electricity Board instead of being recognized as cost of sales in respective years, even though the sales revenue of solar energy purchased had been recognized as sales in respective years. As a result, the retained earnings, profit for the year and receivable balance had been overstated by Rs. 2,819.6 million, Rs. 1,838.6 million and Rs. 4,658.2 million respectively as at 31 December 2023.
- (b) The balance due from Ceylon Electricity Board (CEB) for miscellaneous services as at 31 December 2023 was Rs. 5,777.8 million. Out of that balance of Rs 5,770.6 million had been included as due from CEB for the cost of purchasing energy using net accounting and net plus methods for the period of 2017 to 2023. However, as per the balance confirmation received from CEB, the CEB had confirmed that there were no payable balance to the Company. Further, no formal agreement entered between two parties for the purchasing Electricity using net accounting and net plus methods. Therefore, the recoverability of that balance could not be satisfactory ascertained in audit and the Company had made provision for impairment of Rs. 5,300.9 million for the above receivable balance.
- (c) In terms of paragraph 51 of the Sri Lanka Accounting Standard No 16, the residual value and the useful life of an asset shall be reviewed annually and, if expectations differ from previous estimates, the change shall be accounted for in accordance with Sri Lanka Accounting Standard No 8. However, the assets with carrying value of Rs.11,114.4 million relating to 4 categories as at 31 December 2023 had not been reviewed and accounted as required by the Standards.



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 NATIONAL AUDIT OFFICE

- (d) According to the trade debtor impairment report, the provision for impairment of trade debtors of Moratuwa Branch for the year 2023 was Rs. 111.2 million. However, as per the financial statements, it was recorded erroneously as Rs. 64.9 million. Accordingly, there was a difference of Rs. 46.3 million as at 31 December 2023. Therefore, profit for the year under review had been overstated by similar amount.
- (e) The Company had not identified retention liability amounting to Rs 41.7 million for six construction contracts as at 31 December 2023. As a result, works- in-progress and retention liability were understated by Rs 41.7 million as at 31 December 2023.
- (f) Share certificates or any other documentary evidences in respect of the investment amounting to Rs. 5 million made in ordinary shares of the Lanka Broad Band Network (Private) Limited as at 31 December 2023 were not made available to audit. Hence, it was unable to ascertain the accuracy and existence of the investment during the audit.
- (g) A difference of Rs 50.8 million was observed between solar energy purchase cost shown in the financial statements and billing system as at 31 December 2023. However, it had not been reconciled yet.

1.2.2 Comments on Consolidated Financial Statements

Differences of Rs. 398.7 million and Rs. 50 million were observed between the consolidated financial statement and the financial statement of Anti Leco Metering Company (Pvt) Ltd and Leco Project (Pvt) Ltd respectively.

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 qualified opinion.



1.3 Other information included in the Group's 2023 Annual Report

The other information comprises the information included in the 2023 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated.

When I read the Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

1.4 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, 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 Group'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 Group's financial reporting process.

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

1.5 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 internal control of the Company and the Group.



- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion

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

- 2.1 National Audit Act, No. 19 of 2018 and Companies Act, No. 7 of 2007 include specific provisions for following requirements.
 - 2.1.1 Except for the effects of the matters described in the basis for Qualified Opinion section of my report, 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



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 NATIONAL AUDIT OFFICE

per the requirement of section 163 (2) of the Companies Act, No. 7 of 2007 and section 12 (a) of the National Audit Act, No. 19 of 2018.

2.1.2 The financial statements of the Company comply with the requirement of Section 152 of the Companies Act, No. 07 of 2007

2.1.3 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.

2.1.4 The financial statements presented includes all the recommendations made by me in the previous year except the audit matters of 1.2.1 (a), (b), (c) and (f) described in the basis for Qualified Opinion section of my report as per the requirement of section 6 (1) (d) (iv) of the National Audit Act, No. 19 of 2018

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

2.2.1 to state that any member of the governing body of the Company has any direct or indirect interest in any contract entered into by the Company which are out of the normal cause of business as per the requirement of section 12 (d) of the National Audit Act, No. 19 of 2018;

2.2.2 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;

2.2.3 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;

2.2.4 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;



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NATIONAL AUDIT OFFICE

2.3 Other matters

All vehicle related matters such as allocating vehicles for duties, record keeping, running charts and log books maintenance, providing fuel, repairs and maintenance, etc. had been separately handled by each division. Therefore, it was observed that the control over the vehicle administration had not been designed and implemented properly by the Company.

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

W.P.C. Wickramaratne

Auditor General

Financial Statements

Statement of Profit or Loss

Year ended 31 December 2023

	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Revenue	4	75,167,578	39,715,935	72,509,544	38,586,801
Cost of Sales		(62,880,472)	(30,720,758)	(60,674,249)	(29,427,280)
Gross Profit		12,287,106	8,995,178	11,835,295	9,159,520
Other Operating Income	5	2,367,106	1,210,592	2,371,169	1,214,347
Operating Expenses		(5,323,687)	(5,459,640)	(5,323,019)	(5,459,528)
Administrative Expenses		(4,804,332)	(3,949,432)	(4,754,281)	(3,923,476)
Profit from operations		4,526,193	796,698	4,129,164	990,863
Finance Income	6.1	1,901,902	1,368,163	1,840,525	1,316,241
Finance Cost	6.2	(139,384)	(256,018)	(139,384)	(256,018)
Profit Before Taxation	7	6,288,710	1,908,843	5,830,305	2,051,087
Income Tax Expense	8	(1,777,917)	(56,681)	(1,635,533)	(97,323)
Profit for the Year		4,510,793	1,852,162	4,194,772	1,953,764
Profit attributable to :					
- Equity Holders of the company		4,416,282	1,884,017		
- Non-controlling interests		94,510	(31,855)		
Profit for the year		4,510,793	1,852,162		
Basic Earnings Per Share (Rs.)	9	39.39	16.18	36.63	17.06

The accounting policies and notes on pages 54 through 92 form an integral part of the financial statements.

Statement of Other Comprehensive Income

Year ended 31 December 2023

	Note	Group		Company	
		2023 Rs. '000	2022 Rs. '000	2023 Rs. '000	2022 Rs. '000
Profit for the year		4,510,793	1,852,162	4,194,772	1,953,764
Other comprehensive income					
Other Comprehensive Income to be reclassified to Statement of Profit or Loss in subsequent period					
Gain on FVOCI instruments	21.4	1,673,267	312,772	1,673,267	312,772
Deferred tax on net changes in fair value of FVOCI instruments		(501,980)	(93,831)	(501,980)	(93,831)
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	(214,263)	139,171	(213,043)	135,450
Deferred tax effect on actuarial gain/ loss		64,279	(41,751)	63,913	(40,635)
Revaluation of property, plant and equipment	21.2	1,702,669	-	1,616,075	-
Deferred tax charge on revaluation surplus		(510,801)	-	(484,823)	-
Other comprehensive income, net of tax for the year		2,213,171	316,360	2,153,409	313,755
Total comprehensive income for the year		6,723,964	2,168,522	6,348,181	2,267,519

Total Comprehensive Income Attributable to:

- Equity Holders of the company	6,629,710	2,199,596
- Non-controlling interests	94,254	(31,074)
	6,723,964	2,168,522

The accounting policies and notes on pages 54 through 92 form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2023

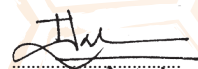
	Note	Group		Company	
		2023	2022	2023	2022
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	10	19,283,565	15,643,097	18,952,571	15,377,481
Investment property	11	-	-	112,555	114,166
Intangible assets	12	83,007	43,432	81,546	39,425
Investments in subsidiaries	13	-	-	31,319	31,319
Financial assets at fair value through other comprehensive income	14	13,751,790	12,078,524	13,751,790	12,078,524
Advance for shares	15	-	-	64,931	64,931
Right of use assets	16	45,300	58,458	45,300	58,458
Other Financial Assets	19	3,597,141	7,221,479	3,597,141	7,221,479
Total non-current assets		36,760,804	35,044,990	36,637,154	34,985,783
Current assets					
Inventories	17	5,272,945	2,912,359	4,617,012	2,515,184
Trade and other receivables	18	9,343,716	6,193,089	8,726,815	5,906,199
Prepayments and advances		828,344	355,053	639,142	355,053
Other financial assets	19	15,479,417	8,389,744	15,394,595	8,008,804
Cash and bank balances	20	1,178,745	971,829	1,128,507	930,673
Total current assets		32,103,167	18,822,075	30,506,072	17,715,913
Total Assets		68,863,971	53,867,065	67,143,225	52,701,696
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	3,374,656	2,182,788	3,244,189	2,112,937
Revenue reserves	21.3	340,642	340,642	340,642	340,642
Fair value reserve	21.4	11,006,331	9,835,044	11,006,331	9,835,044
Retained earnings		30,134,400	27,467,846	29,698,516	27,252,874
Total equity attributable to equity holders of the Company		46,001,096	40,971,387	45,434,745	40,686,563
Non-controlling interests		222,627	128,373	-	-
Total Equity		46,223,723	41,099,760	45,434,745	40,686,563
Non-current liabilities					
Deferred tax liabilities	8.3	1,238,907	603,693	1,206,150	640,955
Deferred income	23	5,869,043	5,594,842	5,869,043	5,594,842
Post employment benefit liabilities	24	1,710,746	1,317,743	1,707,307	1,315,219
		8,818,695	7,516,278	8,782,500	7,551,016
Current liabilities					
Trade and other payables	25	11,966,564	4,607,000	11,168,058	3,815,423
Income tax payable		1,817,010	608,604	1,719,945	613,271
Current portion of Interest Bearing Loans and Borrowings	22	37,977	35,422	37,977	35,422
Total current liabilities		13,821,551	5,251,026	12,925,980	4,464,117
Total liabilities		22,640,247	12,767,304	21,708,479	12,015,132
Total Equity and Liabilities		68,863,971	53,867,065	67,143,225	52,701,696

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

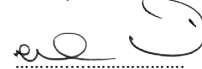


Additional General Manager - Finance

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 54 through 92 form an integral part of the financial statements.

March 06, 2024
Colombo

Statement of Changes in Equity

Year ended 31 December 2023

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	Rs.'000
Balance as at December 31, 2021	1,145,067	340,642	2,182,788	9,616,104	25,474,804	38,759,405	155,841	38,915,246
Profit for the period	-	-	-	-	1,884,017	1,884,017	(31,855)	1,852,162
Other comprehensive income	-	-	-	218,940	96,638	315,578	672	316,250
Total comprehensive income for the period	-	-	-	218,940	1,980,656	2,199,596	(31,184)	2,168,412
Adjustment - written back NBT liability - Ante LECO					12,387	12,387	3,716	16,102
Balance as at December 31, 2022	1,145,067	340,642	2,182,788	9,835,044	27,467,846	40,971,387	128,373	41,099,760
Profit for the period	-	-	-	-	4,416,282	4,416,282	94,510	4,510,793
Other comprehensive income	-	-	1,191,869	1,171,287	(149,728)	2,213,427	(256)	2,213,171
Total comprehensive income for the period	-	-	1,191,869	1,171,287	4,266,555	6,629,710	94,254	6,723,964
Dividend paid					(1,600,000)	(1,600,000)	-	(1,600,000)
Balance as at Dec 31, 2023	1,145,067	340,642	3,374,657	11,006,331	30,134,400	46,001,097	222,627	46,223,724

The accounting policies and notes on pages 54 through 92 form an integral part of the financial statements.

Statement of Changes in Equity

Year ended 31 December 2023

Company	Stated Capital Rs.'000	Revenue Reserves Rs.'000	Revaluation Reserves Surplus Rs.'000	Fair Value Reserve Rs.'000	Retained earnings Rs.'000	Total Rs.'000
Balance as at December 31, 2021	1,145,067	340,642	2,112,937	9,616,104	25,204,294	38,419,044
Profit for the year						
Other comprehensive income for the period				218,940	1,953,764	1,953,764
					94,815	313,755
Total comprehensive income for the year	-	-	-	218,940	2,048,579	2,267,519
Balance as at December 31, 2022	1,145,067	340,642	2,112,937	9,835,044	27,252,874	40,686,563
Profit for the year						
Other comprehensive income for the period			1,131,253	1,171,287	(149,130)	2,153,409
Total comprehensive income for the year	-	-	1,131,253	1,171,287	4,045,642	6,348,181
Dividend paid					(1,600,000)	(1,600,000)
Balance as at Dec 31, 2023	1,145,067	340,642	3,244,189	11,006,331	29,698,516	45,434,745

The accounting policies and notes on pages 54 through 92 form an integral part of the financial statements.

Statement of Cash Flows

For the year ended 31 December

	Note	Group		Company	
		2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		6,288,710	1,908,843	5,830,305	2,051,087
Adjustment for;					
Depreciation of property, plant and equipment		949,427	922,937	925,491	892,244
Prior year adjustment		-	-		
Amortization of deferred income		(480,070)	(455,412)	(480,070)	(455,412)
Amortization of intangible asset		44,546	18,390	39,807	14,747
Depreciation of investment property		-	-	1,610	3,900
Depreciation - Right of use assets		57,047	32,709	57,047	32,709
Provision for retiring gratuity		308,869	236,455	308,200	234,773
Impairment of trade receivable		2,089,552	2,364,588	2,089,552	2,373,942
Provision for slow moving inventories		1,764	(888)	1,764	(888)
Gain/ (loss) on disposal of property, plant, and equipment		(12,452)	32,740	(12,452)	32,740
Interest income		(1,901,902)	(1,368,163)	(1,840,525)	(1,316,241)
Interest expense		139,384	256,018	139,384	256,018
Dividend income		(727,273)	(181,818)	(727,273)	(181,818)
Operating profit before working capital changes		6,757,602	3,766,399	6,332,840	3,937,801
(Increase)/decrease in inventories		(2,362,349)	40,973	(2,103,592)	132,942
(Increase)/decrease in advances and prepayments		(473,291)	(258,798)	(284,089)	(95,188)
(Increase)/decrease in trade and other receivables		(4,973,120)	(584,346)	(4,643,108)	(557,731)
Increase/(decrease) in trade and other payables		7,347,338	(53,649)	7,340,407	(392,611)
Increase/(decrease) in deferred income		754,271	733,272	754,271	733,272
Cash generated from operating activities		7,050,451	3,643,851	7,396,729	3,758,484
Income tax paid		(882,800)	(1,722,083)	(886,552)	(1,721,603)
Interest expense paid		(53,268)	(256,018)	(53,268)	(256,018)
Retiring gratuity paid		(130,129)	(271,483)	(129,155)	(271,388)
Net cash generated from operating activities		5,984,254	1,394,268	6,327,754	1,509,476
CASH FLOWS FROM INVESTING ACTIVITIES					
Net investments in other financial assets		(3,535,247)	(888,762)	(3,829,170)	(822,822)
Net acquisition of property, plant and equipment		(2,956,703)	(1,920,090)	(2,953,982)	(1,905,541)
Net acquisition of Right of use assets		(43,888)	(56,617)	(43,888)	(56,617)
Interest income received		1,634,842	1,368,163	1,573,465	1,316,241
Dividend income received		727,273	181,818	727,273	181,818
Net cash generated from/ (used in) investing activities		(4,173,723)	(1,315,489)	(4,526,302)	(1,286,921)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to equity holders of the parent		(1,600,000)		(1,600,000)	
Lease Liability on Net acquisition of Right of use assets		(3,928)	1,661	(3,928)	1,659
Net cash used in financing activities		(1,603,928)	1,661	(1,603,928)	1,659
Net increase/ (decrease) in cash and cash equivalents		206,604	80,440	197,525	224,214
Cash and cash equivalents at the beginning of the year		964,495	884,055	923,338	699,124
Cash and cash equivalents at the end of the year	20	1,171,101	964,495	1,120,863	923,338
Analysis of cash and cash equivalents	20				
Cash and cash equivalents in the statement of financial position		1,178,745	971,829	1,128,507	930,673
Bank Overdraft		(7,644)	(7,334)	(7,644)	(7,334)
Cash and cash equivalents for the purpose of Cash Flow		1,171,101	964,495	1,120,863	923,338

The accounting policies and notes on pages 54 through 92 form an integral part of the financial statements.

Notes to the Financial Statements

Year ended 31 December 2023

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.

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 re-valued 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 in terms of the Sri Lanka Accounting Standards SLFRS 13 (Fair Value measurement)

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 30%.

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 re-valued 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 re-valued 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%
Plant and Machinery – Research & Development project at UoM	5%

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 de-recognition (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.

De-recognition

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 categorized 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 recognized 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.

2.3.7 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

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.

2.3.8 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.

2.3.9 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.

2.3.10 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 re-valued 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.

2.3.13 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 re-measurement 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 re-measured 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.

2.3.14 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. The nature and effect of the changes as a result of adoption of these 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

IFRS 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

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 is results of the Company and Group.

	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
4. REVENUE				
4.1 Revenue from Contracts with Customers				
Industrial	10,465,837	5,732,018	10,465,837	5,732,018
Hotels	2,563,634	1,071,319	2,563,634	1,071,319
Domestics	30,230,168	17,141,273	30,230,168	17,141,273
Commercial	28,795,899	14,465,435	28,795,899	14,465,435
Street light	6,125	2,144	6,125	2,144
Religious	417,919	168,133	417,919	168,133
Temporary connections	29,961	6,479	29,961	6,479
Meter sales	2,658,034	1,100,795	-	-
Project contracts	-	28,340		
Total Revenue	75,167,578	39,715,935	72,509,544	38,586,801
4.2 Timing of Revenue Recognition				
Products transferred at a point in time	75,167,578	39,715,935	72,509,544	38,586,801
Revenue from Contracts with Customers	75,167,578	39,715,935	72,509,544	38,586,801
5. OTHER OPERATING INCOME				
Amortization of Consumer Contribution	474,281	449,598	474,281	449,598
Amortization of Government Grants	28,501	5,813	28,501	5,813
Recoveries from customers	1,080,568	643,575	1,080,568	643,575
Gain/ (loss) on disposal of property, plant, and equipment	12,452	(32,740)	12,452	(32,740)
Gain/ (loss) on exchange of currencies	(1,456)	(49,637)	(1,456)	(49,637)
Sundry Income	45,488	12,165	49,551	15,920
Dividend Income	727,273	181,818	727,273	181,818
	2,367,106	1,210,592	2,371,169	1,214,347
6. FINANCE INCOME & FINANCE COST				
6.1 Finance Income				
Interest on staff loans	66,860	(3,092)	66,570	(3,498)
Interest on term deposits	1,233,875	645,288	1,172,789	593,773
Interest on loan granted to CEB	51,507	25,649	51,507	25,649
Interest on government securities	549,660	700,317	549,660	700,317
	1,901,902	1,368,163	1,840,525	1,316,241
6.2 Finance Cost				
Interest expense on consumer deposits	45,062	30,307	45,062	30,307
Interest expense on bank overdrafts and bank charges	8,206	4,415	8,206	4,415
Interest & premium amortization for Treasury Bond	67,717	132,501	67,717	132,501
Lease interest on Right of Use Assets	6,172	4,047	6,172	4,047
Interest for NSB Sooriya Bala Sangramaya Loan Scheme	12,227	84,748	12,227	84,748
	139,384	256,018	139,384	256,018

Notes to the Financial Statements
Year ended 31 December 2023

	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
7. PROFIT BEFORE TAXATION				
Profit before tax is stated after charging all expenses including the following.				
Directors' emoluments	2,725	2,725	2,725	2,725
Audit fees	4,731	3,000	4,731	3,000
Depreciation - property, plant and equipment	949,427	922,937	925,491	892,244
Depreciation - Right of use assets	(57,047)	(32,709)	(57,047)	(32,709)
Amortization - intangible asset	44,546	18,390	39,807	14,747
Depreciation of investment property	-	-	1,610	3,900
Public relations and advertising	29,448	16,771	29,448	16,771
Impairment of obsolete and slow moving inventories	1,764	(888)	1,764	(888)
Impairment of trade receivables	2,089,552	2,373,942	2,089,552	2,373,942
Staff cost (Note 7.1)	4,849,065	4,763,218	4,843,833	4,757,986
7.1 Staff cost				
Salaries and wages	2,677,172	2,351,257	2,677,172	2,351,257
Other staff related costs	652,635	977,214	652,635	977,214
Bonus	246,950	275,562	246,950	275,562
Overtime	535,494	533,494	535,494	533,494
Contribution to EPF & ETF	427,547	389,850	423,382	385,686
Retirement benefit obligations (Gratuity)	309,268	235,840	308,200	234,773
	4,849,065	4,763,218	4,843,833	4,757,986
8. INCOME TAX EXPENSE				
a) Current tax expense				
Income Tax Expenses for the year	2,188,869	982,826	2,090,890	981,288
(Over)/ under provision in respect of previous years	(97,662)	-	(97,662)	-
Deferred Tax Charge/(Reversal) for the year	(313,289)	(926,145)	(357,695)	(883,965)
Income tax expense/ (reversal)	1,777,917	56,681	1,635,533	97,323
8.1 Income Tax				
Profit before tax	6,288,710	1,908,843	5,830,305	2,051,087
Consolidation adjustment	-	-	-	-
Other Sources of Income	(3,131,742)	(1,934,523)	(3,070,580)	(1,931,320)
Aggregate allowable items	(1,897,415)	(1,909,989)	(1,873,206)	(1,867,709)
Aggregate disallowable items	3,453,257	3,591,249	3,418,875	3,551,847
Business Profit	4,712,810	1,655,579	4,305,393	1,803,905
Other Sources of Income				
Interest income	1,843,728	1,345,605	1,840,525	1,294,091
Taxable consumer contribution income	460,077	435,394	460,077	435,394
Assessable income from business	7,016,615	3,436,579	6,605,995	3,533,390
Assessable income from investments	727,273	181,818	727,273	181,818
Less : Qualifying payments	(95,697)	99,707		
Taxable Income	7,648,191	3,718,104	7,333,268	3,715,208

	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Tax Rate				
Tax on Dividend Income	15%	15%	15%	15%
Tax on Balance Taxable Income	30%	30%	30%	30%
Tax on profit for the year	2,188,869	982,826	2,090,890	981,288

8.2 Assessments issued by the Department of Inland Revenue

Details of the assessments issued by the Department of Inland Revenue is as follows.

	Tax type	Assessed Tax Amount	Penalty	Total Tax Liability	Current Status
For the year of assessment 2015/2016	CIT	-	2,621,742	2,621,742	Administrative review is ongoing
For the year of assessment 2016/2017	CIT	107,506,780	101,003,207	208,509,987	Administrative review is ongoing
For the year of assessment 2017/2018	CIT	99,333,945	86,451,865	185,785,809	Administrative review is ongoing
For the year of assessment 2018/2019	CIT	255,371,103	51,074,221	306,445,324	Appeal submitted to the Tax Appeal commission
For the year of assessment 2019/2020	CIT	293,630,042	58,726,008	352,356,050	Appeal submitted to the Tax Appeal commission
For the Tax period 2240	SSCL	323,699,095	77,659,312	401,358,407	Administrative review is ongoing
For the Tax period 2310	SSCL	339,047,600	60,291,871	399,339,472	Administrative review is ongoing
For the Tax period 2320	SSCL	517,544,884	124,079,983	641,624,867	Administrative review is ongoing
For the Tax period 2330	SSCL	476,039,776	95,867,738	571,907,514	Administrative review is ongoing
		2,412,173,225	657,775,946	3,069,949,172	

1. There were additional assessments made for CIT (Corporate Income Tax) mainly based on the accounting treatment applied by the company for deferred income relating to the consumer contribution
2. The company is in the view that SSCL (Social Security Contribution Levy) liable from 8th September 2023 as per the amended SSCL Act No. 15 of 2023. However the IRD issued assessments from 1st October 2022 based on the Act No. 25 of 2022
3. The company is in the view that it is not required to provide additional provision as a tax liability in the books of account.

	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
8.3 Deferred tax expenses / (Reversal)				
Origination and reversal of temporary differences	635,213	(790,562)	565,195	(749,499)
Break up of deferred tax expense				
Expense recognized in;				
Recognized in Profit or Loss Statement	(313,289)	(926,145)	(357,695)	(883,965)
Recognized in Other Comprehensive Income Statement	948,502	135,583	922,890	134,466
	635,213	(790,562)	565,195	(749,499)

8. INCOME TAX EXPENSE (Contd...)

	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
8.4 Deferred tax liability				
Balance as at the beginning of the year	603,694	1,394,256	640,955	1,390,454
Recognized in profit or loss	(313,289)	(926,145)	(357,695)	(883,965)
Recognized in other comprehensive income	948,502	135,583	922,890	134,466
Balance as at the end of the year	1,238,907	603,694	1,206,150	640,955

Closing deferred tax asset, liabilities relates to the following

Deferred tax liability

Accelerated depreciation s for tax purposes	2,160,293	1,761,465	2,150,664	1,750,538
Right of Use Assets	3,432	7,560	4,490	9,111
Impact on revaluation	1,256,186	745,385	1,230,208	745,385
Fair value of FVOCI - Impact on Financial Instrument	501,980	93,831	501,980	93,831
	3,921,891	2,608,242	3,887,342	2,598,866

Deferred tax asset

Deferred income on consumer contribution	(305,932)	(327,672)	(305,932)	(327,672)
Employee benefit liability	(513,224)	(395,323)	(512,192)	(394,566)
Provision for obsolete and slow moving inventories	(69,382)	(68,853)	(69,382)	(68,853)
Provision for impairment of trade and other receivables	(1,794,447)	(1,212,701)	(1,793,686)	(1,166,820)
	(2,682,985)	(2,004,549)	(2,681,192)	(1,957,911)
	1,238,906	603,693	1,206,150	640,955

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	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amount use as the Numerator :				
Net profit for the year attributable to ordinary shareholders	4,510,793	1,852,162	4,194,772	1,953,764
Number of Ordinary Shares used as the Denominator :				
Current number of ordinary shares	114,507	114,507	114,507	114,507
Basic Earnings Per Share	39.39	16.18	36.63	17.06

9.3 Diluted Earnings Per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, diluted earning per share is same as Basic earnings per share.

Notes to the Financial Statements
Year ended 31 December 2023

10. PROPERTY PLANT AND EQUIPMENT

10.1 Group

Cost / Fair Value	Freehold land	Freehold building	Motor vehicles	Computers	Office equipment	Plant and machinery infra-structure	Capital work-in-progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Balance as at December 31, 2022	3,199,395	1,206,537	1,284,454	424,963	797,280	283,872	1,711,302	35,034,145
Additions	210,663	229,336	-	75,082	623,449	-	1,724,340	5,427,131
Transfers	-	-	-	(77,290)	-	-	214,791	(2,481,945)
Surplus / (deficit) on revaluation of property	1,639,926	(16,798)	-	-	-	-	-	1,623,127
Disposals	-	-	(86)	(118,628)	(38,955)	-	(259,933)	(417,602)
Balance as at Dec 31, 2023	5,049,983	1,419,074	1,284,368	304,128	1,381,774	283,872	27,805,539	39,184,856
Depreciation								
Balance as at December 31, 2022	-	68,578	1,226,470	335,881	457,356	205,077	17,097,687	19,391,049
Depreciation for the year	-	29,019	79,582	9,973	75,816	21,155	733,881	949,427
Surplus / (deficit) on revaluation of property	-	(79,542)	-	-	-	-	-	(79,542)
Disposals / adjustments	-	-	(86)	(118,163)	(37,328)	-	(204,064)	(359,642)
Balance as at Dec 31, 2023	-	18,055	1,305,966	227,691	495,844	226,232	17,627,504	19,901,291
Written down value								
Balance as at Dec 31, 2023	5,049,983	1,401,019	(21,598)	76,437	885,930	57,641	10,178,035	19,283,565
- As at December 31, 2022	3,199,395	1,137,959	57,985	89,082	339,924	78,796	9,028,654	15,643,097

10. PROPERTY PLANT AND EQUIPMENT

10.2 Company

	Freehold land	Freehold building	Motor vehicles	Computers	Office equipment	Supply of infrastructure	Capital work-in-progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Cost / Fair Value								
Balance as at December 31, 2022	3,199,395	1,004,463	1,490,303	421,323	581,289	26,126,340	1,711,302	34,534,416
Additions	210,663	229,336	-	75,082	620,728	1,724,340	2,564,261	5,424,410
Transfer	-	-	-	(77,290)	-	214,791	(2,619,446)	(2,481,945)
Surplus / (deficit) on revaluation of property	1,554,942	(16,798)	-	-	-	-	-	1,538,144
Disposals / Adjustments	-	-	(86)	(118,628)	(38,955)	(259,933)	-	(417,602)
Balance as at Dec 31, 2023	4,965,000	1,217,000	1,490,217	300,488	1,163,062	27,805,539	1,656,117	38,597,423
Depreciation								
Balance as at December 31, 2022	-	50,522	1,308,793	324,565	366,991	17,106,065	-	19,156,935
Depreciation for the year	-	27,409	78,926	9,556	75,717	733,881	-	925,491
Surplus / (deficit) on revaluation of property	-	(77,931)	-	-	-	-	-	(77,931)
Disposals / adjustments	-	-	(86)	(118,163)	(37,328)	(204,064)	-	(359,642)
Balance as at Dec 31, 2023	-	0	1,387,633	215,957	405,380	17,635,882	-	19,644,852
Written down value								
- As at Dec 31, 2023	4,965,000	1,217,000	102,584	84,531	757,682	10,169,657	1,656,117	18,952,571
- As at December 31, 2022	3,199,395	953,941	181,510	96,759	214,297	9,020,276	1,711,302	15,377,481
Fully depreciated assets								
- As at December 31, 2023	-	-	748,629	176,940	163,716	9,265,188	-	10,354,474
- As at December 31, 2022	-	-	500,769	241,872	143,643	8,648,795	-	9,535,080

Notes to the Financial Statements
Year ended 31 December 2023

10.3 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

10.4 The fair value of land and buildings were determined by means of a revaluation during the financial year 31 December 2023. The valuations are performed by Mr. A A M Fathihu, a Chartered Valuation Surveyor who is an accredited independent valuer who has valuation experience for similar Land and Building in Sri Lanka for more than 30 years. Fair value of the Land & Building were determined using the market comparable method. This means that valuations performed by the valuer are based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.

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

Class of Asset	2023			2022		
	Cost	Cumulative Depreciation	Net Carrying Amount	Cost	Cumulative Depreciation	Net Carrying Amount
	Rs.'000	Rs.'000	Rs.'000	Rs'000	Rs.'000	Rs.'000
Land	897,916	-	897,916	897,916	-	897,916
Building	892,884	(198,337)	694,547	663,548	(181,278)	482,270
	1,790,800	(198,337)	1,592,463	1,561,464	(181,278)	1,380,187

10.5 There is a land purchased on 18 March 2008 for the value of Rs 102,061,068 by the deed no. 3537. There were case instituted at the D.C.C by the case No. DLM 209/11 declaring title for land extent to 6 perches. This matter is now pending before Civil Appellate High Court and Attorney General is in a strong position and suggested that the matter to be settled after releasing the six perches to the plaintiff. The Board of Directors approved to be settled by agreeing to release the disputed 6 perches and the right of way to the plaintiff as per the court decision

Release of six perches is not completed as at 31st December 2023 as court decision process is still in progress. Hence the company had made provision of Rs 26,971,428.57 for the loss of land portion and charged to the Income Statement. Once court process is completed this cost will be removed from Assets Registry.

10.6 Plants and equipment amounting to Rs. 469,962,951.43 capitalized during the year which was received as grant from ADB (grant no: 0486 SRI). Assets are located at the University of Moratuwa, which will be used for Research & development activities. These assets are depreciated over 20 years of period which is align with the life time of the project.

11. INVESTMENT PROPERTIES	Company	
	2023 Rs.'000	2022 Rs.'000
Cost		
As at 01st January	132,224	132,224
Additions during the year		
As at 31st Dec	132,224	132,224
Accumulated depreciation		
As at 01st January	18,058	14,159
Charge for the year	1,610	3,900
As at 31st Dec	19,668	18,058
Written down value	112,555	114,166

11. INVESTMENT PROPERTIES (Contd...)

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, 2023.

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.

12. INTANGIBLE ASSETS	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost				
Balance as at 01st January	143,087	128,376	110,783	98,313
Additions	6,831	14,711	4,639	12,471
Transfers	77,290	-	77,290	
Balance as at Dec 31	227,207	143,087	192,712	110,783
Amortization				
Balance as at 01st January	99,655	81,265	71,359	56,612
Charge for the year	44,546	18,390	39,807	14,747
Balance as at Dec 31	144,200	99,655	111,166	71,359
Net book value as at December 31	83,007	43,432	81,546	39,425

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

13. INVESTMENTS IN SUBSIDIARIES

	Holding %		Company	
			2023	2022
			Rs. 000	Rs. 000
LECO Projects (Private) Limited	100%	2,500,100	25,001	25,001
Ante LECO Metering Company (Private) Limited	70%	3,131,967	31,319	31,319
			56,320	56,320
Less: Allowance for impairment			(25,001)	(25,001)
			31,319	31,319

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
West Coast Power (Private) Limited (Note 14.1)	13,751,790	12,078,524	13,751,790	12,078,524
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
	13,771,790	12,098,524	13,771,790	12,098,524
Less: Impairment of Investments	(20,000)	(20,000)	(20,000)	(20,000)
	13,751,790	12,078,524	13,751,790	12,078,524

14.1 West Coast Power (Private) Limited

Balance as at 01 st January	12,078,524	11,765,752	12,078,524	11,765,752
Remeasurement recognized in Other Comprehensive Income	1,673,267	312,772	1,673,267	312,772
Balance as at Dec 31	13,751,790	12,078,524	13,751,790	12,078,524

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 727,272,727 from the West Coast Power (Pvt) Ltd

15. ADVANCE FOR SHARES

	Company	
	2023	2022
	Rs.'000	Rs.'000
Ante LECO Metering Company (Pvt) Ltd		
- Application for Shares	64,931	64,931

16. RIGHT OF USE ASSETS**16.1 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		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Carrying Amount				
Balance as at 01st January	297,099	240,482	292,515	235,897
Additions	43,888	56,617	43,888	56,617
Adjustments	-	-	-	-
Disposal	-	-	-	-
Balance as at Dec 31	340,987	297,099	336,403	292,515

16. RIGHT OF USE ASSETS (Contd...)	Group		Company	
16.1 The key assumptions used for the computation of operating lease liabilities include the following: (Contd...)	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Depreciation				
Balance as at 01st January	238,641	205,932	234,057	201,348
Charge for the year	57,047	32,709	57,047	32,709
Balance as at Dec 31	295,688	238,641	291,103	234,057
Net Book Value				
Balance as at Dec 31	45,300	58,458	45,300	58,458
Impact on statement of profit or loss is as follows;				
Depreciation during the year	57,047	32,709	57,047	32,709
	57,047	32,709	57,047	32,709

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

17. INVENTORIES				
Operational and maintenance goods	4,535,760	2,672,245	4,535,158	2,672,245
Finished goods	451,914	79,132		
Raw-materials	115,724	297,686		
Work in progress	87,693	19,526		
Goods in transit	313,128	73,280	313,128	72,449
	5,504,218	3,141,869	4,848,286	2,744,694
Provision for obsolete and slow moving inventories	(231,273)	(229,510)	(231,273)	(229,510)
	5,272,945	2,912,359	4,617,012	2,515,184

- 17.1** Operational and maintenance goods and raw materials are accounted at actual cost on weighted average basis. Finished goods and work in progress stocks are valued at the cost of production based on normal operating capacity in producing the products.

According to LKAS 02, inventories shall be measured at the lower of cost or net realizable value. However, the company believes that determining the Net Realizable Value is impracticable. The operational and maintenance goods are solely used for the development of the supply of infrastructure, with no intention to resell or use them for manufacturing any other goods. Most of these items are specialized for the electricity distribution industry. Therefore, it is impractical to identify the realizable value in the open market. As a result, the company measures all its inventories at cost.

18. TRADE AND OTHER RECEIVABLES				
Trade receivables- Related parties (Note 18.1)	6,330,978	3,110,076	5,777,867	2,826,508
Trade receivables	8,558,871	6,393,803	8,558,104	6,393,702
	14,889,849	9,503,879	14,335,970	9,220,210
Other receivables - Related parties (Note 18.2)	11,709	210,865	30,458	232,885
Other receivables	421,111	367,745	339,339	342,504
	15,322,669	10,082,489	14,705,767	9,795,599
Provision for impairment of receivables - CEB - Net Plus/ Net Accounting Reimbursements	(5,323,773)	(2,472,085)	(5,323,773)	(2,472,085)
Provision for impairment of receivables - Other	(655,179)	(1,417,315)	(655,179)	(1,417,315)
Provision for impairment of trade and other receivables	(5,978,952)	(3,889,400)	(5,978,952)	(3,889,400)
	9,343,716	6,193,089	8,726,815	5,906,199

Notes to the Financial Statements
Year ended 31 December 2023

18.	TRADE AND OTHER RECEIVABLES (Contd..)	Group		Company	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
18.1	Trade receivables - related parties				
	Ceylon Electricity Board	6,330,978	3,110,076	5,777,867	2,826,508
		6,330,978	3,110,076	5,777,867	2,826,508
18.2	OTHER RECEIVABLES - RELATED PARTIES				
	Ceylon Electricity Board	11,709	210,837	11,709	210,837
	LECO Projects (Private) Limited	-	28	18,749	23,066
	Ante LECO Metering Company (Private) Limited	-	-	-	(1,019)
		11,709	210,865	30,458	232,885
19.	OTHER FINANCIAL ASSETS	Rs.'000	Rs.'000	Rs.'000	Rs.'000
	Loans given to employees	1,611,595	1,485,261	1,611,595	1,485,261
	Loans given to consumers	30,884	33,395	30,884	33,395
	Investments in debt instruments - Amortized cost (Note 19.2)	17,434,079	14,092,568	17,349,258	13,711,628
		19,076,558	15,611,223	18,991,736	15,230,283
	Current	15,479,417	8,389,744	15,394,595	8,008,804
	Non-current	3,597,141	7,221,479	3,597,141	7,221,479
		19,076,558	15,611,223	18,991,736	15,230,283
19.1	Loans given to employees				
	Festival advances	6,024	5,318	6,024	5,318
	Medical loans	2,667	5,982	2,667	5,982
	Vehicle and distress loan (Note 19.1.1)	1,602,904	1,473,961	1,602,904	1,473,961
		1,611,595	1,485,261	1,611,595	1,485,261
		Group	Company		
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
19.1.1	Loans given to employees				
	Employees' loan balance (Note 19.1.1.1)	1,230,101	1,173,364	1,230,101	1,173,364
	Prepaid expenses (Note 19.1.1.2)	372,803	300,597	372,803	300,597
		1,602,904	1,473,961	1,602,904	1,473,961
19.1.1.1	Employees' loan balance				
	Balance before fair value adjustment	1,173,364	1,381,707	1,173,364	1,381,707
	New loans granted during the year	660,191	540,540	660,191	540,540
	Recoveries from employees	(507,111)	(529,095)	(507,111)	(529,095)
		1,326,444	1,393,152	1,326,444	1,393,152
	Fair value adjustment on loans granted at below market interest rate	(96,343)	(219,788)	(96,343)	(219,788)
	Balance at the end of the year	1,230,101	1,173,364	1,230,101	1,173,364

19. OTHER FINANCIAL ASSETS (Contd..)	Group		Company	
19.1.1.1 Employees' loan balance (Contd..)	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Loans to members				
Distress loan-m	602,136	585,732	602,136	585,732
Vehicle loan-m	627,965	587,632	627,965	587,632
	1,230,101	1,173,364	1,230,101	1,173,364
19.1.1.2 Prepaid expense				
Distress loan	180,532	180,933	180,532	180,933
Vehicle loan	192,271	119,664	192,271	119,664
	372,803	300,597	372,803	300,597
New loans granted during the year				
Distress loan	312,552	376,105	312,552	376,105
Vehicle loan	347,640	164,435	347,640	164,435
	660,191	540,540	660,191	540,540
19.2 Investments in debt instruments - Amortized cost				
Investments in Term deposits /REPO	5,438,000	5,320,322	5,401,000	5,080,322
Investment in Fixed deposits	10,041,417	3,069,422	9,993,595	2,928,482
Investments in Treasury Bonds	1,954,662	5,702,824	1,954,662	5,702,824
	17,434,079	14,092,568	17,349,258	13,711,628

20. CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents comprise the following;

Cash in-hand and bank	1,178,745	971,829	1,128,507	930,673
Cash and cash equivalents in the statement of financial position	1,178,745	971,829	1,128,507	930,673
Bank Overdraft	(7,644)	(7,334)	(7,644)	(7,334)
Cash and cash equivalents for the purpose of Cash Flow	1,171,101	964,495	1,120,864	923,338

21. CAPITAL AND RESERVE	Group		Company	
	2023	2022	2023	2022
21.1 Stated Capital				
Company/ Group	Number	Number	Rs.'000	Rs.'000
Issued and fully paid ordinary shares				
'A' Shares	113,580,264	113,580,264	1,135,803	1,135,803
'B' Shares	926,390	926,390	9,264	9,264
	114,506,654	114,506,654	1,145,067	1,145,067

The holders of ordinary shares ('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.

Notes to the Financial Statements
Year ended 31 December 2023

21. CAPITAL AND RESERVE (Contd..)	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
21.2 RESERVES				
Revaluation Reserves on valuation of land and buildings				
- Land	3,179,639	2,030,564	3,049,172	1,960,713
- Buildings	195,017	152,224	195,017	152,224
	3,374,656	2,182,788	3,244,189	2,112,937
21.3 Revenue Reserves				
- Asset replacement reserve (Note 21.3.1)	311,642	311,642	311,642	311,642
- Insurance reserve (Note 21.3.2)	29,000	29,000	29,000	29,000
	340,642	340,642	340,642	340,642
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.			
21.4 Fair Value Reserve				
Balance as at January 01,	9,835,044	9,616,104	9,835,044	9,616,104
Add : Gain on FVOCI instruments	1,673,267	312,772	1,673,267	312,772
Effect of deferred tax	(501,980)	(93,831)	(501,980)	(93,831)
	1,171,287	218,940	1,171,287	218,940
Balance as at Dec 31,	11,006,331	9,835,044	11,006,331	9,835,044
Total other components of equity as at Dec 31,	14,721,629	12,358,474	14,591,162	12,288,623
22. INTEREST BEARING LOANS AND BORROWINGS				
Leases (Note 22.1)	30,333	28,088	30,333	28,088
Short Term Loans				
Bank Overdraft	7,644	7,334	7,644	7,334
	37,977	35,422	37,977	35,422
22.1 Leases				
As at 1st January	28,088	26,429	28,088	26,429
Additions	43,888	56,617	43,888	56,617
Adjustments	-	-	-	-
Accretion of interest	6,172	4,049	6,172	4,049
Disposal	-	-	-	-
Lease payment during the year	(47,816)	(59,005)	(47,816)	(59,005)
As at 31 December	30,333	28,088	30,333	28,088
Amount repayable within one year	37,977	35,422	37,977	35,422
Amount payable more than one year	-	-	-	-
	37,977	35,422	37,977	35,422

As at December 31,	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
23. DEFERRED INCOME				
Deferred income on consumer contributions (Note 23.1)	5,376,335	5,117,048	5,376,335	5,117,048
Deferred income on ADB grant (Note 23.2)	61,184	66,973	61,184	66,973
Deferred income on ADB grant (Note 23.3)	431,524	410,820	431,524	410,820
	5,869,043	5,594,842	5,869,043	5,594,842
23.1 Deferred income on consumer contributions				
Balance as at January 01	5,117,048	5,013,970	5,117,048	5,013,970
Consumer contributions during the year	733,567	552,677	733,567	552,677
Transferred to profit or loss	(474,281)	(449,598)	(474,281)	(449,598)
	5,376,335	5,117,048	5,376,335	5,117,048
23.2 Deferred income on ADB grant - Grant No. 0149-SRI				
Balance as at January 01	66,973	72,787	66,973	72,787
Transferred to profit or loss	(5,789)	(5,813)	(5,789)	(5,813)
Balance as at Dec 31	61,184	66,973	61,184	66,973

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 amortized over the useful life of the asset.

23.3 Deferred income on ADB grant -Grant No. 0486- SRI				
Balance as at January 01	410,820	230,225	410,820	230,225
Received / Adjustment during the year	43,416	180,596	43,416	180,596
Transferred to profit or loss	(22,712)	-	(22,712)	-
Balance as at Dec 31	431,524	410,820	431,524	410,820

The grant is for Supporting Electricity Supply Reliability Improvement Project. Under this Pilot project, LECO undertake to design, supply and installation of Renewable Energy Micro Grid Project at the University of Moratuwa. Total grant value is US\$ 1,798,768. Constructions and commissioning were completed in 2023 and capitalized in 2023. This grant is amortized over the useful life of the asset commencing from year 2023, for the period of 20years.

24. POST EMPLOYMENT BENEFIT LIABILITIES

	Group		Company	
	2023 Rs.'000	2022 Rs.'000	2023 Rs.'000	2022 Rs.'000
24.1				
Balance at the beginning of the year	1,317,743	1,491,941	1,315,219	1,487,284
- Current service cost	71,803	63,938	71,461	63,735
- Interest on obligation	237,066	172,518	236,739	171,038
- Actuarial (gains)/losses on obligation	214,263	(139,171)	213,043	(135,450)
- Payments made during the year	(130,129)	(271,483)	(129,155)	(271,388)
Balance at the end of the period /year	1,710,746	1,317,743	1,707,307	1,315,219

Notes to the Financial Statements
Year ended 31 December 2023

24. POST EMPLOYMENT BENEFIT LIABILITIES (Contd..)	Group		Company	
	2023	2022	2023	2022
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
24.2	Provision for retiring gratuity for the year is recognized in the following line items in the statement of profit or loss and other comprehensive income.			
Profit or loss				
- Current service cost	71,803	63,938	71,461	63,735
- Interest on obligation	237,066	172,518	236,739	171,038
	308,869	236,455	308,200	234,773
Others comprehensive income				
- Actuarial (gains)/ losses on obligation	214,263	(139,171)	213,043	(135,450)
	214,263	(139,171)	213,043	(135,450)

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.

Principal Actuarial Assumptions		2023	2022
- Discount rate		12.0%	18.0%
- Salary Increase		9.0%	9%
- Retirement age			
Appointments up to December 31, 2006		65 years	65 years
Appointments after January 01, 2007	Executive Employees	60 years	60 years
	Non-Executive Employees	57 years	57 years
- Staff turnover factor			
Up to age 54		2.00%	3.00%
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.1,603,306.86
-1% Change in discount rate	Rs.1,822,972.98
+1% Change in rate of salary increase	Rs 1,828,236.84
-1% Change in rate of salary increase	Rs 1,596,984.88

		Group		Company	
		2023	2022	2023	2022
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
25. TRADE AND OTHER PAYABLES					
Trade payable	- Related parties (Note 25.1)	9,067,814	1,799,591	8,386,685	1,799,591
Trade payable	- Other	1,403,924	1,518,098	1,439,629	1,136,612
Other payables	- Related parties (Note 25.2)	97,400	2,992	-	-
Other payables	- Other	499,439	654,370	464,530	272,542
Sundry creditors including accrued expenses		897,986	631,949	877,214	606,679
		11,966,564	4,607,000	11,168,058	3,815,423

25.1 Trade payable - related parties

Ceylon Electricity Board	9,067,814	1,799,591	8,386,685	1,799,591
Lanka Electricity Company (Private) Limited	-	-	-	-
	9,067,814	1,799,591	8,386,685	1,799,591

25.2 OTHER PAYABLES - RELATED PARTIES

Ceylon Electricity Board	92,861	2,992	-	-
Ante Meter Co, China	4,539		-	-
Ante LECO Metering Company (Private) Limited	-		-	-
	97,400	2,992	-	-

26. COMMITMENTS AND CONTINGENCIES**26.1 Contingent Liabilities**

Contingent liabilities as at 31 December 2023 is as follows

1. A settlement has been initiated & agreed to release 06 perches to the complainant of the case as per the board approval dated 2022.08.31. These settlement conditions will be signed at the open court on 06th March 2024.
2. The Case filed by an Executive Officer who was down graded and reduction in rank to a lowest level from M2 to A5 grade as per the disciplinary order. The arbitrator has clearly stated that this demotion and reduction of the rank is too harm as a punishment given to him. Therefore this appeal is not in strong position in favor of the company.

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	
		2023	2022
		Rs.'000	Rs.'000
Fixed deposits	Bank overdraft facilities of People's Bank	45,500	45,500
Fixed deposits	SMI loan schemes of People's Bank	260,531	225,097
Fixed deposits	Staff loan schemes of SMIB Bank and HDFC Bank facilities	1,357,831	1,199,166
Fixed deposits	NSB Solar Loan	1,593,542	1,406,480
		3,257,404	2,876,244

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

	2023	2022
	Rs.'000	Rs.'000
Key Management Personal compensation		
Directors fees and short term benefits	2,725	2,725

(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 31st December, 2023.

Name of the company	Relationship	Nature of transaction	Amount	Balance due from/ (to)	
				2023	2022
			Rs.'000	Rs.'000	Rs.'000
Ceylon Electricity Board	Immediate parent	Purchase of electricity	(60,674,249)		
		Payments for electricity	54,087,155	(8,386,685)	(1,799,591)
		Dividend paid	-	-	-
		Meter sales	1,860,659	553,111	260,783
		NET Metering	2,951,359	5,777,867	2,826,508
		Short Term Loan	-	-	-
		Interest received on ST Loan	51,507		
Ante Leco Metering Company (Private) Limited (ALMC)	Subsidiary	Rent on leased asset	8,034	7,597	6,040
		Meter purchases	888,832	70,794	22,786
Leco Projects (Private) Limited	Subsidiary	Receivable	4,317	18,749	23,066

28. RELATED PARTY DISCLOSURES (Contd..)**28.2 Transactions with the Government of Sri Lanka and its related entities (Contd..)**

The Group enters into transactions, arrangements and agreements with the Government of Sri Lanka and its other related entities and the results of significant transactions are given below (other than transactions disclosed in note 29.1)

Government institution	Nature of the transaction	2023	2022
		Rs.'000	Rs.'000
Central Bank of Sri Lanka	Treasury Bonds	1,954,662	5,999,992
Central Bank of Sri Lanka	Treasury Bills	4,650,000	-
People's Bank	Deposits	7,243,531	4,182,616
Bank of Ceylon	Deposits	469,632	-
National Savings Bank	Deposits	1,673,542	1,406,480
State Mortgage & Investment Bank	Deposits	44,768	43,183
HDFC	Deposits	1,313,063	1,157,662
		<u>17,349,198</u>	<u>12,789,933</u>

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

Maintaining bank accounts and entering in to Banking transactions with Bank of Ceylon and Peoples Bank

Payments of statutory rates and taxes.

Payment for utilities mainly comprising of telephone, electricity and water.

Payment for employment retirement benefit – EPF and ETF.

Payments for Motor Vehicle insurance premiums to Sri Lanka Insurance Corporation.

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. FINANCIAL INVESTMENTS RISK MANAGEMENT (Contd..)**29.1 Market risk**

Market Risk is the risk that changes in market prices, such as foreign exchange rates, interest rates etc. will affect the Company's income or the value of its holding of Financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing the returns.

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

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument fluctuates because of changes in market interest rates. The exposure to the risk of changes in market interest rate relates primarily to the Company's long term debt obligations and investments with floating 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	
	2023	2022	31-Dec-23	31-Dec-22
USD	344.99	326.37	323.98	366.01

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 & call deposits. 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.

29. FINANCIAL INVESTMENTS RISK MANAGEMENT (CONTD.)**29.2 Credit risk (Contd.)**

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

	2023	2022
	Rs.'000	Rs.'000
Trade receivables	14,335,970	9,220,210
Other receivables	369,797	575,389
Other financial assets	18,991,736	15,230,283
Cash and cash equivalents	1,120,864	923,338

- 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	Instrument value Rs'000
Central Bank of Sri Lanka	Treasury Bonds	1,954,662
Central Bank of Sri Lanka	Treasury Bills	4,650,000
National Savings Bank	Fixed Deposit	1,673,542
People's Bank	Deposits	7,243,531
People's Bank	Call Deposit	
Bank of Ceylon	Deposit	469,632
State Mortgage & Investment Bank	Fixed Deposit	44,768
HDFC	Fixed Deposit	1,313,063
		17,349,198

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 minimized.

	2023	2022
	Rs.'000	Rs.'000
Trade payables	9,826,314	2,936,203
Other payables	1,341,743	879,221
	11,168,058	3,815,423

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 amortized 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, 2023	Financial assets at FVOCI	Financial assets at amortized cost	Financial liabilities	Total carrying amount
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Financial assets				
Trade and other receivables	-	9,365,957	-	9,365,957
FVOCI	13,751,790	-	-	13,751,790
Other financial asset	-	18,991,736	-	18,991,736
Cash and bank balances	-	1,120,864	-	1,120,864
Total financial assets	13,751,790	29,478,557	-	43,230,347
Financial liabilities				
Trade and other payables	-	-	12,888,003	12,888,003
Interest Bearing Loans and Borrowings	-	-	30,333	30,333
Total financial liabilities	-	-	12,918,336	12,918,336
As at December 31, 2023				
Financial assets				
Trade and other receivables	-	6,261,252	-	6,261,252
FVOCI	12,078,524	-	-	12,078,524
Other financial asset	-	15,230,283	-	15,230,283
Cash and bank balances	-	923,338	-	923,338
Total financial assets	12,078,524	22,414,874	-	34,493,398
Financial liabilities				
Trade and other payables	-	-	4,428,694	4,428,694
Interest Bearing Loans and Borrowings	-	-	28,088	28,088
Total financial liabilities	-	-	4,456,782	4,456,782

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:

- 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.
- 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, 2023, 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.

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, 2023, 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	Rs '000	Level 1	Level 2	Level 3
FVOCI - Financial Assets					
Unquoted Equity Shares (Note 14)	31-Dec-23	13,751,790	-	-	13,751,790
Land and Building	31-Dec-23	4,153,336			4,153,336

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

Fair value of unquoted equity investments has been estimated using Discounted Cash Flow (DCF). Under DCF 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 analyzed. 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, 2023.

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

32. GOVERNMENT GRANTS

No new grants received during the year. Amortization of existing grants, refer to the Note - 23 Differed Income.

Group Performance Highlights for past 10 years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
For the Year ended 31 st Dec.	Rs. Bn	Rs. Bn	Rs. Bn	Rs. Bn	Rs. Bn	Rs. Bn	Rs. Bn	Rs. Bn	Rs. Bn	Rs. Bn
Operating Results										
Revenue	75.17	39.72	33.64	31.68	33.71	31.83	30.57	29.74	26.77	24.33
Profit from operations	4.53	0.80	4.39	1.58	2.62	1.90	0.99	1.37	0.96	1.02
Profit before taxation	6.29	1.91	5.11	2.42	4.00	3.17	2.28	2.27	1.52	2.30
Income tax expenses	(1.78)	(0.06)	(1.80)	(0.60)	(1.26)	(0.24)	(0.45)	(0.57)	(0.36)	(0.70)
Profit for the year	4.51	1.85	3.30	1.82	2.74	2.94	1.84	1.70	1.16	1.60
Equity & Liabilities										
Stated capital	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15	1.15
Other components of equity	45.08	39.95	37.77	34.09	32.82	31.00	28.39	24.71	23.22	22.83
Total equity	46.22	41.10	38.92	35.23	33.97	32.14	29.53	25.86	24.37	23.98
Non-current liabilities	8.82	7.52	8.23	7.58	7.11	6.15	6.00	5.21	4.95	4.56
Current liabilities	13.82	5.25	6.44	5.30	7.21	6.34	5.57	5.29	2.88	2.82
Total Liabilities	22.64	12.77	14.67	12.87	14.32	12.49	11.58	10.50	7.83	7.39
Total equity & liabilities	68.86	53.87	53.59	48.10	48.29	44.63	41.11	36.36	32.20	31.37
Assets										
Non-current assets	36.76	35.04	32.02	26.79	26.35	23.81	24.70	21.34	21.81	20.60
Current assets	32.10	18.82	21.57	21.32	21.94	20.83	16.40	15.01	10.39	10.77
Total assets	68.86	53.87	53.59	48.10	48.29	44.63	41.11	36.36	32.20	31.37
Total assets employed / Total capital employed	55.04	48.62	47.14	42.81	41.08	38.29	35.54	31.07	29.32	28.54
Key indicators										
Earnings per share (Rs.)	39.39	16.18	28.70	15.87	23.76	25.73	15.90	14.85	10.16	14.01
Net Assets Per Share (Rs.)	404	359	340	340	359	334	310	271	256	249
Dividend per share (Rs.)	8.73	5.24	8.73	4.37	6.55	10.04	6.11	4.37	3.06	1.75
Dividend approved (Rs 'Bn)	1.00	0.60	1.00	0.50	0.75	1.15	0.70	0.50	0.35	0.20
Annual sales growth (%)	89%	18%	6%	-6%	6%	4%	3%	11%	10%	9%
Equity to total assets ratio (%)	67%	76%	73%	73%	70%	72%	72%	71%	76%	76%
Dividend cover (no. of times)	4.5	3.1	3.3	3.6	3.6	2.6	2.6	3.4	3.3	8.0
Current ratio (no. of times)	2.3	3.6	3.3	4.0	3.0	3.3	2.9	2.8	3.6	3.8
Revenue to capital employed (no. of times)	1.4	0.8	0.7	0.7	0.8	0.8	0.9	1.0	0.9	0.9
No. of Consumers	622,973	615,647	606,202	595,435	568,250	562,412	546,571	539,829	526,119	523,734
No. of employees	1,475	1,509	1,505	1,527	1,535	1,570	1,573	1,556	1,465	1,474
Consumers per employee ratio	422	408	403	390	370	358	347	347	359	355
Sales (GWh) Purchases from CEB (GWh) LECO	1,583	1,560	1,603	1,624	1,647	1,570	1,519	1,466	1,356	1,272
Purchases from CEB (GWh) LECO (Including upward adjustment)	1,544	1,550	1,633	1,606	1,684	1,640	1,597	1,553	1,446	1,352
Distribution System Losses (11 Kv) % LECO	4.14	4.02	1.94	-1.37	1.34	1.61	2.7	3.5	3.8	4.0

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 40th 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 Wednesday, 11th September 2024 at 4.00 p.m. for the following purposes :

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st December 2023 with the Report of the Auditor General's thereon.
2. To note the appointment of the Auditor General as the Auditors of the Company for the ensuing financial year in compliance with Article 154 of the constitution.
3. To authorize the Directors to determine donations for the year ending 31st December 2024 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

28th August 2024

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 of (or failing him/her*)

Mr. M P A P De Silva	or failing him*
Mr. N S Ilangakoon	or failing him*
Mr. S P M W Jayewardene	or failing him*
Dr. I U Dedigama	or failing her*
Mrs. D H S Pullaperuma	or failing her*
Mr. M C Withanarachchi	

as our proxy to represent us to speak and to vote for us and on our behalf at the Annual General Meeting of the Company to be held on the 11th September 2024 and at any adjournment thereof and at every poll which may be taken in consequence thereof

	For	Against
1 To note the appointment of the Auditor General as the Auditors of the Company for the ensuing financial year in compliance with Article 154 of the constitution..	☐	☐
2 To authorize the Directors to determine donations for the year ending 31 st December 2024 and up to the date of the next Annual General Meeting.	☐	☐

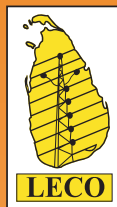
Singed this day of 2024

.....
Signature of Shareholder/s

- Notes:
- 1. A proxy need not be a shareholder of the Company.
 - 2. Instructions as to completion appear overleaf.
 - 3. Please mark "X" in appropriate cages to indicate your instructions as to voting

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, Galle Road, Colombo 3 not less than forty seven (47) hours.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointer is a company / incorporated body this Form must be executed in accordance with the Articles of Association / Statute.



LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED
411, Galle Road, E.H. Cooray Building,
Colombo 3