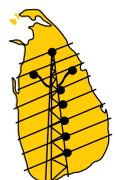


STABILITY THRU DYNAMIC CHALLENGE

Digitalization | Decarbonization | Decentralization | Democratization



LECO

**Lanka Electricity Company
(Private) Limited**



Our Vision

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

Our Mission

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

Our Value

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



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Corporate Information

LEGAL FORM

Private Limited Liability Company incorporated in 1983 under the provisions of the Companies Act No.17 of 1982 and 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
Dr. D C R Abeysekera
Mr. H G Sumanasinghe
Mr. N P K Ranaweera
Mr. S P M W Jayewardene
Dr. I U Dedigma

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
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. H G Sumanasinghe
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
Peoples Bank
Sampath Bank P.L.C
Seylan Bank PLC
Standard Chartered Bank
State Mortgage and Investment Bank
Housing Development Finance Corporation Bank
National Development Bank PLC
National Savings Bank (NSB)
DFCC Vardana Bank PLC
Pan Asia Banking Corporation PLC PABC
Union Bank of Colombo PLC

4D Digitalization

The digital transformation is a centerpiece of many companies' strategy. LECO is no exception. It is the right time to strive hard and reduce our legacy asset cost base and improve our digital footprint while preserving and leveraging the experience and knowledge we acquired for decades from our history. It is just a matter of how can we blend our most valuable digital asset, data, with the technologies like machine learning, artificial intelligence, augmented reality, cloud and analytics etc. to deliver an efficient and satisfactory service to our consumers.



SDMC



SMART DATA MANAGEMENT CENTER





Chairman's Message

It is with great pleasure that I share my thoughts and well wishes with you at the completion of a year of success and development. We planted very valuable host of trees in our stores premises at the beginning of this year. Further, we supplied some Hora and Hal trees to Vihara Maha Devi park urban forest project at the beginning of this year. Recently I got the opportunity to visit these two places and felt a deep pleasure and pride by seeing these growing trees. I think all what we have done for this company as a Director Board also equates to these growing trees. The vision of the company to be a modern and smart utility is physically planted on the ground, and growing at a pace, no difference to our Hal and Hora plants at two sites. These concepts we cultivated in the fertile soil of LECO, and well taken care, by the skilled and competent staff of us, are the trees which define the forest of our future electricity. The utility at creation today within the inner recess of LECO is the future model of distribution utility It will stand as the icon of performance. I am more than certain to declare that the definition of the future of the Sri Lankan Distribution Utility will be defined through the model in brew at the inner domicile of LECO.

Out Smart grid platforms, Paperless processes, modern customer service deployments, advanced network management and operational strategies

are the toolkit for future utilities. Our transparent and vivid auditing process, business process re-engineering efforts, system documentation and the 'do-what-you-say and say-what-you-do' policy are the markers of future State Owned Enterprise flight path. Our culture prevalent in the board room and the relationship matrix of worker unions are examples for the future State Owned Enterprises. Our worker relationships and the welfare deployment architectures where a new give-and take mindset at growth defines the future parental organizations in which workers love to serve and customers are loved to be served.

I wish to express my sincere appreciation and gratitude to all those who have contributed and supported LECO – Hon. Minister of Power, Hon. Deputy Ministers of Power, Secretary of the Ministry of Power and its staff members, Board of Directors, our dedicated staff members, valued consumers, shareholders, business associates, bankers, suppliers, company secretaries, auditors and individuals .

M P A P De Silva
Chairman



General Manager's Message

It is with great pleasure and pride that I declare our company has experienced yet another successful year of high performance. This is the one before the last year of our current corporate planning window and this year pave the way for the accomplishment of the corporate plan. The company identified 2018 to 2022 period as the period in which we migrate to smart grid technology and acquire the technology for such mission. The company was directed by a detailed action plan, assigning detail action items to each Divisional Manager with a performance evaluation system. The Action Plan progress and performance were quantitatively evaluated in every quarter. This was modality of directing the company though an Action Plan and KPI system was seen a success. All divisional managers achieved high performance despite the external disturbances such as Covid pandemic and economic crisis.

The deployment of smart grid technology such as smart switches, smart meters and network monitoring devices were achieved. The implementation of performance integrating solutions such as the Distribution Control Center Automation, implementation of advanced radio communication system and the development of the smart metering platform reached all the targets paving its way for service modernization in the forthcoming year.

The requirement of achieving the transparency and the governance of LECO was highlighted with the enhancement of the auditing and management function of the company. A new Financial Delegation with detailed process characterization and the streamlining of all operational procedures through a Business Process Re-engineering were finalized. The procurement of a new HRIS system with higher transparency and complete process automation

towards paperless and decentralized office system was procured and started implementation.

Long awaiting requirement of the company for a Head Office building saw its culmination with the award of construction contract and the start of site construction.

It is the target of the company to be fully equipped with the technology and systems to achieve the complete service and process digitalization of the external and internal operations by the end of year 2022. 2021 and 2022 are the two twin years of finalizing this process making the company ready for the next corporate plan targets. The buzz word of the next era of LECO will be Lean, Efficient, Caring and Open. New systems such as process automation, work characterization, multi-tasking, time based assignments, outsourcing, performance based incentives, customer characterization, service personalization, digitalized reporting and dash-boarding will be implemented to create a modern, lean and digitalized utility of the future.

I fail in my part if I do not to render the heartfelt appreciation of Amy staff to our visionary Chairman and the Board of Directors in steering the company though this development drive. I have a strong belief that my amazing group of the professionals and the dedicated staff joining hands together in this difficult task of propelling our company towards this future will accomplish this task in an unprecedented scale to become a global example. We have the skill, will and the capacity for that.

Dr. P S N De Silva
General Manager

Board of Directors



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. In addition, he also chairs the two subsidiary companies of LECO, namely Ante-Leco Metering Company and LECO Projects Company (Pvt) Ltd.

He studied at the Royal College, Colombo 07 and took oaths as an Attorney-at-Law in 1996.

Mr. Athula has vast experiences in many fields being a Director at the Mineralsands 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.



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

Mr. N S Ilangakoon 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 is skilled in Defence and Military, Government, administration, Human Resources, Business Strategy, Leadership, and Aviation. Strong business development professional with a Master of Business Administration (M.B.A.) focused in Business Administration and Management, General from University of Wales, Cardiff. Also Mr. Ilangakoon holder of a commercial pilot license with experience in passenger aircraft.

Mr. Ilangakoon presently serves as the Chairman of the Ceylon Electricity Board and also he serves as the CEB Subsidiaries chair in an ex-officio capacity. He has engaged in Private and Government sector senior positions.



Eng. (Dr) D.C. Rohantha Abeysekera

.B.Sc. (Electrical Engineering), Ph.D. Computer Science (UK).

Director

Dr. Abeysekera has been serving in CEB for a period more than 36 years, holding senior positions as Deputy General Manager, The Project Director of the System Control and System Modernization Project that is the nerve center of the Country's Power Network. Before his appointment as Acting General Manager, he served as the Additional General Manager (Corporate Strategy), being the Head of the Driving Force of CEB to achieve the Mission and the Vision of CEB, by making it commercially and technically viable.

He is holding a B.Sc. (Electrical Engineering) Degree from the University of Moratuwa and obtained Ph.D. in Computer Science from the University of Kent at Canterbury, United Kingdom. He is also a Fellow Member of the Institute of Engineers of Sri Lanka.



Plnr. N P K Ranaweera

MSc Town & Country Planning (SL), MSc Regional Planning (SL), B.Sc. Estate Management and Valuation, Pg. Dip in Urban Management (Netherlands).

Director

Mr. N.P. K Ranaweera holds a degree in MSc in Town and Country Planning from the University of Moratuwa. He has also completed Post Graduate in Regional Planning from the University of Kelaniya and Urban Management from Erasmus University, the Netherlands respectively. He also holds a Bachelor of Science in Estate Management and Valuation from the University of Sri Jayewardenepura, Kotte.

Mr. Ranaweera has engaged over 11 years of experience in Senior Management of Urban Development and Planning and further holds professional experience as a Corporate Member of the Institute of Town Planners of Sri Lanka and is an Associate Member of the Institute of Real Estate and Valuation, Sri Lanka.

Mr. Ranaweera was appointed as the Secretary of the Urban Development Authority (UDA) and as a Board Director for Fisheries Corporation, Lanka Electricity Company Private Limited, Lanka Rest Houses Limited, Waters Edge Recreations Limited, Waters Edge Limited, Urban Settlement Development Authority, Urban Investment, and Development Company, Road Development Authority and Central Engineering Consultancy Bureau.

Board of Directors



Mr. H.G. Sumanasinghe

B.Com. (SL), Pg. on Public Finance (Australia)

Director

Mr H.G. Sumanasinghe obtained a Bachelor of Commerce degree from the University of Colombo and a Master of Public Policy from the Flinders University of Australia. He has served in the Ministry of Planning and Economic Affairs of the Government of Sri Lanka from 1996. He joined as Acting Commissioner General of Excise in 2019.

Mr Sumanasinghe has served as a Board Member of many government and semi-government institutions. He presently serves as the Additional Secretary of the Ministry of Finance, Economy, and Policy Development in Sri Lanka.



Mr. Pradip Jayewardene

Director

Mr Pradip Jayewardene is an entrepreneur and has wide experience in the fields of Business development, planning and training. He has more than 25 years of experience as a pioneer solar energy activist and entrepreneur. His expertise is in the field of renewable energy, Social Development. He has undertaken many tasks in respect of the development of many organizations over a long period of time. Mr Jayewardene presently serves as the Member of the Colombo Municipal Council.



Dr. Ishanka Dedigama

PhD (UK), MEng (UK)

Director

Ishanka Dedigama was appointed as a Director of Lanka Electricity Company in January 2021. Ishanka holds a MEng in Chemical Engineering and a PhD in Electrochemical Engineering from University College London, UK. She is an expert in hydrogen energy devices and has research experience in designing, developing and integrating devices such as Fuel Cells and Electrolysers.

She is the author of multiple peer-reviewed journals and international patents. Furthermore, Ishanka has experience in developing cyber security policies for the UK energy sector with a special focus on the smart energy grid and renewable energies. Ishanka is truly passionate about preparing for a zero emissions future and dedicates her time and efforts towards developing green hydrogen technologies.

Corporate Management



Seated (L-R) :

1. **Mr. S.D.C. Gunawardana**
Additional General Manager (Engineering)
2. **Mr. Athula P. de Silva**
Chairman
3. **Dr. Narendra De Silva**
General Manager

Standing (L-R) :

1. **Mr. Chandima Premachandra**
Additional General Manager (Human Resources & Administration)
2. **Mr. Keerthi De Silva**
Additional General Manager (Finance)-Actg.
3. **Mr. Suresh Jayasekera**
Additional General Manager (Operation)

Senior Management



- 1. Mr. G.P. seneviratna**
Deputy General Manager (Customer Services)
- 2. Mr. M.A.D.A.K. Samaraweera**
Deputy General Manager (System Operations) West
- 3. Mr. Ajith Amarasena**
Deputy General Manager (System Operation) South
- 4. Mr. Madhura Gamage**
Deputy General Manager (Planning & Regulatory)
- 5. Mr. Sanath Kumara**
Deputy General Manager (Design & Development)
- 6. Mr. Chandrasiri Weerasekera**
Deputy General Manager (Information Technology)
- 7. Mr. Nomal Ekanayake**
Chief Internal Auditor
- 8. Mr. D.M. Samaradivakara**
Deputy General Manager (Project)

4D Decarbonization



The pandemic has alerted us the effects of environmental degradation has on human well-being and on the world economy. Many countries and leading companies are pledging their commitment towards carbon neutrality. Technological advancement has made renewables much cheaper than it was. Decarbonizing the electricity sector has multifaceted impacts and therefore on spotlight. LECO will explore further on how we can decarbonize our operations and reduce the carbon footprint in future.



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 2021.

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 was 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, which operations have been currently scaled down.
- ▶ **Ante LECO Metering Company (Pvt) Ltd**
Maintaining an energy meter manufacturing facility to meet the electronic meter requirements of Sri Lanka and for the export market.

Vision & Long Term Goals

The group's vision, mission and values were given on this Annual Report.

Shareholders' Information & Substantial Shareholdings

Shareholders' position of the LECO as at 31st December 2021 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 2021 were:

Mr. M P A P De Silva	-	Chairman (from 17.01.2020)
Mr. N S Ilangakoon	-	Director (from 30.08.2021)
Eng. M R Ranatunga	-	Director (from 23.08.2021 to 28.01.2022)
Mr. H G Sumanasinghe	-	Director (from 10.05.2021)
Mr. N P K Ranaweera	-	Director (from 12/02/2020)
Mr. S P M W Jayewardene	-	Director (from 19.01.2021)
Dr. I U Dedigma	-	Director (from 19.01.2021)

The present Composition of the Board of Directors of Lanka Electricity Company (Private) Limited

Mr. M P A P De Silva	-	Chairman
Mr. N S Ilangakoon	-	Director
Dr. D C R Abeysekara	-	Director (from 31.10.2022)
Mr. H G Sumanasinghe	-	Director
Mr. N P K Ranaweera	-	Director
Mr. S P M W Jayewardene	-	Director
Dr. I U Dedigma	-	Director

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 2021 were:

Mr. M P A P De Silva	-	Chairman (from 10.02.2020)
Mr. Liu Jianwu	-	Director (from 03.02.2009)
Dr. P S Narendra De Silva	-	Director (from 10.02.2020)
Ms. Yeye Liu	-	Director (from 10.09.2020)

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

The changes in the Directorate of Ante LECO Metering Company (Pvt) Ltd during the year under review :

Mrs. N W K Herath	-	Director (from 03.02.2021 upto 22.08.2021)
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The present Composition of the Board of Directors of Ante LECO Metering Company (Pvt) Ltd

Mr. M P A P De Silva	-	Chairman
Mr. Liu Jianwu	-	Director
Dr. P S Narendra De Silva	-	Director
Ms. Yeye Liu	-	Director

* 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 2021 were:

Mr. M P A P De Silva	-	Chairman (from 10.02.2020)
Mr. S L Jayasekera	-	Director (from 13.05.2016 upto 01.02.2022)

There were no changes in the Directorate of the Company during the year under review.

The present Composition of the Board of Directors of LECO Projects (Pvt) Ltd

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

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

Financial Statements

The Financial Statements of the Company are given on page 44 to 49.

Auditor General's Report

The Auditor's Report on the Financial Statements of the Company is given on pages 35 to 43.

FINANCIAL REVIEW

Significant Accounting Policies

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



Directors' responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of Financial Statements of the Company 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 2021, 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 2021 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 2021 reflect a true and fair view of the Company and the Group, respectively.

Revenue

The revenue of the Group was Rs. 33.64 Bn. There is a 6.2% increase in group sales revenue generated compared to the previous year.

The main growth attributed from the increased revenue generated from Meter Sales and Industrial tariff categories, which supersedes the trivial decrease in sales revenue generated from Commercial, Street Lightning, Religious and Temporary Connection categories. 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 4.96% from Rs. 5.52 Bn, to Rs. 5.79 Bn compared to the previous year.

Profits

The Group's Gross profit ratio is maintained at the level of 23.48%. Profit before tax is increased by 110.9% amounting to Rs 5.11Bn. The main cause for the increase in profit is the substantial inflow of Dividend income received from West Coast Power (Private) Limited compared to the prior year.

The profit after tax is increased by 80.3%, amounting the increase by Rs 1.46 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 24%.

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

No dividend payments were declared during the year under review.

The first and final dividend of Rs. 500 Mn paid for the year ended 31st December 2020 is given on page 48.

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	2,182,788	9,616,104	25,464,897	155,841	38,905,339
Company	1,145,067	340,642	2,112,937	9,616,104	25,194,388	-	38,409,138

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 92.903 Mn.

Property, Plant and Equipment

The consolidated property, plant and equipment amounted to Rs. 14.46 Bn by 31st December 2021 compared to Rs.13.99 Bn in the previous year. The value of the Company's property, plant and equipment was Rs. 14.18 Bn compared to Rs. 13.68 Bn a year earlier.

Current Assets

The Group recorded total current assets of Rs. 21.57 Bn as at end of 2021, against Rs. 21.32 Bn in the previous year. The total current assets of the Company stood at Rs. 20.67 Bn compared to Rs.20.74 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.

Post-balance Sheet Events

There were no material contingent liabilities as at the reporting date that require adjustments. However in the Note 32, it is disclosed effect of the current inflation situation of the economy.

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 2021 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	2,700,000/= (Provisional) (Excluding VAT)
Ante LECO Metering Company (Pvt) Ltd	National Audit Office	Audit fees	306,600/= (Excluding VAT)
LECO Projects (Pvt) Ltd	National Audit Office	Audit fees	108,000/= (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 1569.

ANNUAL GENERAL MEETING

The 38th Annual General Meeting will be held on Thursday, 24th November 2022 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**

October 31, 2022
Colombo



Team members activity
Active 4



4D decentralization

With the increased computational and communication power world has seen an exponential growth in smart customers/prosumers and smart devices that are being integrated into the networks. This has increased the emphasis on efficiency, monitoring and control transparency on LECO's day to day operations. LECO will decentralize our network operations and governance as in par with industry standards to provide satisfactory service demanded by the smart consumers.

Engineering Division

Amidst the challenges of the global pandemic and its aftermath complex and incomprehensible impacts to the socioeconomic environment, engineering division thrived hard to achieve the anticipated productivity within the division. All the departments operating under the Engineering Division namely, Design and Development Department, Planning and Regulatory Department, Projects Department and IT Department worked hard to mark a productive year.

Procurement branch was able handle total of 530 procurements totaling to a cost of nearly Rs. 3.4 billion in 2021 amidst the grave effect to the global material supply chain due to the pandemic.

Civil Engineering Department was able to start one of its notable works, the construction of LECO Head Office building. All the Architectural, Structural, Electrical, Mechanical, Plumbing and other ancillary service drawings were finalized within the tenure and procurement was initiated on May 2021. The contract was awarded on September 2021 to Sriपालie Contractors (Pvt) Ltd and the foundation laying ceremony was held on October 2021. Subsequently the substructure work was commenced and 06% of piling work was completed at the end of year 2021 marking a rapid progress of the project. In addition to that the procurement processes for the construction of CSC Nugegoda, CSC Dalugama, CSC Keselwatta and CSC Negombo were initiated.

The construction works of the Sri Lanka's first ever grid tied microgrid was completed within the year and the site was ready for the commissioning and grand opening ceremony by the end of year. This was later declared open by the President of Asian Development Bank. Along with this project, a Smartgrid Research Laboratory was also developed and both the commercial microgrid and laboratory was financed by the Asian Development Bank.

LECO technical training center has carried out 54 training programs for total of 738 staff in 2021. These trainings covered wide spectrum of areas penetrating most of the hierarchical layers of the organization including new recruited engineers,

customer service superintendents, technical officers and other executives. They have not been able to achieve the annual target due to the prevailed restrictions throughout the year due to the pandemic situation.

Year 2021 was an extremely difficult year for the Projects Department, as it had to work under extensive lockdowns due to Covid-19 pandemic from the beginning to the end of the year. The construction works had to carry out in a limited duration with minimum supply discontinuation to the public who had been severely affected by the pandemic. Despite these unfamiliar challenges, Projects Department was able to initiate network construction projects over Rs760Mn and fully completed over Rs. 320Mn of works.

Despite the lockdown conditions, test Department was able to test around 400 numbers of bulk customers of LECO who contributes nearly 40% of the company's revenue.

With the approval of the Board of Directors in experimenting various technological and administrative implementations in increasing the efficiency and reducing the cost of operations, the Moratuwa Branch was converted in to a Model Branch. All the operation works of the model branch are operated under the control of the Model Branch Executive Committee (MBEC) chaired by the Additional General Manager, Engineering. This project is successfully progressing by introducing various novel operational efficiency improvements to the conventional practices of LECO. By the end of 2021, the Moratuwa Branch introduced salient changes to its physical appearance mainly targeting in improving aesthetic appearance of work/service environment, improving productive environment and improving customer experience which were highly praised by the local communities.

Source capacity supply was a grave issues faced by the LECO in recent past particularly in supplying high capacity spot loads. With the launch of Distribution



System Reliability Strengthening Project, funded by the Asian Development Bank, the network architecture of LECO was significantly changed and 33kV distribution voltage was conceptually introduced. In realizing this concept, a Road Map for the handing over 33 kV injection points and PSS to LECO was developed by the Ceylon Electricity Board with the participation of LECO. It is further anticipated that significant amount of money spent on intermediate voltage transformations will also be saved by introducing this voltage level in to the LECO network.

Reliability of electricity distribution network refers to the capability of the particular system to deliver adequate, stable and trustworthy supply to its consumers. The degree of reliability can be quantified by means of the frequency, duration, power, etc. on the electricity supply and outages. Planning branch introduced Reliability Based Planning Criteria in to their planning works where in their next planning horizon, the reliability of particular feeders will be a crucial matter when planning the development of the 11kv network.

Operations Division

The year 2021 was yet another successful year for the Operations Division admits the world pandemic of Covid -19. Even though the country was facing the difficulties due to the effects of the pandemic LECO has served 1,600 GWh for 606,202 of its customer base through seven branch networks

at Kotte, Kelaniya, Moratuwa, Galle, Kalutara, Negombo and Nugegoda with a great effort and dedication of the staff. Total sales affected in minor in lieu of the closing of industries, hotels etc. during this pandemic situation. LECO was able to maintain its loss for the year 2021 at 4.49%.

The consumer mix (tariff wise) at each Branch is as follows,

Tariff Type	Negombo	Kelaniya	Kotte	Nugegoda	Moratuwa	Kalutara	Galle	Total
Domestic	47,117	84,343	67,551	69,237	85,814	78,018	65,536	497,616
Religious & Charitable	217	425	264	291	469	535	474	2,675
General Purpose & Government	13,060	17,103	9,592	15,164	14,473	15,206	14,236	98834
Industrial	212	650	191	324	1,523	198	317	3415
Hotels	14	1	0	0	4	34	26	79
Street Light	418	787	248	8	536	1,267	319	3583
Total	61,038	103,309	77846	85024	102819	95258	80,908	606,202

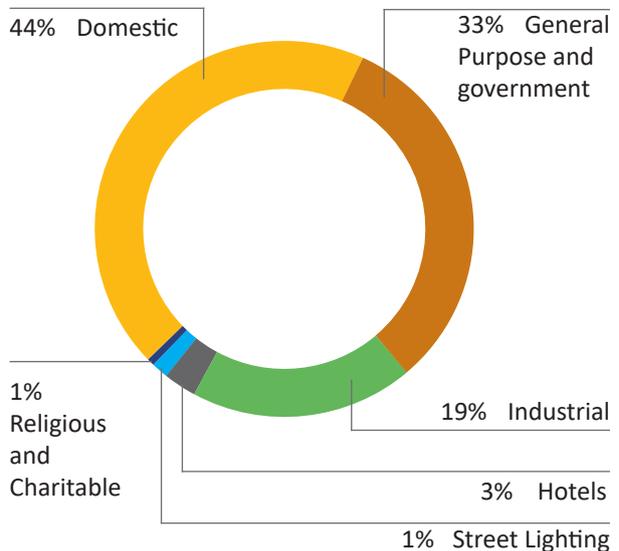
Annual Consumption (MWh) with respect to tariff type is shown below,

Tariff Category	Annual Consumption (kWh)
Domestic	704,538
Religious & Charitable	10,291
General Purpose & Government	512,152
Industrial	305,730
Hotels	45,033
Street Light	22,974
Total	1,600,718

At the end of the year 2021, LECO maintain the Distribution System Assets as follows

Asset Type	Unit	Length/Count
11kV HV OH Lines	km	1025
11kV HV UG Cables	km	73
LV ABC Lines	km	4445
Substations	No	4352
Switches (LBS & LBC)	No	1183
Auto Recloses	No	42

Annual Consumption 2021 (MWh)



System Reliability

Our main target is to provide uninterrupted power supply to all our customers. Special attention was taken during this pandemic situation due to lock down situation in the country. Most of our 11 kV lines were constructed using bare conductors. Therefore, tripping of lines due to contacting of animals is a frequent reason for the failures. We had to take more effort on providing uninterrupted service due to our staff members were affecting of covid19. But we were able to maintain the total SAIDI of 62.7 hrs/Consumer for the year 2021 amidst all these problems.

Category	SAIDI 2021 hrs/Consumer
LV failures	0.58
11 kV LECO planned	11.19
11 kV LECO failures	16.18
11 kV CEB planned	4.34
11 kV CEB failures	1.28
33 kV planned	14.51
33 kV failures	14.61
Total	62.69

of challengers. Introduction of new digitized applications was a much of a relief in facing these difficulties. Online facility for application process for any service required from LECO was introduced. That is e-application process. This service enabled customers to apply for any service they need from their fingertips.

The service guarantees achieved for the year 2021 is,

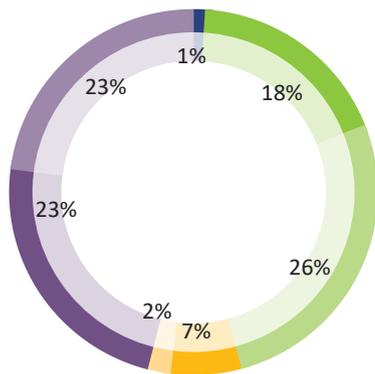
Service Assurance	% achieved
Estimates issued within 10 working days (retail)	82
New Connections given within 10 working days after payment (retail)	90
Billing efficiency for 30±3 days	95

Improvement of billing efficiency could be achieved through e-billing service introduced which enabled to read the meter remotely.

Considering the customer situation due to Covid-19 effect the nonpayment disconnection was hold in the year as a relief measure for consumers.

LECO field vehicles were introduced with a branding enabling society to identify the service provider. This too was introduced with the intension of serving the customers quickly and efficiently.

SAIDI 2021 hrs/Consumer



- LV failures
- 11 kV LECO planned
- 11 kV CEB planned
- 11 kV CEB failures
- 33 kV planned
- 33 kV failures



Customer Services

The year 2021, yet another challenging year for the customer service as the Covid-19 pandemic effects were continued in action. Service rendered for customers had to be continued admits

Consumer Consultative Meeting

The one of annual major event organize by the customer service division was Consumer Consultative Meeting and it was successfully conducted for the year 2021 despite the restrictions of gathering. It was conducted for the customers in Moratuwa Branch through zoom technology. Customer enthusiasm was still seen with the high

number of participants. Many issues were raised and answered by the management of LECO. In this meeting it was revealed of an importance of a help desk function for Solar related issues and immediate steps were taken to implement the same. The raffle draw was conducted and valuable gifts were offered for winners.



Human Resources & Administration

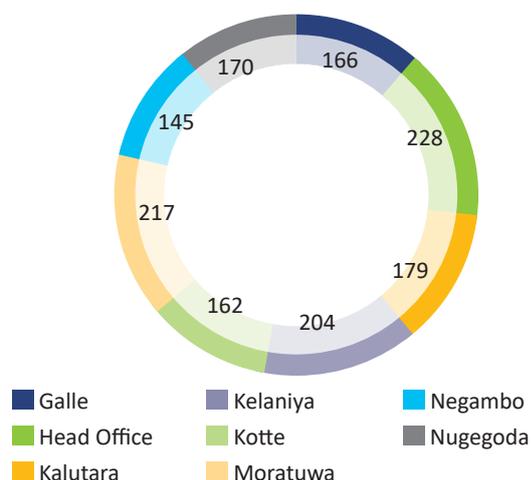
Human Resources is the most valuable and important asset in a company. Therefore, Human Resources Department plays a vital role in managing and overseeing employees. The ultimate goal of the Human Resources Department is to ensure the equal and fair treatment of the employees while ensuring the achievement of company goals and objectives through the workforce.

Overview of employees cadre

As at 31st December 2021, LECO had total workforce of 1471 including 189 Executives and 1282 Non Executives staff. We were able to maintain a very low attrition rate during the year 2021 with our highly satisfied and motivated 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.

Employees Distribution - Geographically



Training and Development

As a reputed organization we constantly think about employees' development. Therefore our Training Department has a major role to play in developing and updating employees towards timely requirements of the industry.

Proving the above, LECO in collaboration with Vocational Training Authority (VTA) signed a MOU on 5th October 2021 with the objective of developing skills and to uplift the competencies of Linesman of our Technicians and to obtain a well recognized certification which is National Vocational Qualification (NVQ). Accordingly the program is successfully processing to award NVQ 4 qualification to our Technicians and NVQ 3 qualification to our Technical Helpers.

While conducting the above program in 2021, we were able to conduct other training programs also as per the scheduled plan in online and physical basis.

Employees rewards, recognition and welfare activities

Employee rewarding and recognition is an important requirement of any organization to retain a motivated workforce. As a company who knows the value of our employees, we provide a variety of financial and non financial benefits.

As a support for the prevention of COVID 19, we provided safety aids for every staff considering their safety in the pandemic in the year 2021 too.

Further we celebrated our 38th Anniversary of LECO in 2021 and every employee received a gift pack and a Tshirt in memory of the anniversary.

However we were able to manage our operations and staff facilities effectively even in the pandemic situation with the support of our dedicated staff members.

Financial Review

Lanka Electricity Company (Pvt) Limited, reported a resilient performance during the year, which was a noteworthy improvement, as expected, over the previous year, with operations witnessing a vigorous recovery momentum as the pandemic related challenges dissolute towards the second half of the year. The performance of our operations reached pre-COVID-19 levels with operational activity and consumer trends reverting to 'normal' on a sustained basis since the onset of the pandemic in early 2020. This positive momentum resulted in the Group recording a strong growth in profits.

LECO recorded a consolidated revenue of Rs . 33.64 Billion in 2021 compared to Rs 31.68 Billion in 2020 an increase of 6.21%. The main growth attributed from the Meter Sales and Industrial tariff categories, wiped off the slight decrease in sales revenue generated from Commercial, Street Lightning, Religious and Temporary Connection categories.

Amidst the marginal positive trend of consumer payments during the year in several consumer categories Trade Receivable to sales ratio is showing an increase of 20.15% compared to 18.23% in the previous year. Consumer Debtors remained at Rs 6.8 Billion compared to 5.8 Billion in 2020 which is 17.36% higher compared to 2020.

We have achieved a Net profit of Rs 3.3 Billion compared to Rs 1.8 Billion in 2020 and operating profit of Rs 4.4 Billion in 2021 compared to 1.5 Billion in 2020.

The strong governance mechanism in LECO is playing a pivotal role in enhancing accountability to diverse stakeholders, ensuring corporate transparency, fair-mindedness and a creating sustainable value. In this light, the Group will continue to stay abreast of governance best practice and assess its level of preparedness and its capability in meeting and managing evolving external challenges.

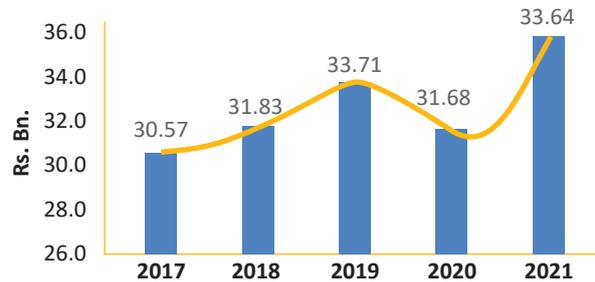
PERFORMANCE HIGHLIGHTS

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

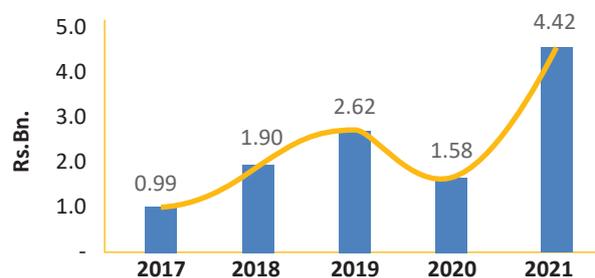
Rs. Bn	2017	2018	2019	2020	2021
Revenue	30.57	31.83	33.71	31.68	33.64
Gross Profit	6.18	4.93	5.38	6.18	7.90
Net Profit	1.84	2.94	2.74	1.82	3.29
Sales KWh	1,519	1,570	1,570	1,624	1,603
Purchases KWh	1,597	1,640	1,640	1,606	1,633
Energy Loss %	2.7	1.61	1.61	-1.37	1.94

Graphical presentation of Financial Performances is as follows

Revenue Growth



Operating Profit



Net Profit



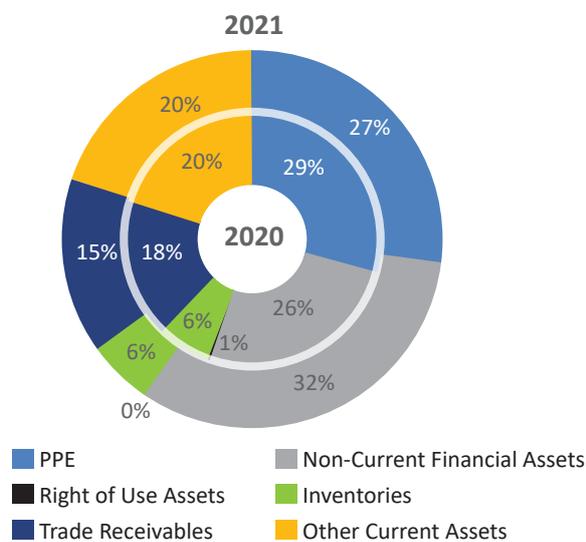
Return on Equity

Return on Group equity for the year under review was 8.87%, whilst return on equity of the Company was 8.83%. 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 2021 are Rs 53.436 Billion. Non-current assets represent 59.6% of the total assets. Graphical presentation of composition of the total assets is as follows.

Property, Plant & Equipment (PPE) Rs 14.46 Billion, investments in West Coast Lanka Rs 11.8 Billion and Investments in short term financial assets such as Repos / Fixed deposits and loans given to employees represent Rs 14.7 Billion are the key components of the total assets of the group.



Cash Flow

Group net operating cash inflow was Rs. 3,111 million, compared to the outflow of Rs. 6,309 million in the prior year. During the year the significant amount of cash flows received from CEB as short term loan and accrued interest repayment caused in positive cash flows from operating activities.

SHARE HOLDER RETURNS

Group Earnings per Share (EPS) for the financial year under review was Rs. 28.56 vs. Rs. 15.87 during the prior year 2020. Earnings per share of the Company were Rs. 28.23 vs. Rs. 15.65 in year 2020.

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 2021 signed on behalf of the Board by the Chairman and a member of the Board of Director.



4D Democratization

The electricity utility landscape is dramatically transforming from the corporate, centralized system to one that is mostly contributed, controlled and governed by general public. These systems are environmental friendly and supports local economies, and contributes to the well-being of society. World demands this transformation in more democratic, equitable, and sustainable way while enabling more opportunities and services to the general public. LECO is accelerating its democratization process while transforming its operations and governance in to more consumer centric manner.



Internal Audit Department

Management Review

The Internal Audit Department was established with the intention of ensuring the maintenance of better Internal Control Environment all over the Company with proper operational & accounting processes and keeping the credibility of the information provided by the Company in order to satisfying the requirements of different kind of stakeholders.

The Internal Audit Department is comprised with professionally qualified staff members whose expertise is in diverse streams such as Financial, Information Technology and Electrical Engineering. Assigned teams also having the required blend of professional skills in line with the respective Audit tasks as per the Audit & Management Committee (AMC) approved "Internal Audit Plan" at the beginning of the year.

Preparation of "Internal Audit Plan" is mainly based on the existing risks & uncertainties; company is facing through while performing its operations and it would be rotated to all sections of the company, covering up all performing areas including Divisions, Departments, Branches, Customer Service Centers and Stores outlets etc.

During the year under review, Internal Audit Department has successfully performed almost all areas specified in the initially approved Internal Audit Plan and had discussions with different

management levels on their audit observations & findings, conducted Audit & Management Committee meetings in compliance with the National Audit Act No.19 of 2018 and held Audit Review Committee meetings with the Chairman for any policy decisions changes / conducting disciplinary procedures.

Good Governance 2021

Audit & Management Committee

LECO Audit & Management Committee comprises with 3 board members chaired by the Treasury representative of the Board, hold meetings with an intention of improving the quality standards of its Operations and also promoting the clarity, Transparency and Good Governance of the company work performances. Further, two representatives from our line Ministry and National Audit Office, made their participation as observers to the Committee

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

In addition to LECO Internal Audit operations, an Audit Unit is functioned by National Audit Office separately.



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My No.

PWR/C/LECO/01/21/18

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உமது இல.
Your No.

දිනය
திகதி
Date

28 October 2022

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 2021 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 2021 comprising the statement of financial position as at 31 December 2021 and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act No. 19 of 2018. My report to Parliament in pursuance of provisions in Article 154(6) of the Constitution will be tabled in due course.

In my opinion, except for the effect of the matters described in 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 2021, 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

- (a) The balance due from the Ceylon Electricity Board (CEB) for miscellaneous services as at 31 December 2021 was amounted to Rs. 1,343,821,164 which contained the cost of energy purchased by the CEB amounting to Rs. 1,336,859,095 for the years of 2017, 2019 and 2020 using net accounting and net plus methods. However, the balance confirmation for that amount was not made available to audit.
- (b) Share certificates or any other sufficient appropriate documentary evidence in respect of the investment amounting to Rs. 5,000,000 made in ordinary shares of Lanka Broad Band Network (Private) Limited as at 31 December 2021 were not made available to audit.
- (c) An unidentified collection from customers amounting to Rs. 14,731,287 had transferred from the rejected account had been shown under the balance of other creditors as at 31 December 2021.
- (d) The formal power purchase agreement entered in to between the Electricity Board (CEB) and the Company was not made available to audit.
- (e) The Company had incurred a cost of Rs. 206,924,712 to purchase the lands and buildings used for construction of the CEB primary substations and that amount had been recorded as a balance receivable from the CEB. However, there was no formal agreement between the Company and the CEB regarding setting up primary substations in Company's lands and charges to be paid by the CEB for utilizing the above mentioned lands and buildings.
- (f) According to the Section 6.9 of the Operational Manual for State Owned Enterprises Circular No. PED/01/2021 dated 16 November 2021, the Board of Directors may write off losses, having undertaken a due process and must ensure that there is a due process followed including recommendation from Audit Committee on write offs. However, the Company had not followed the said process in this regard and a debtor balance for street light amounting to Rs. 387,806,335 due from Municipal Councils and Provincial



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Councils had been written off during the year under review based on the Board approval given on 30 November 2021.

- (g) The income generated from the non-bulk customers in the last month of a year had been used to recognise as income from the non-bulk customers in the next year. Accordingly, income received from non-bulk customers in December 2020 had been recognised as the income in January 2021, and same practice had been applied for other years continuously. Therefore, the accuracy and completeness of revenues received from non-bulk customers could not be ascertained properly.

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 2021 Annual Report

The other information comprises the information included in the 2021 Annual Report but does not include the financial statements and my auditor's report thereon, which I have obtained prior to the date of this audit'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 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.



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If based on the work I have performed on the other information that I have obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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 Standards, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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 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 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.

2.1.3 The financial statements, presented includes all the recommendations made by me in the previous year except the audit matter of 1.2(b) describe 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;



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- 2.2 Based on the procedures performed and evidence obtained which 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 except for

Reference to Laws/Directions	Description
Public Enterprises Circular No. PED/12 of 02 June 2003 on Public Enterprises Guidelines for Good Governance.	
(i) Paragraph 9.2	An organization chart with an approved cadre for the Company had not been prepared.
(ii) Paragraph 9.12	Any welfare scheme adopted by an enterprise should have the approval of the Department of Public Enterprises, General Treasury. However, the required approval for the Scholarship Fund of the Company, which had an aggregated balance of Rs. 20,226,519 as at 31 December 2021, had not been obtained as per the circular provisions.
(iii) Paragraph 9.14	Even though the Manual of procedures relating to Management of Human Resources needs to be approved by the Board and thereafter concurrence should be obtained from the Department of Public Enterprise, General Treasury. However, it had not been complied.



- 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;

2.3 Other Matters

- (a) As per the Circular dated 20 December 2018 issued by the Chief Financial Officer on collection process and procedures to be adopted at the Branches, “All the works related to cash collections at the cashier points i.e. checking reconciliations, certifying and approving updates, bill, Pronto and cash books shall be finalized and completed within two working days”. Accordingly, receipts from customers had been recorded in billing system by cashiers, and receipts had been issued to customers through the Billing system. However, revenue generated from cash collection process had not been recorded in the General Ledger through the Pronto system as those two systems had not been linked together. Instead, all receipts had been recorded in General Ledger manually as bulks a few days after the transaction occurred.
- (b) In respect of the Sooriya Bala Sangramaya Loan Scheme, the date of interest payment and the basis of computation of interest were not clearly mentioned in the solar loans agreement entered into between National Saving Bank and the Company.
- (c) A centralized transport unit had not been established under the administration division with the supervision of a transport officer qualified in Automobile Engineering and instead transport function had been decentralized. Accordingly, 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



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by each division. Therefore, the control over the vehicle administration had not been properly designed and implemented by the company.

- (d) The Master Procurement Plan prepared by the Company had not included procurement activities for three years period. Further, the Master Procurement Plan had not been regularly updated and progress had not been reviewed. Accordingly, it was difficult to identify the progress of the procurements separately as of a specific date.

W.P.C. Wickramaratne

Auditor General

Financial Statements

Statement of Profit or Loss

Year ended 31 December 2021

	Note	Group		Company	
		2021 Rs. '000	2020 Revised Rs. '000	2021 Rs. '000	2020 Revised Rs. '000
Revenue	4	33,644,837	31,678,905	32,200,503	30,709,215
Cost of Sales		(25,745,147)	(25,503,865)	(24,403,497)	(24,596,359)
Gross Profit		7,899,690	6,175,040	7,797,007	6,112,855
Other Operating Income	5	2,315,557	923,626	2,319,820	922,496
Operating Expenses		(2,927,724)	(2,616,911)	(2,924,219)	(2,616,856)
Administrative Expenses		(2,863,061)	(2,900,379)	(2,832,383)	(2,875,719)
Profit from operations		4,424,462	1,581,375	4,360,224	1,542,776
Finance Income	6.1	905,443	986,404	897,693	986,020
Finance Cost	6.2	(215,929)	(142,809)	(214,901)	(142,541)
Profit Before Taxation	7	5,113,976	2,424,971	5,043,017	2,386,255
Income Tax Expense	8	(1,824,938)	(600,837)	(1,810,102)	(594,694)
Profit for the Year		3,289,039	1,824,134	3,232,915	1,791,562
Profit attributable to :					
- Equity Holders of the company		3,270,663	1,817,143		
- Non-controlling interests		18,376	6,991		
Profit for the year		3,289,039	1,824,134		

The accounting policies and notes on pages 50 through 94 form an integral part of the financial statements.

Statement of Other Comprehensive Income

Year ended 31 December 2021

	Note	Group		Company	
		2021 Rs. '000	2020 Revised Rs. '000	2021 Rs. '000	2020 Revised Rs. '000
Profit for the year		3,289,039	1,824,134	3,232,915	1,791,562
Other comprehensive income					
Other Comprehensive Income to be reclassified to Statement of Profit or Loss in subsequent period					
Gain on FVOCI instruments	21.4	926,877	32,665	926,877	32,665
Deferred tax on net changes in fair value of FVOCI instruments		(92,688)	(3,266)	(92,688)	(3,266)
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	71,102	(190,734)	70,060	(189,444)
Deferred tax reversal on actuarial loss		(19,804)	53,276	(19,617)	53,044
Revaluation of property, plant and equipment	21.2	-	455,516		455,516
Deferred tax charge on revaluation surplus		-	(127,544)	-	(127,544)
Other comprehensive income, net of tax for the year		885,487	219,913	884,632	220,970
Total comprehensive income for the year		4,174,526	2,044,046	4,117,547	2,012,532
Attributable to :					
- Equity Holders of the company		4,155,894	2,037,373		
- Non-controlling interests		18,632	6,674		
		<u>4,174,526</u>	<u>2,044,046</u>		
Basic Earnings Per Share (Rs.)	9.	28.56	15.87	28.23	15.65

The accounting policies and notes on pages 50 through 94 form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2021

	Note	Group		Company	
		2021 Rs. '000	2020 Revised Rs. '000	2021 Rs. '000	2020 Revised Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	10	14,463,170	13,996,466	14,180,198	13,675,416
Investment property	11	-	-	117,038	128,763
Intangible assets	12	47,111	42,018	41,701	36,043
Investments in subsidiaries	13	-	-	31,319	31,319
Financial assets at fair value through other comprehensive income	14	11,765,752	10,838,875	11,765,752	10,838,875
Advance for shares	15	-	-	64,931	64,931
Right of use assets	16	112,002	164,892	112,002	164,892
Other Financial Assets	19	5,481,067	1,744,353	5,481,067	1,744,353
Total non-current assets		31,869,103	26,786,604	31,794,009	26,684,592
Current assets					
Inventories	17	2,952,444	2,989,840	2,647,238	2,756,041
Trade and other receivables	18	7,973,332	8,582,132	7,722,411	8,283,196
Prepayments and advances		96,255	131,789	259,865	131,789
Other financial assets	19	9,241,394	9,086,923	8,926,394	9,046,923
Cash and bank balances	20	1,303,098	526,364	1,118,167	519,402
Total current assets		21,566,522	21,317,049	20,674,074	20,737,352
Total Assets		53,435,625	48,103,653	52,468,083	47,421,944
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	2,182,788	2,182,788	2,112,937	2,112,937
Revenue reserves	21.3	340,642	340,642	340,642	340,642
Fair value reserve	21.4	9,616,104	8,781,915	9,616,104	8,781,915
Retained earnings		25,464,897	22,643,193	25,194,388	22,411,030
Total equity attributable to equity holders of the Company		38,749,498	35,093,605	38,409,138	34,791,591
Non-controlling interests		155,841	137,209	-	-
Total Equity		38,905,339	35,230,814	38,409,138	34,791,591
Non-current liabilities					
Interest bearing borrowings	22	42,787	94,393	42,787	94,393
Deferred tax liabilities	8.3	1,396,838	1,127,635	1,393,037	1,125,080
Deferred income	23	5,086,756	4,870,723	5,086,756	4,870,723
Post employment benefit liabilities	24	1,491,941	1,482,956	1,487,284	1,478,148
		8,018,323	7,575,707	8,009,863	7,568,344
Current liabilities					
Trade and other payables	25	4,660,649	4,838,007	4,208,035	4,624,583
Income tax payable		1,382,965	380,206	1,372,698	373,510
Current portion of Interest Bearing Loans and Borrowings	22	468,349	78,918	468,349	63,918
Total current liabilities		6,511,963	5,297,130	6,049,082	5,062,011
Total liabilities		14,530,286	12,872,838	14,058,945	12,630,355
Total Equity and Liabilities		53,435,625	48,103,653	52,468,083	47,421,944

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



Additional General Manager - Finance (Acting)



General Manager

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 50 through 94 form an integral part of the financial statements.



Statement of Changes in Equity

Year ended 31 December 2021

Group	Attributable to Equityholders of the Parent						Non-controlling Interests Rs.'000	Total Equity Total equity Equity Rs.'000
	Stated capital Rs.'000	Revenue reserves Rs.'000	Revaluation surplus Surplus Rs.'000	Fair value reserve Rs.'000	Retained earnings Earnings Rs.'000	Total Total Rs.'000		
Balance as at December 31, 2019	1,145,067	340,642	1,854,817	8,752,517	21,725,353	33,818,395	150,631	33,969,027
Profit for the year	-	-	-	-	1,817,143	1,817,143	6,991	1,824,134
Other comprehensive income	-	-	327,971	29,398	(137,140)	220,230	(317)	219,913
Total comprehensive income for the year	-	-	327,971	29,398	1,680,003	2,037,373	6,674	2,044,046
Dividends to equity holders					(750,000)	(750,000)	-	(750,000)
Prior Year /Minority interest adjustment					(12,163)	(12,163)	(20,096)	(32,259)
Balance as at December 31, 2020	1,145,067	340,642	2,182,788	8,781,915	22,643,193	35,093,605	137,209	35,230,814
Profit for the year					3,270,663	3,270,663	18,376	3,289,039
Other comprehensive income				834,189	51,041	885,231	256	885,487
Total comprehensive income for the period				834,189	3,321,704	4,155,894	18,632	4,174,526
Dividends to equity holders. (Accrued. Paid on 4 April 2022)					(500,000)	(500,000)	-	(500,000)
Balance as at December 31, 2021	1,145,067	340,642	2,182,788	9,616,104	25,464,897	38,749,499	155,841	38,905,340

The accounting policies and notes on pages 50 through 94 form an integral part of the financial statements.

Statement of Changes in Equity

Year ended 31 December 2021

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, 2019	1,145,067	340,642	1,784,965	8,752,517	21,505,868	33,529,059
Profit for the year	-	-	-	-	1,791,562	1,791,562
Other comprehensive income for the year	-	-	327,971	29,398	(136,400)	220,970
Total comprehensive income for the year	-	-	327,971	29,398	1,655,162	2,012,532
Dividends to equity holders	-	-	-	-	(750,000)	(750,000)
Balance as at December 31, 2020	1,145,067	340,642	2,112,937	8,781,915	22,411,030	34,791,591
Profit for the year	-	-	-	-	3,232,915	3,232,915
Other comprehensive income for the period	-	-	-	834,189	50,443	884,632
Total comprehensive income for the year	-	-	-	834,189	3,283,358	4,117,547
Dividends to equity holders. (Accrued. Paid on 4 April 2022)	-	-	-	-	(500,000)	(500,000)
Balance as at December 31, 2021	1,145,067	340,642	2,112,937	9,616,104	25,194,388	38,409,137

The accounting policies and notes on pages 50 through 94 form an integral part of the financial statements.



Statement of Cash Flows

For the year ended 31 December

	Note	Group		Company	
		2021 Rs.'000	2020 - Revised Rs.'000	2021 Rs.'000	2020 - Revised Rs.'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		5,113,976	2,424,971	5,043,017	2,386,255
Adjustment for;					
Depreciation of property, plant and equipment		915,947	922,816	883,118	885,400
Amortization of deferred income		(428,897)	(407,710)	(428,897)	(407,710)
Amortization of intangible asset		6,283	2,502	3,859	618
Revaluation gain on Property Plant & Equipment					-
Depreciation of investment property		-	-	4,604	2,895
Depreciation - Right of use assets		57,384	48,720	57,384	48,720
Provision for retiring gratuity		203,005	189,554	201,938	188,775
Impairment of trade receivable		(163,747)	578,723	(163,773)	578,270
Provision for slow moving inventories		6,611	(56,638)	6,611	(56,638)
Gain/ (loss) on disposal of property, plant, and equipment		15,471	(13,972)	15,471	(13,972)
Interest income		(905,443)	(986,404)	(897,693)	(986,020)
Interest expense		215,929	142,809	214,901	142,541
Dividend income		(1,727,273)	(316,172)	(1,727,273)	(316,172)
Operating profit before working capital changes		3,309,247	2,529,198	3,213,267	2,452,962
(Increase)/decrease in inventories		30,786	(848,819)	102,193	(897,268)
(Increase)/decrease in advances and prepayments		35,534	117,309	(128,076)	117,295
(Increase)/decrease in trade and other receivables		772,547	(5,829,458)	724,558	(5,863,707)
Increase/(decrease) in trade and other payables		(677,358)	(2,046,695)	(916,548)	(1,902,755)
Increase/(decrease) in deferred income		644,930	518,737	644,930	518,737
Cash generated from operating activities		4,115,686	(5,559,729)	3,640,324	(5,574,736)
Income tax paid		(665,468)	(564,682)	(655,262)	(565,971)
Interest expense paid		(215,929)	(142,809)	(214,901)	(142,541)
Retiring gratuity paid		(122,918)	(41,511)	(122,743)	(41,511)
Net cash generated from operating activities		3,111,371	(6,308,731)	2,647,419	(6,324,758)
CASH FLOWS FROM INVESTING ACTIVITIES					
Net investments in other financial assets		(3,891,185)	6,825,639	(3,616,185)	6,825,639
Net acquisition of property, plant and equipment		(1,409,499)	(867,500)	(1,405,768)	(823,956)
Net acquisition of Right of use assets		(4,494)	(68,224)	(4,494)	(68,224)
Interest income received		905,443	986,404	897,693	986,020
Dividend income received		1,727,273	316,172	1,727,273	316,172
Net cash generated from/ (used in) investing activities		(2,672,463)	7,192,492	(2,401,481)	7,235,650
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to equity holders of the parent			(750,000)		(750,000)
Lease Liability on Net acquisition of Right of use assets		(69,732)	20,146	(54,732)	5,146
Short term loan		(15,000)	15,000		
Dividend paid to shareholders of non controlling interest			-		-
Net cash used in financing activities		(84,732)	(714,854)	(54,732)	(744,854)
Net increase/ (decrease) in cash and cash equivalents		354,177	168,907	191,207	166,038
Cash and cash equivalents at the beginning of the year		529,878	360,972	507,916	341,878
Cash and cash equivalents at the end of the year	20	884,055	529,878	699,124	507,916
Analysis of cash and cash equivalents	20				
Cash and cash equivalents in the statement of financial position		1,303,098	526,364	1,118,167	519,402
Bank Overdraft		(419,043)	3,514	(419,043)	(11,486)
Cash and cash equivalents for the purpose of Cash Flow		884,055	529,878	699,124	507,916

The accounting policies and notes on pages 50 through 94 form an integral part of the financial statements.

Notes to the Financial Statements

Year ended 31 December 2021

1. GENERAL INFORMATION

1.1 Reporting Entity

Lanka Electricity Company (Private) Limited (“the Company”) 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.

The Company has a fully owned subsidiary, LECO Projects (Private) Limited and a partially owned subsidiary, Ante LECO Metering Company (Private) Limited, are private Companies with limited liability incorporated in Sri Lanka under the provisions of the Companies Act No. 07 of 2007

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.

The staff strength of the Group and the Company was 1571 and 1507 respectively in 2021 (2020: Group – 1592 and Company – 1527).

1.2 Principal Activities and Nature of Operations

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

The principal activity of the fully owned and the partially owned subsidiary is to provide infrastructure facilities for electricity distribution within the country and to engage in manufacturing and of electricity meters, respectively.

There were no significant changes in the nature of principal activities of the Company and the Group during the financial year.

1.3 Consolidated Financial Statements

The Consolidated financial statements of the Company as at, and for the year ended 31st December 2021 comprise the financial statements of Company (Parent Company) and its subsidiaries (together referred to as the “Group”)

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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) and with the requirement of Companies Act No. 07 of 2007.

These financial statements include the following components:

- An Income Statement and a Statement of Comprehensive Income providing the information on the financial performance of the Group and the Company for the year under review. Refer pages 44 & 45;
- A Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end. Refer page 46;
- A Statement of Changes in Equity depicting all changes in shareholders’ funds during the year under review of the Group and the Company. Refer pages 47 & 48;
- A Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and utilisation of those cash flows. Refer page 49;
- Notes to the Financial Statements comprising Significant Accounting Policies and other explanatory information. Refer pages 50 to 94.

The Consolidated Financial Statements were authorized for issue by the Company’s Board of Directors in accordance with the resolution passed by the Board of Directors on 20th July 2022.

2.3 Basis of Measurement

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



Notes to the Financial Statements

Year ended 31 December 2021

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

2.4 Going Concern Basis of Accounting

The Management has made an assessment of the Group's and the Company's ability to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation or cessation of business. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as going concern. Therefore, the Financial Statements of the Group continue to be prepared on going concern basis.

2.5 Functional and Presentation Currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the company operates (the functional currency). The Consolidated Financial Statements have been presented in Sri Lankan Rupees, which is the Group's/ Company's functional and presentation currency. All the financial information presented in Sri Lankan Rupees has been rounded to the nearest Thousand (Rs.'000).

2.6 Presentation of Financial Statements

The assets and liabilities of the Group and the Company presented in the statement of financial position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

No adjustments have been made for inflationary factors affecting the Financial Statements.

2.6.1 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.

2.7 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by LKAS 1: Presentation of Financial Statements and amendments to LKAS 1 on "Disclosure Initiatives".

2.8 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on net basis, or to realize the assets and settle the liability simultaneously.

2.9 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The comparative information has been reclassified where necessary to conform to the current year's presentation.

2.12 Use of Estimates, Judgments and Assumptions

The preparation of financial statements of the Group in conformity with Sri Lanka Accounting Standard requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported values of assets, liabilities, income

and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making a judgment about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that financial year or in the period of the revision and future periods if the revision affects both current and future financial years.

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:

2.12.1 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.

2.12.2 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.

2.12.3 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.

2.11.3.1 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



Notes to the Financial Statements

Year ended 31 December 2021

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).

2.12.4 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)

2.12.5 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.

2.12.6 Determination of Fair Values

'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 in the principal market or, in its absence, the most advantageous market to which the Group and the Company has access at that date. The fair value of a liability reflects its non-performance risk. Several of the Group's and the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

When measuring fair value of an asset or liability, the Group and the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

Level 1: inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs are inputs that are not based on observable market data (unobservable inputs).

If inputs used to measure the fair value of an asset or liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

2.12.7 Fair Value of Non-Financial Assets

The fair value used by the Group and the Company in the measurement of non-financial assets 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 that is accessible by the Group and the Company for the asset or liability.

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

A fair value measurement of a non-financial asset takes into account a market participants 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 and the Company 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.

2.12.8 Useful Lives of Depreciable Assets

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

2.12.9 Business Combination

Management applies its judgment to determine whether the control indicators set out in the SLFRS 3 “Business Combination”.

Management uses valuation techniques in determining the fair values of the various elements of a business combination. The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability.

2.12.10 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.

2.12.11 Fair Value of Financial Instruments

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm’s length transaction at the reporting date.

2.12.12 Recognition of Deferred Tax Assets

Management applies significant judgment to the extent the deferred tax assets can be recognised based on an assessment of the probability of the Group’s future taxable income against which the deferred tax assets can be utilised. In addition, significant judgment is required in assessing the impact of any legal or economic limits or uncertainties in various future tax jurisdictions.

2.12.13 Provisions for Liabilities, Commitments and Contingencies

The Group receives legal claims in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due processes in respective legal jurisdictions.

3 SIGNIFICANT ACCOUNTING POLICIES
3.1 Changes in Accounting Policies
3.1.1 New and Amended Standards and Interpretations

In these Financial Statements, the Group applied for the first-time following amendments to Accounting Standards, which are effective for annual periods beginning on or after 01st January 2020.

The Group and the Company have not early adopted any other standard, interpretation or amendment that has been issued but not effective.

3.1.1.1 Amendments to SLFRS 3: Definition of a Business

In November 2018, the CA Sri Lanka issued amendments to the definition of a business in SLFRS 3 on “Business Combinations” (SLFRS 3) to help entities determine whether an acquired set of activities and assets is a business or not. These amendments clarified the minimum requirements for a business, removed the assessment of whether market participants are capable of replacing any missing elements and added guidance to help entities assess whether an acquired process is substantive, narrowed the definitions of a business and of outputs, and introduced an optional fair value concentration test.



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These amendments had no impact on the Consolidated Financial Statements of the Group but may impact future periods should the Group enter into any business combinations.

3.1.1.2 Amendments to LKAS 1 and LKAS 8: Definition of Material

In November 2018, the CA Sri Lanka issued amendments to LKAS 1 and Sri Lanka Accounting Standard – LKAS 8 on “Accounting Policies, Changes in Accounting Estimates and Errors” to align the definition of ‘material’ across the standards and to clarify certain aspects of the term ‘definition’. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose Financial Statements make on the basis of those Financial Statements, which provide financial information about a specific reporting entity.’

These amendments had no impact on the Consolidated Financial Statements of, nor is there expected to be any future impact to, the Group.

3.1.1.3 Amendments to the Conceptual Framework for Financial Reporting

CA Sri Lanka issued a revised Conceptual Framework which included some new concepts, updated definitions and recognition criteria for assets and liabilities and clarified some important concepts. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

These amendments had no impact on the Consolidated financial statements of the Group.

3.2 Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently for all periods presented in the financial statements by the Group and the Company unless otherwise indicated.

3.2.1 Consolidation

3.2.1.1 Basis of consolidation

The Group’s financial statements comprise, Consolidated financial statement of the Company and its Subsidiaries in terms of the Sri Lanka Accounting Standard- SLFRS 10 on “Consolidated Financial Statements”.

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.

3.2.1.2 Business Combination

Group applied definition of a business (amendments to SLFRS 03) to business combinations whose acquisition dates are on or after 01st January 2020 in assessing whether it had acquired a business or a group of assets. The details of accounting policies are set out below.

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so

as to obtain benefits from its relevant activities (refer note 3.2.1.1).

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; Minus
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Any goodwill that arises is tested annually for impairment (refer note 3.2.5). When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

3.2.1.3 Subsidiary

Subsidiary is entities controlled by the Group. The financial statements of subsidiary are included in the consolidated financial statements from the date, that control commence, until the date that control ceases.

3.2.1.4 Loss of Control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interest and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.2.1.5 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same



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way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2.1.6 Material Gains or Losses, Provisional Values or Error Corrections

There were no material gains or losses, provisional values or error corrections recognised during the year in respect of business combinations that took place in previous periods.

3.2.2 Foreign Currency

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected. Monetary assets and liabilities denominated in foreign currency as at reporting date are retranslated into functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment in a foreign operation. These are recognised in OCI until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recognised in OCI.

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. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit or loss, respectively).

3.2.3 Assets and Bases of Their Valuation

Assets classified as current assets in the Statement of Financial Position are cash and bank balances and those, which are expected to be realized in cash during the normal operating cycle, or within one year from the Balance Sheet date, whichever is shorter. Assets other than current assets are those, which the Group and the Company intends to hold beyond the one year period calculated from the reporting date.

3.2.3.1 Property, Plant and Equipment

3.2.3.1.1 Initial Recognition and Measurement

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

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.

3.2.3.1.2 Owned Assets

The cost of an item of property, plant and equipment comprise its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use.

The cost of self-constructed assets includes the cost of materials, direct labour, and any

other costs directly attributable to bringing the asset to the working condition for its intended use. This also includes cost of dismantling and removing the items and restoring in the site on which they are located and borrowing costs on qualifying assets.

Purchased software that is integrate to the functionality of the related equipment is capitalized as part of equipment.

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

3.2.3.1.3 Capital Work-In-Progress

The cost of capital work-in-progress is the cost of purchase or construction together with any related expenses thereon. Capital work-in-progress is transferred to the respective asset accounts at the time of first utilization or at the time the asset is commissioned.

3.2.3.1.4 Subsequent Costs

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized.

The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

3.2.3.1.5 Borrowing Costs

Borrowing costs that are directly attributable to acquisition, construction or production of a qualifying asset which takes a substantial period of time to get ready for its intended use or sale, are capitalised as a part of the asset. The amounts of the borrowing costs which are eligible for capitalisation are determined in accordance with LKAS 23 - Borrowing Costs.

Borrowing costs that are not capitalised are recognised as expenses in the period in which they are incurred and charged to the Statement of Profit or Loss and Other Comprehensive Income.

3.2.3.1.6 Depreciation

Depreciation is recognized in profit or loss on the straight-line basis over the estimated

useful lives of each part of item of Property, Plant and Equipment. Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognized.

Depreciation does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. Depreciation is not charged on Freehold Land.

The estimated useful lives of Property Plant and Equipment used by the Group and the Company 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	20%
Computers	20%
Office Equipment	15%
Plant and Machinery	25%

Depreciation method, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.2.3.1.7 Derecognition

The carrying amount of an item of property, plant and equipment is de-recognized on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses on de-recognition are recognized within sundry income in profit or loss.

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 as required by Sri Lanka Accounting Standard – LKAS 16 on “Property, plant and equipment”.

3.2.3.2 Intangible Assets

3.2.3.2.1 Initial Recognition and Measurement

An intangible asset is recognized where it is probable that economic benefits are attributable to the assets will flow to the entity and cost of the assets can be measured reliably and carried at cost less accumulated



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amortization and accumulated impairment losses. Separately acquired intangible assets are measured on initial recognition at cost. The cost of such separately acquired intangible assets include the purchase price, import duties, non-refundable purchase taxes and any directly attributable cost of preparing the asset for its intended use. The cost of intangible assets acquired in a business combination is the fair value of the asset at the date of acquisition. The cost of an internally generated intangible asset arising from the development phase of an internal project which is capitalised includes all directly attributable costs necessary to create, produce, and prepare the asset to be capable of operating in the manner intended by the Management. Other development expenditure and expenditure on research activities, undertaken with the prospect of gaining new technical knowledge and understanding is expensed in the income statement as and when incurred.

3.2.3.2.2 Subsequent Expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

3.2.3.2.3 Subsequent Measurement

After initial recognition an intangible asset is stated at its costs less any accumulated amortisation and any accumulated impairment losses. The useful economic life of an intangible asset is assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life of the asset. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement. Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

3.2.3.2.4 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.

3.2.3.2.5 Technical Know How

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

3.2.3.2.6 Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

3.2.3.2.6.1 Initial Recognition and Measurement

Goodwill is initially measured at cost and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

3.2.3.2.6.2 Subsequent Measurement

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3.2.3.3 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.

3.2.3.4 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

3.2.3.5 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.

3.2.4 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.

3.2.4.1 Financial assets

3.2.4.1.1 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



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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.

3.2.4.1.2 Subsequent measurement

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

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

Financial assets at amortized cost (debt instruments)

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

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

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

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

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

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

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

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

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.

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI as described above are

measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

3.2.4.1.3 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except and only in those rare circumstances when the Group's changes its objective of the business model for managing such financial assets. Financial Liabilities are not reclassified as such reclassifications are not permitted by SLFRS 9.

3.2.4.1.4 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.

3.2.4.1.5 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.



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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.

3.2.4.2 Financial liabilities

3.2.4.2.1 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.

3.2.4.2.2 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.

3.2.4.2.3 De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

3.2.4.2.4 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.

3.2.5 Impairment of non-financial assets

The carrying amounts of the Group's nonfinancial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit, or CGU").

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (Company of units) on a pro rata basis.

Impairment losses recognized 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. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.2.6 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 as per the guidelines of SLFRS 16. This assessment considers whether, throughout the period of use, the lessee has both the right to obtain all of the economic benefits from the use of the identified asset and the right to direct how and for what purpose the identified asset is used.

After the assessment of whether a contract is, or contains, a lease, the Group determines whether it contains additional lease or non-lease (service) components based on the detailed guidance provided in SLFRS 16. Accordingly, the right to use of an identifying asset is a separate lease component if the lessee can benefit from the use of underlying asset either on its own or together with other resources readily available to the lessee and the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

3.2.6.1 Group Acting as a Lessee

As per SLFRS 16, when the Group has determined that a contract contains a lease component and one or more additional lease components or non-lease components, the consideration in the contract is allocated to each lease component on the basis of relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

Right-of-use assets

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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



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Year ended 31 December 2021

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional

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

3.2.6.1.1 Short-Term Leases and Leases of Low-Value Assets

The Company/ Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3.2.6.2 Group Acting 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.

3.2.6.2.1 Finance Leases – Group as a Lessor

As per SLFRS 16, a lease which transfers substantially all the risks and rewards incidental to ownership of an underlying asset is classified as a finance lease. At the commencement date, the Group recognizes assets held under finance lease in the Statement of Financial Position and present them as a lease receivable at an amount equal to the net investment in the lease. Net investment in the lease is arrived by discounting lease payments receivable at the interest rate implicit in the lease, i.e. the rate which causes present value of lease payments to equal to the fair value of the underlying asset and initial direct costs.

The Group applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

3.2.6.2.2 Operating Leases – Group as a Lessor

As per SLFRS 16, a lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. The Group recognises lease payments from operating leases as income on straight-line basis. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

3.2.7 Provisions, Contingent Liabilities and Contingent Assets

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.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote.

Contingent assets are disclosed, where inflow of economic benefit is probable.

Warranty Provision

The Group provides warranties for general repairs of defects, in accordance with the group'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.

3.2.8 Retirement benefit Obligations

- i. **Short-Term Employee Benefits**
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid in cash as ex-gratia in the short term, if the Group has a present legal or constructive obligation to pay this amount as a result of past service rendered by the employee, and the obligation can be measured reliably.
- ii. **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.

- iii. **Defined benefit plan – gratuity**
The Company measures the present value of the promised retirement benefits of gratuity, which is a defined benefit plan with the advice of an 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 Company recognizes 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.

3.2.9 Income Statement

3.2.9.1 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,



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Year ended 31 December 2021

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.

3.2.9.1.1 Disaggregation of revenue

SLFRS 15 requires an entity to disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. The Group/ Company disaggregate revenue in to following categories.

- Industrial
- Hotels
- Domestic
- Commercial
- Street light
- Religious
- Temporary connections
- Meter sales

3.2.9.2 Finance income

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

3.2.9.3 Dividends

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

3.2.10 Other Income

Other income is recognised on an accrual basis.

3.2.11 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.

3.2.12 Expenditure Recognition

- i. All expenditure incurred in the running of the business and in maintaining the Property, Plant & Equipment in a state of efficiency has been charged to Consolidated Statement of Profit or Loss or Loss in arriving at the profit for the year.
- ii. For the purpose of presentation of the Consolidated Statement of Profit or Loss and Comprehensive Income, the Directors are of the opinion that the function of expenses, present fairly the elements of the enterprise's performance, hence such presentation method is adopted.

3.2.13 Taxation

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

- i. **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 24%.

- ii. **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.

Notes to the Financial Statements

Year ended 31 December 2021

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

3.2.14 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.

3.2.15 Basic Earnings Per Share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3.2.16 Related Party Transactions

Disclosure has been made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies/decisions of the other, irrespective of whether a price is being charged or not. The relevant details are disclosed in the respective notes to the Financial Statements.

3.2.17 Cash Flow Statements

Interest received is classified as investing cash flows, while interest paid, is classified as financing cash flows for the purpose of presentation of Cash Flow Statement which has been prepared using the 'Indirect Method'.

3.2.17.1 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.

3.2.18 Events Occurring After the Reporting Date

Events after the reporting period are those events favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue.

The materiality of the events occurring after the reporting period are considered and appropriate adjustments to or disclosures are made in the Financial Statements, where necessary.

3.2.19 New Accounting Standards Issued but not effective as at reporting date

The Institute of Chartered Accountants of Sri Lanka has issued the following new Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 01st April 2021 and earlier application is permitted. Accordingly, this Standards has not been applied in preparing these Consolidated Financial Statements. The Group has not early adopted new or amended standards in preparing Consolidated financial statements.

The following standards are not expected to be have a significant impact on Group's Consolidated financial statements.

A. Onerous Contracts - Cost of fulfilling the contract (Amendments to LKAS 3 - Provisions, Contingent Liabilities and Contingent Assets)

The amendment specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

B. Amendments to SLFRS 16 - COVID-19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 Pandemic. As a practical expedient, a lessee may

elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from COVID-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after June 01, 2020.

C. Proceeds before intended use (amendments to LKAS 16 - Property, plant and equipment)

The amendment prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

D. Reference to the conceptual framework (amendments to SLFRS 3 – Business Combinations)

The amendment updates an outdated reference to the Conceptual Framework in SLFRS 3 without significantly changing the requirements in the standard.

E. Classification of liabilities as current or non-current (Amendments to LKAS 1 – Presentation of Financial Statements)

The amendment aims to promote consistency in applying the requirements by helping companies to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

F. Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

The Group accounts for deferred tax on leases applying the ‘integrally linked’ approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability. As at 31 December 2021, the taxable temporary difference in relation to the right-of-use asset is Rs. 112.012 million and the deductible temporary difference in relation to the lease liability is Rs. 92.093 million (see Note 8.3), resulting in a net deferred tax asset of Rs. 19.909 million. Under the amendments, the Group will present a separate deferred tax liability of Rs. 112.012 million and a deferred tax asset of Rs. 92.093 million. There will be no impact on retained earnings on adoption of the amendments.

G. Other Standards

- a. Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2)
- b. Definition of Accounting Estimates (Amendments to LKAS 8)

Notes to the Financial Statements

Year ended 31 December 2021

	Group		Company	
	2021	2020 - Revised	2021	2020 - Revised
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
4. REVENUE				
4.1 Revenue from Contracts with Customers				
Industrial	4,754,756	4,273,656	4,754,756	4,273,656
Hotels	809,960	783,029	809,960	783,029
Domestics	14,401,546	13,341,548	14,401,546	13,341,548
Commercial	12,142,681	12,217,014	12,142,681	12,217,014
Street light	4,209	4,419	4,209	4,419
Religious	82,032	83,424	82,032	83,424
Temporary connections	5,320	6,125	5,320	6,125
Meter sales	1,444,334	969,690		-
Sale of electricity	33,644,837	31,678,905	32,200,503	30,709,215
4.2 Timing of Revenue Recognition				
Products transferred at a point in time	33,644,837	31,678,905	32,200,503	30,709,215
Revenue from Contracts with Customers	33,644,837	31,678,905	32,200,503	30,709,215
5. OTHER OPERATING INCOME				
Amortization of Consumer Contribution	423,083	401,918	423,083	401,918
Amortization of Government Grants	5,813	5,792	5,813	5,792
Recoveries from customers	169,496	176,704	169,496	176,704
Gain/ (loss) on disposal of property, plant, and equipment	(15,471)	13,972	(15,471)	13,972
Gain/ (loss) on exchange of currencies	(3,975)		(3,975)	
Sundry Income	9,338	9,067	13,601	7,938
Dividend Income	1,727,273	316,172	1,727,273	316,172
	2,315,557	923,626	2,319,820	922,496
6. FINANCE INCOME & FINANCE COST				
6.1 Finance Income				
Interest on staff loans	141,536	135,651	140,851	135,651
Interest on term deposits	365,872	819,527	358,808	819,143
Interest on loan granted to CEB	85,702	31,226	85,702	31,226
Interest on government securities	312,332	-	312,332	
	905,443	986,404	897,693	986,020
6.2 Finance Cost				
Interest expense on consumer deposits	39,575	51,386	39,575	51,386
Interest expense on bank overdrafts and bank charges	4,411	2,917	3,383	2,649
Accrued interest & premium amortization for Treasury Bond	171,735		171,735	
Lease interest on Right of Use Assets	(1,328)	-	(1,328)	-
Interest for NSB Sooriya Bala Sangramaya Loan Scheme	1,536	88,506	1,536	88,506
	215,929	142,809	214,901	142,541

Notes to the Financial Statements

Year ended 31 December 2021

	Group		Company	
	2021 Rs.'000	2020 - Revised Rs.'000	2021 Rs.'000	2020 - Revised Rs.'000
7. PROFIT BEFORE TAXATION				
Profit before tax is stated after charging all expenses including the following.				
Directors' emoluments	1,975	1,658	1,975	1,658
Audit fees	2,169	3,600	2,169	3,600
Depreciation - PPE / RoU Assets / Investment Property	858,562	971,536	830,338	937,015
Amortization - intangible asset	6,283	618	3,859	618
Public relations and advertising	12,810	12,291	12,810	12,291
Impairment of obsolete and slow moving inventories	6,611	56,638	6,611	56,638
Impairment of trade receivables	(163,773)	578,723	(163,773)	578,723
Staff cost (Note 7.1)	3,685,573	3,417,497	3,680,341	3,413,767
7.1 Staff cost				
Salaries and wages	2,058,016	1,804,820	2,058,016	1,804,820
Other staff related costs	1,080,972	1,119,841	1,080,972	1,119,841
Other staff related costs	399,864	514,124	399,864	514,124
Bonus	231,028	208,556	231,028	208,556
Overtime	450,080	397,161	450,080	397,161
Contribution to EPF & ETF	343,580	303,557	339,415	300,331
Retirement benefit obligations (Gratuity)	203,005	189,279	201,938	188,775
	3,685,573	3,417,497	3,680,341	3,413,767
8. INCOME TAX EXPENSE				
a) Current tax expense				
Income Tax Expenses for the year (Note 8.1)	954,811	670,487	939,976	665,080
(Over)/ under provision in respect of previous years	-	-	-	-
Provision for Surcharge Tax Bill - 25% of taxable income of 2020/21	714,474		714,474	
Deferred Tax Charge/(Reversal) for the year	155,653	(69,649)	155,653	(70,386)
Income tax expense/ (reversal)	1,824,938	600,837	1,810,102	594,694
8.1 Income Tax				
Major components of income tax expenses are as follows				
Profit before tax	5,113,976	2,416,079	5,043,017	2,386,255
Other Sources of Income	(2,509,164)	(1,617,308)	(2,509,164)	(1,613,635)
Aggregate allowable items	(1,801,233)	(1,208,312)	(1,801,233)	(1,165,576)
Aggregate disallowable items	1,408,683	1,776,807	1,408,683	1,731,267
Intergroup adjustments	(18,403)			
Business Profit	2,193,859	1,367,266	2,141,303	1,338,311
Other Sources of Income				
Interest income	358,808	1,135,315	358,808	819,142
Taxable consumer contribution income	408,879	387,714	408,879	387,714
Assessable income from business	2,961,547	2,890,295	2,908,990	2,545,168
Assessable income from investments	1,727,273		1,727,273	316,172
Taxable Income	4,688,819	2,890,295	4,636,263	2,861,340



Notes to the Financial Statements

Year ended 31 December 2021

	Group		Company	
	2021	2020 - Revised	2021	2020 - Revised
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
8. INCOME TAX EXPENSE (Contd...)				
8.1 Income Tax (Contd...)				
Tax Rate				
Tax on Dividend Income	14%	14%	14%	14%
Tax on Balance Taxable Income	24%	24%	24%	24%
Tax on profit for the year	954,811	670,487	939,976	665,080
8.2 Deferred tax expenses / (Reversal)				
Origination and reversal of temporary differences	269,204	7,380	267,957	7,380
Break up of deferred tax expense				
Recognized in Profit or Loss Statement	156,711	(70,386)	155,653	(70,386)
Recognized in Other Comprehensive Income Statement	112,492	77,767	112,304	77,767
	269,204	7,380	267,957	7,380
8.3 Deferred tax liability				
Balance as at the beginning of the year	1,127,635	1,117,700	1,125,080	1,117,700
Recognized in profit or loss	156,711	(70,386)	155,653	(70,386)
Recognized in other comprehensive income	112,492	80,322	112,304	77,767
Balance as at the end of the year	1,396,838	1,127,635	1,393,037	1,125,080
Closing deferred tax asset, liabilities relates to the following				
Deferred tax liability				
Accelerated depreciation s for tax purposes	2,138,076	1,306,325	2,134,462	1,306,325
Right of Use Assets	4,778	5,059	4,778	5,059
Impact on revaluation	-	872,930	-	872,930
Fair value of FVOCI - Impact on Financial Instrument	92,688	3,266	92,688	3,266
	2,235,542	2,187,580	2,231,928	2,187,580
Deferred tax asset				
Deferred income on consumer contribution	(53,722)	(115,774)	(53,722)	(115,774)
Employee benefit liability	(356,760)	(411,326)	(356,948)	(413,881)
Provision for obsolete and slow moving inventories	(64,511)	(62,660)	(64,511)	(62,660)
Provision for impairment of trade and other receivables	(363,710)	(470,185)	(363,710)	(470,185)
	(838,703)	(1,059,945)	(838,891)	(1,062,500)
	1,396,838	1,127,635	1,393,037	1,125,080

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

8. INCOME TAX EXPENSE (Contd...)

8.3 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	
	2021	2020 - Revised	2021	2020 - Revised
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amount use as the Numerator :				
Net profit for the year attributable to ordinary shareholders	3,270,663	1,817,143	3,232,915	1,791,562
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	28.56	15.87	28.23	15.65

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 2021

10. PROPERTY PLANT AND EQUIPMENT

10.2 Group	Freehold land Rs'000	Freehold building Rs'000	Motor vehicles Rs'000	Computers Rs'000	Office equipment Rs'000	Plant and machinery Rs'000	Supply of infrastructure Rs'000	Capital work-in-progress	Total Rs'000
Cost / Fair Value									
Balance as at December 31, 2020	3,192,275	1,193,557	1,289,104	299,460	560,392	271,947	24,159,113	743,219	31,709,068
Additions	7,120	10,844	-	83,734	44,587	1,446	117,687	1,272,499	1,537,915
Transfers	-	-	(0)	-	10,942	-	789,561	(800,503)	(0)
Surplus / (deficit) on revaluation of property	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	(554)	(3,269)	(1,427)	(114,152)	(117,687)	(237,089)
Balance as at December 31, 2021	3,199,395	1,204,400	1,289,104	382,639	612,652	271,965	24,952,209	1,097,529	33,009,894
Depreciation									
Balance as at December 31, 2020	-	11,283	1,042,053	265,587	349,742	153,844	15,890,094	-	17,712,602
Depreciation for the year	-	28,421	98,346	32,966	52,306	26,870	677,038	-	915,947
Transfer	-	-	-	-	-	-	-	-	-
Surplus / (deficit) on revaluation of property	-	-	-	-	-	-	-	-	-
Disposals / adjustments	-	-	1,957	(559)	(1,687)	(1,050)	(80,485)	-	(81,826)
Balance as at December 31, 2021	-	39,704	1,142,355	297,994	400,361	179,663	16,486,646	-	18,546,723
Written down value									
Balance as at December 31, 2021	3,199,395	1,164,697	146,749	84,646	212,290	92,302	8,465,563	1,097,529	14,463,170
- As at December 31, 2020	3,192,275	1,182,274	247,051	33,873	210,650	118,103	8,269,019	743,219	13,996,466

Notes to the Financial Statements

Year ended 31 December 2021

10. PROPERTY PLANT AND EQUIPMENT

10.2 Company

Cost / Fair Value	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
Balance as at December 31, 2020	3,192,275	984,362	1,281,211	296,266	557,839	24,159,113	743,219	31,214,286
Additions	7,120	17,963	-	82,959	44,558	117,687	1,272,499	1,542,786
Transfer	-	-	(0)	-	10,942	789,561	(800,503)	(0)
Surplus / (deficit) on revaluation of property	-	-	-	-	-	-	-	-
Disposals / Adjustments	-	-	-	-	(2,840)	(114,152)	(117,687)	(234,678)
Balance as at December 31, 2021	3,199,395	1,002,325	1,281,211	379,225	610,500	24,952,209	1,097,529	32,522,394
Depreciation								
Balance as at December 31, 2020	-	701	1,037,440	263,094	347,541	15,890,094	-	17,538,871
Depreciation for the year	-	23,817	97,690	32,473	52,100	677,038	-	883,118
Transfer	-	-	-	-	-	-	-	-
Surplus / (deficit) on revaluation of property	-	-	-	-	-	-	-	-
Disposals / adjustments	-	-	1,957	(5)	(1,258)	(80,485)	-	(79,792)
Balance as at December 31, 2021	-	24,518	1,137,087	295,561	398,384	16,486,646	-	18,342,196
Written down value								
- As at December 31, 2021	3,199,395	977,807	144,125	83,664	212,116	8,465,563	1,097,529	14,180,198
- As at December 31, 2020	3,192,275	983,660	243,771	33,172	210,298	8,269,019	743,219	13,675,416
Fully depreciated assets								
- As at December 31, 2021	-	-	500,769	241,872	143,643	8,648,795	-	9,535,080
- As at December 31, 2020	-	-	483,775	242,067	187,309	8,293,250	-	9,206,401

Notes to the Financial Statements

Year ended 31 December 2021

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 was last determined by means of a revaluation during the financial year 31 December 2020. Fair value of the Land & Building were determined 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	2021			2020		
	Cost	Cumulative Depreciation	Net Carrying Amount	Cost	Cumulative Depreciation	Net Carrying Amount
	Rs.'000	Rs.'000		Rs.'000	Rs.'000	Rs.'000
Land	665,372	-	665,372	665,372	-	665,372
Building	684,366	(148,322)	536,043	677,246	(131,391)	545,855
	1,349,738	(148,322)	1,201,415	1,342,618	(131,391)	1,211,227

		Company	
		2021	2020 - Revised
		Rs.'000	Rs.'000
11.	INVESTMENT PROPERTIES		
	Cost		
	As at 01st January	139,344	132,224
	Additions during the year	(7,120)	7,120
	As at 31st December	132,224	139,344
	Accumulated depreciation		
	As at 01st January	10,581	7,686
	Charge for the year	4,604	2,895
	As at 31st December	15,185	10,581
	Written down value	117,038	128,763

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, 2021.

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.

Notes to the Financial Statements

Year ended 31 December 2021

12. INTANGIBLE ASSETS	Group		Company	
	2021	2020 - Revised	2021	2020 - Revised
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost				
Balance as at 01st January	117,000	110,293	88,795	82,614
Additions	11,377	6,707	9,517	6,182
Balance as at December 31	128,376	117,000	98,313	88,795
Amortization				
Balance as at 01st January	74,982	72,480	52,752	52,134
Charge for the year	6,283	2,502	3,859	618
Balance as at December 31	81,265	74,982	56,612	52,752
Net book value as at December 31	47,111	42,018	41,701	36,043

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 %	No. of shares	Company	
			2021	2020 - Revised
			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	
	2021	2020 - Revised	2021	2020 - Revised
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
West Coast Power (Private) Limited (Note 14.1)	11,765,752	10,838,875	11,765,752	10,838,875
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
	11,785,752	10,858,875	11,785,752	10,858,875
Less: Impairment of Investments	(20,000)	(20,000)	(20,000)	(20,000)
	11,765,752	10,838,875	11,765,752	10,838,875

Notes to the Financial Statements

Year ended 31 December 2021

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Contd..)

	Group		Company	
	2021	2020 - Revised	2021	2020 - Revised
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
14.1 West Coast Power (Private) Limited				
Balance as at 01st January	10,838,875	10,806,210	10,838,875	10,806,210
Remeasurement recognized in Other Comprehensive Income	926,877	32,665	926,877	32,665
Balance as at December 31	11,765,752	10,838,875	11,765,752	10,838,875

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

Group received dividend in the amount of Rs 1,727,272,727 from the West Coast Power (Pvt) Ltd

	Company	
	2021	2020 - Revised
	Rs.'000	Rs.'000
15. ADVANCE FOR SHARES		
Ante LECO Metering Company (Pvt) Ltd		
- Application for Shares	64,931	64,931

16. RIGHT OF USE ASSETS

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

Incremental Borrowing rate	9.75%
Lease Period	2 to 4 years

	Group		Company	
	2021	2020 - Revised	2021	2020 - Revised
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Carrying Amount				
Balance as at 01st January	280,732	212,508	280,732	212,508
Additions	14,300	68,224	14,300	68,224
Adjustments	4,584		4,584	
Disposal	(14,391)		(14,391)	
Balance as at December 31	285,226	280,732	285,226	280,732
Depreciation				
Balance as at 01st January	115,840	67,120	115,840	67,120
Charge for the year	54,903	48,720	54,903	48,720
Adjustments	4,584		4,584	
Disposal	(2,103)		(2,103)	
Balance as at December 31	173,224	115,840	173,224	115,840
Net Book Value				
Balance as at December 31	112,002	164,892	112,002	164,892

Notes to the Financial Statements

Year ended 31 December 2021

	Group		Company	
	2021	2020	2021	2020
	Rs.'000	Revised Rs.'000	Rs.'000	Revised Rs.'000
16. RIGHT OF USE ASSETS (Contd.)				
Impact on statement of profit or loss is as follows;				
Depreciation during the year	57,384	48,720	57,384	48,720
Finance cost recognized during the year.	-	-	-	-
	<u>57,384</u>	<u>48,720</u>	<u>57,384</u>	<u>48,720</u>
Land & Building leases have a remaining lease period of 1-3 years from its initial recognition date.				
17. INVENTORIES				
Operational and maintenance goods	2,804,888	2,795,907	2,803,883	2,794,864
Finished goods	140,301	138,357	-	-
Raw-materials	151,689	86,039	-	-
Work in progress	12,211	8,360	-	-
Goods in transit	73,753	184,965	73,753	184,965
	<u>3,182,842</u>	<u>3,213,627</u>	<u>2,877,636</u>	<u>2,979,829</u>
Provision for obsolete and slow moving inventories	(230,398)	(223,787)	(230,398)	(223,787)
	<u>2,952,444</u>	<u>2,989,840</u>	<u>2,647,238</u>	<u>2,756,041</u>
18. TRADE AND OTHER RECEIVABLES				
Trade receivables- Related parties (Note 18.1)	1,611,276	1,636,760	1,343,821	1,341,721
Trade receivables	6,777,885	5,775,378	6,787,480	5,767,966
	<u>8,389,160</u>	<u>7,412,138</u>	<u>8,131,302</u>	<u>7,109,687</u>
Other receivables - Related parties (Note 18.2)	991,378	2,243,646	996,166	2,259,162
Other receivables	117,605	614,907	110,401	593,578
Provision for impairment of trade and other receivables	(1,524,812)	(1,688,559)	(1,515,458)	(1,679,231)
	<u>7,973,332</u>	<u>8,582,132</u>	<u>7,722,411</u>	<u>8,283,196</u>
18.1 Trade receivables - related parties				
Ceylon Electricity Board	1,611,276	1,636,760	1,343,821	1,341,721
	<u>1,611,276</u>	<u>1,636,760</u>	<u>1,343,821</u>	<u>1,341,721</u>
18.2 OTHER RECEIVABLES - RELATED PARTIES				
Ceylon Electricity Board	210,837	212,420	210,837	210,837
Ceylon Electricity Board - Short term loan & accrued interest	780,541	2,031,226	780,541	2,031,226
LECO Projects (Private) Limited	-	-	5,626	5,267
Ante LECO Metering Company (Private) Limited	(0)	-	(837)	11,831
	<u>991,378</u>	<u>2,243,646</u>	<u>996,166</u>	<u>2,259,162</u>



Notes to the Financial Statements

Year ended 31 December 2021

	Group		Company	
	2021	2020 Revised	2021	2020 Revised
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
19. OTHER FINANCIAL ASSETS				
Loans given to employees (Note 19.1)	1,590,444	1,675,176	1,590,444	1,675,176
Loans given to consumers	62,360	69,177	62,360	69,177
Investments in debt instruments - Amortized cost (Note 19.2)	13,069,656	9,086,923	12,754,656	9,046,923
	14,722,461	10,831,276	14,407,461	10,791,276
Current	9,241,394	9,086,923	8,926,394	9,046,923
Non-current	5,481,067	1,744,353	5,481,067	1,744,353
	14,722,461	10,831,276	14,407,461	10,791,276
19.1 Loans given to employees				
Festival advances	6,178	9,757	6,178	9,757
Medical loans	1,996	1,016	1,996	1,016
Vehicle and distress loan (Note 19.1.1)	1,582,270	1,664,402	1,582,270	1,664,402
	1,590,444	1,675,176	1,590,444	1,675,176
19.1.1 Loans given to employees				
Employees' loan balance (Note 19.1.1.1)	1,381,707	1,356,707	1,381,707	1,356,707
Prepaid expenses (Note 19.1.1.2)	200,562	307,696	200,562	307,696
	1,582,270	1,664,402	1,582,270	1,664,402
19.1.1.1 Employees' loan balance				
Balance before fair value adjustment	1,356,707	1,337,921	1,356,707	1,337,921
New loans granted during the year	393,243	277,828	393,243	277,828
Recoveries from employees	(386,308)	(372,968)	(386,308)	(372,968)
	1,363,641	1,242,781	1,363,641	1,242,781
Fair value adjustment on loans granted at below market interest rate	18,066	113,925	18,066	113,925
Balance at the end of the year	1,381,707	1,356,707	1,381,707	1,356,707
Loans to members				
Distress loan	618,153	536,670	618,153	536,670
Vehicle loan	763,554	820,037	763,554	820,037
	1,381,707	1,356,707	1,381,707	1,356,707
19.1.1.2 Prepaid expense				
Distress loan	96,954	137,717	96,954	137,717
Vehicle loan	103,609	169,979	103,609	169,979
	200,562	307,696	200,562	307,696
New loans granted during the year				
Distress loan	267,900	105,511	267,900	105,511
Vehicle loan	125,343	172,317	125,343	172,317
	393,243	277,828	393,243	277,828

Notes to the Financial Statements

Year ended 31 December 2021

	Group		Company	
	2021	2020 Revised	2021	2020 Revised
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
19.2 Investments in debt instruments - Amortized cost				
Investments in Term deposits /REPO	2,794,000	1,381,892	2,519,000	1,381,892
Investment in Fixed deposits	6,447,394	7,705,031	6,407,394	7,665,031
Investments in Treasury Bonds	3,828,262	-	3,828,262	-
	13,069,656	9,086,923	12,754,656	9,046,923

20. CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents comprise the following;

Cash in-hand and bank	1,303,098	526,364	1,118,167	519,402
Cash and cash equivalents in the statement of financial position	1,303,098	526,364	1,118,167	519,402
Bank Overdraft	(419,043)	3,514	(419,043)	(11,486)
Cash and cash equivalents for the purpose of Cash Flow	884,055	529,878	699,124	507,916

21. CAPITAL AND RESERVE**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.

RESERVES**21.2 Revaluation Reserves on valuation of land and buildings**

- Land	2,030,564	2,030,564	1,960,713	1,960,713
- Buildings	152,224	152,224	152,224	152,224
	2,182,788	2,182,788	2,112,937	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.

Notes to the Financial Statements

Year ended 31 December 2021

	Group		Company	
	2021	2020 Revised	2021	2020 Revised
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
21.4 Fair Value Reserve				
Balance as at January 01,	8,781,915	8,752,517	8,781,915	8,752,517
Add : Gain on FVOCI instruments	926,877	32,665	926,877	32,665
Effect of deferred tax	(92,688)	(3,266)	(92,688)	(3,266)
	834,189	29,398	834,189	29,398
Balance as at December 31,	9,616,104	8,781,915	9,616,104	8,781,915
Total other components of equity as at December 31,	12,139,534	11,305,344	12,069,683	11,235,493
22. INTEREST BEARING LOANS AND BORROWINGS				
Leases (Note 22.1)	92,093	146,825	92,093	146,825
Short Term Loans		15,000		
Bank Overdraft	419,043	11,486	419,043	11,486
	511,136	173,311	511,136	158,311
22.1 Leases				
As at 1st January	146,825	141,679	146,825	141,679
Additions	14,300		14,300	
Adjustments	(9,006)		(9,006)	
Accretion of interest	11,336	5,146	11,336	5,146
Disposal	(12,287)		(12,287)	
Lease payment during the year	(59,074)	-	(59,074)	-
As at 31 December	92,093	146,825	92,093	146,825
Amount repayable within one year	468,349	78,918	468,349	63,918
Amount payable more than one year	42,787	94,393	42,787	94,393
	511,136	173,311	511,136	158,311
As at December 31,				
23. DEFERRED INCOME				
Deferred income on consumer contributions (Note 23.1)	5,013,970	4,792,123	5,013,970	4,792,123
Deferred income on ADB grant (Note 23.2)	72,787	78,600	72,787	78,600
	5,086,756	4,870,723	5,086,756	4,870,723
23.1 Deferred income on consumer contributions				
Balance as at January 01	4,792,123	4,675,304	4,792,123	4,675,304
Consumer contributions during the year	644,930	518,737	644,930	518,737
Transferred to profit or loss	(423,083)	(401,918)	(423,083)	(401,918)
	5,013,970	4,792,123	5,013,970	4,792,123
23.2 Deferred income on ADB grant				
Balance as at January 01	78,600	84,393	78,600	84,393
Transferred to profit or loss	(5,813)	(5,792)	(5,813)	(5,792)
	72,787	78,600	72,787	78,600

Notes to the Financial Statements

Year ended 31 December 2021

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.

	Group		Company	
	2021	2020 Revised	2021	2020 Revised
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
24. POST EMPLOYMENT BENEFIT LIABILITIES				
24.1 Balance at the beginning of the year	1,482,956	1,144,179	1,478,148	1,141,440
- Current service cost	62,046	126,429	61,514	125,831
- Interest on obligation	140,960	63,125	140,424	62,944
- Actuarial (gains)/losses on obligation	(71,102)	190,734	(70,060)	189,444
- Payments made during the year	(122,918)	(41,511)	(122,743)	(41,511)
Balance at the end of the period /year	1,491,941	1,482,956	1,487,284	1,478,148

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	62,046	126,429	61,514	125,831
- Interest on obligation	140,960	63,125	140,424	62,944
	203,005	189,554	201,938	188,775

Others comprehensive income

- Actuarial (gains)/ losses on obligation	(71,102)	190,734	(70,060)	189,444
	(71,102)	190,734	(70,060)	189,444

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

	2021	2020
- Discount rate	11.5%	10%
- Salary Increase	9%	25%
- Retirement age		
Appointments up to December 31, 2006	65 years	65 years
Appointments after January 01, 2007	57 years	57 years
- Staff turnover factor		
Up to age 50	1.00%	0.26%
Age above 50	0%	0%



Notes to the Financial Statements

Year ended 31 December 2021

For the year ended 31 December

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	
	2021	2020
+1% Change in discount rate	Rs 1,384,004,832	Rs 1,366,347,791
-1% Change in discount rate	Rs 1,603,592,090	Rs 1,605,062,494
+1% Change in rate of salary increase	Rs 1,612,263,951	Rs 1,519,582,514
-1% Change in rate of salary increase	Rs 1,374,819,716	Rs 1,437,894,225

	Group		Company	
	2021	2020	2021	2020
	Rs.'000	Revised Rs.'000	Rs.'000	Revised Rs.'000
25. TRADE AND OTHER PAYABLES				
Trade payable - Related parties (Note 25.1)	2,061,277	896,286	1,822,785	908,117
Trade payable - Other	1,157,959	973,629	929,989	912,388
Other payables - Related parties (Note 25.2)	(21,904)	156	-	-
Other payables - Other	719,410	393,420	721,237	229,561
Sundry creditors including accrued expenses	743,907	2,574,516	734,023	2,574,516
	4,660,649	4,838,007	4,208,035	4,624,583
25.1 Trade payable - related parties				
Ceylon Electricity Board	2,061,277	896,286	1,822,785	908,117
	2,061,277	896,286	1,822,785	908,117
25.2 OTHER PAYABLES - RELATED PARTIES				
Ceylon Electricity Board	(21,904)	156	-	-
	(21,904)	156	-	-

26. COMMITMENTS AND CONTINGENCIES

26.1 Contingent Liabilities

Contingent liabilities as at 31 December 2021 is as follows

- The company is defendant or defendant respondent in six lawsuits and have estimated a possible obligation of Rs 12,774,636 that has been considered as contingent liability considering the probability of winning/losing cases. Although there is no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity of the company. Accordingly, no provision for any liability has been made in these financial statements in this regards
- Guarantees given by the company in respect of bank guarantees amounted to Rs 28.3 Million

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.

Notes to the Financial Statements

Year ended 31 December 2021

27. ASSETS PLEDGE

Following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liabilities	Carrying amount	
		2021	2020 Revised
		Rs.'000	Rs.'000
Fixed deposits	Bank overdraft facilities of People's Bank	86,000	36,000
Fixed deposits	SMI loan schemes of People's Bank	213,982	196,122
Fixed deposits	Staff loan schemes of SMIB Bank and HDFC Bank facilities	1,066,533	1,120,464
Fixed deposits	NSB Solar Loan	1,332,525	1,230,970
		2,699,040	2,583,556

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

	2021	2020 Revised
	Rs.'000	Rs.'000
Key Management Personal compensation		
Directors fees and short term benefits	1,975	1,658

(iii) Transactions with related companies

The company has related party relationship with its affiliate companies. The following transactions were carried out with related party during the year ended December, 2021.

Name of the company	Relationship	Nature of transaction	Amount	Balance due from/ (to)	
				2021	2020
			Rs.'000	Rs.'000	Rs.'000
Ceylon Electricity Board	Immediate parent	Purchase of electricity	(24,403,497)		
		Payments for electricity	23,488,834	(1,822,785)	(908,117)
		Dividend paid	-	-	-
		Meter sales	1,195,642	265,924	-
		NET Metering	2,100	1,343,821	1,341,721
		Short Term Loan	(1,250,685)	780,541	2,031,226
		Interest received on ST Loan	112,243		
Ante LECO Metering Company (Private) Limited (ALMC)	Subsidiary	Rent on leased asset	-	6,040	5,998
		Meter purchases	247,749	40,130	27,058
LECO Projects (Private) Limited	Subsidiary	Receivable	(358)	5,626	5,267



Notes to the Financial Statements

Year ended 31 December 2021

28. RELATED PARTY DISCLOSURES (Contd..)

28.2 Transactions with the Government of Sri Lanka and its related entities

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

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

Government institution	Nature of the transaction	2021	2020
		Rs.'000	Revised Rs.'000
Central Bank of Sri Lanka	Treasury Bonds	3,999,998	-
People's Bank	Deposits	6,269,500	6,551,000
National Savings Bank	Deposits	1,332,525	1,230,970
State Mortgage & Investment Bank	Deposits	46,504	57,442
HDFC	Deposits	1,020,029	1,063,021
		12,668,556	8,902,433

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.

29.1 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 it's 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.

29. FINANCIAL INVESTMENTS RISK MANAGEMENT (contd.)

29.1 Market risk (Contd.)

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	
	2021	2020	31-Dec-21	31-Dec-20
USD	198.99	185.49	200.75	186.65

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

Equity price risk

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

29.2 Credit risk

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

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

For bulk consumers 15 days credit period is allowed to settle the bills and there after, a disconnection notice will be issued and further 10 days granted from the day of notice , if not acceded to this supply will be disconnected.

Ordinary consumers will be given 30 days credit period to settle the bill . Subsequent to this a red notice will be issued and further 10 days given after 40 days if not acceded to this a disconnection order will be issued for disconnection of supply.

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

Financial instruments and cash deposits

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

Investments are made with licensed commercial banks registered with Central Bank, with appropriate credit ratings

29. FINANCIAL INVESTMENTS RISK MANAGEMENT (contd.)



Notes to the Financial Statements

Year ended 31 December 2021

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.

	2021	2020
	Rs.'000	Rs.'000
Trade receivables	8,131,302	7,109,687
Other receivables	1,106,567	2,852,740
Other financial assets	14,407,461	10,791,276
Cash and cash equivalents	699,124	519,402

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

Institute	Instrument	Credit Rating for 2021	Instrument value Rs'000
Central Bank of Sri Lanka	Treasury Bonds		3,999,998
National Savings Bank	Fixed Deposit	AAA	1,332,525
People's Bank	Fixed Deposit	AA-	3,979,500
People's Bank	REPO	AA-	2,290,000
State Mortgage & Investment Bank	Fixed Deposit		46,504
HDFC	Fixed Deposit	BB+	1,020,029
			<u>12,668,556</u>

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.

	2021	2020
	Rs.'000	Rs.'000
Trade payables	2,752,774	1,820,505
Other payables	1,455,260	2,804,078
	<u>4,208,035</u>	<u>4,624,583</u>

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, 2021	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	-	7,982,276	-	7,982,276
FVOCI	11,765,752	-	-	11,765,752
Other financial asset	-	14,407,461	-	14,407,461
Cash and bank balances	-	699,124	-	699,124
Total financial assets	11,765,752	23,088,861	-	34,854,613
Financial liabilities				
Trade and other payables	-	-	5,580,733	5,580,733
Interest Bearing Loans and Borrowings	-	-	92,093	92,093
Total financial liabilities	-	-	5,672,826	5,672,826
As at December 31, 2020				
Financial assets				
Trade and other receivables	-	8,414,985	-	8,414,985
FVOCI	10,838,875	-	-	10,838,875
Other financial asset	-	10,791,276	-	10,791,276
Cash and bank balances	-	507,916	-	507,916
Total financial assets	10,838,875	19,714,177	-	30,553,053
Financial liabilities				
Trade and other payables	-	-	4,998,093	4,998,093
Interest Bearing Loans and Borrowings	-	-	146,825	146,825
Total financial liabilities	-	-	5,144,918	5,144,918

31. FAIR VALUE

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

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

- a) The Management assessed that cash and cash equivalents, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- b) Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific risk factors, individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at December 31, 2021, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.



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Year ended 31 December 2021

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, 2021, 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-21	11,765,752	-	-	11,765,752
Land and Building	31-Dec-20	4,175,936			4,175,936

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

Fair value of unquoted equity investments has been estimated using Market Multiple Methodology (MMM). Under MMM approach value is estimated based on suitable levels of future earnings for a business ("maintainable earnings") and applies an appropriate multiple to these earnings, capitalizing them into a value for the business. Company applies EBIT as earning base. To identify appropriate peers to use in reviewing the fair value of West Coast Power (Private) Ltd, listed companies involved in the supply of electricity using fossil fuel in the Asian Region were 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, 2021.

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

32. EVENTS OCCURRING AFTER THE REPORTING DATE

32.1 As at 31st December 2021 inflation rate was 12.1%. However, it has been escalated up to 54.6% at June 2022. (As per the Colombo Consumer Price Index CCPI, headline inflation Y-O-Y basis). Exchange rates also observed a notable fluctuation after the balance sheet date and has not adjusted in the current year financial statements since the conditions that gave rise to the gain/(loss) did not exist as of 31st December 2021. The Monetary Board of the Central Bank of Sri Lanka (CBSL) has decided to increase the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR). The depletion of foreign reserves has put restriction on imports and affected supplies. The management of the entity/group continues to monitor the potential impact to the continuity of the business. Accordingly, macroeconomic variables are evaluated while making assumptions and judgments when preparing financial statements.

Apart from that, no circumstances have arisen since the Statement of Financial Position date, which would require adjustments to or disclose in the Financial Statements.

33. GOVERNMENT GRANTS

Asian Development Bank signed an agreement to grant US\$ 1,800,000 through the Government of Sri Lanka

This 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. Agreement signed with ADB in 19th December 2016. Construction contract was awarded to consortium of DHYBRID Power Systems GMBH and Diesel and Motor Engineering Plc on 3 July 2020. As at 31 December 2021, total withdrawal from the grant is US\$ 1,164,241

Separate Books of Accounts are prepared for this project and these financial information not reflected in this Financial Statements. As per the Company Policy, once the project constructions completed and commercial operations started, value of the project will be taken in to books of accounts of the company and grant will be amortized over the period of life time of the assets

34. IMPACT OF COVID – 19 PANDEMIC TO THE FINANCIAL REPORTING

COVID-19 pandemic has resulted in a substantive shift in management’s focus towards ensuring the continued safety of people, connectivity of customers, compliance with guidelines issued by various government authorities and continuity of critical business operations. The outbreak and the associated developments impacted the business on multiple fronts including distribution, network rollout and working capital management.

The lockdown and credit extensions, Government Directives with regard to credit concessions to our consumers provided to keep customers connected, significantly impacted cash collections. Accordingly, the Group faced slight adverse impact on revenue, impairment of trade receivables. Despite the isolation measures implemented by the authorities. The business activity recovered across the country and the Group saw a gradual recovery in revenue and collections. The current unprecedented situation is yet evolving.

The overall impact on consumer spending and the recovery of the country’s enterprises will also be key determinants of future impact on our business. There were no other unusual events or transactions affecting assets, liabilities, equity, net income or cash flows due to their nature, size or incidence for the period ended 31 December 2021.

35. PRIOR YEAR ADJUSTMENTS

Prior year adjustments have been carried out due to the reasons explained below in note

35.1 Impact for the Consolidated Statement of Profit or Loss

	Group	Company
Profit for the year ended 31 Dec 2020 (Published)	1,712,110	1,682,338
Interest on term deposit not accounted	87,601	87,601
Interest not accrued for loan granted to CEB	31,226	31,226
Error on Right of Use Assets depreciation	(48,720)	(48,720)
Error on collection account shown as income A/c	7,155	7,155
Reinstatement of Gratuity Provision	2,800	
Net tax adjustment	31,961	31,961
Adjusted Profit	1,824,134	1,791,562

Group’s assets and liabilities were changed accordingly.



Notes to the Financial Statements

Year ended 31 December 2021

35.2 Impact for the Consolidated Statement of Financial Position

	Note	Group			Company		
		Balance before adjustment	Adjustment	Balance after Adjustment	Balance before adjustment	Adjustment	Balance after Adjustment
ASSETS							
Non-current assets							
Property, plant and equipment	(i)	13,985,541	10,924	13,996,466	13,675,416		13,675,416
Investment property		-	-	-	128,763		128,763
Intangible assets		42,018	-	42,018	36,043		36,043
Investments in subsidiaries		-	-	-	31,320		31,319
Financial assets at fair value through other comprehensive income		10,838,875	-	10,838,875	10,838,875		10,838,875
Advance for shares	(ii)	-	-	-	47,085	17,846	64,931
Right of use assets		164,892	-	164,892	164,892		164,892
Other Financial Assets		1,744,353	-	1,744,353	1,744,353		1,744,353
Total non-current assets		26,775,680	10,924	26,786,604	26,666,747	17,845	26,684,592
Current assets							
Inventories	(iii)	3,038,560	(48,720)	2,989,840	2,804,761	(48,720)	2,756,041
Trade and other receivables	(iv)	8,543,750	38,381	8,582,132	8,262,660	20,536	8,283,196
Prepayments and advances		131,789	-	131,789	131,789	-	131,789
Amounts Due from Branches / HO		-	-	-	-	-	-
Other financial assets		9,086,923	-	9,086,923	9,046,923	-	9,046,923
Cash and bank balances	(v)	438,763	87,601	526,364	431,801	87,601	519,402
Total current assets		21,239,786	77,263	21,317,049	20,677,935	59,417	20,737,352
Total Assets		48,015,466	88,187	48,103,653	47,344,682	77,262	47,421,944
EQUITY AND LIABILITIES							
Equity attributable to Equity Holders of the Parent							
Stated capital		1,145,067	-	1,145,067	1,145,067	-	1,145,067
Reserves							
Revaluation Reserve on valuation of land and buildings		2,182,788	-	2,182,788	2,112,937	-	2,112,937
Revenue reserves		340,642	-	340,642	340,642	-	340,642
Fair value reserve		8,781,915	-	8,781,915	8,781,915	-	8,781,915
Retained earnings	(vi)	22,541,574	101,619	22,643,193	22,301,806	109,224	22,411,030
Total equity attributable to equity holders of the Company		34,991,986	101,619	35,093,605	34,682,367	109,224	34,791,591
Non-controlling interests	(vii)	159,063	(21,854)	137,209	-	-	-
Total Equity		35,151,049	79,765	35,230,814	34,682,367	109,224	34,791,591
Non-current liabilities							
Interest bearing borrowings		94,393	-	94,393	94,393	-	94,393
Deferred tax liabilities		1,127,635	-	1,127,635	1,125,080	-	1,125,080
Deferred income		4,870,723	-	4,870,723	4,870,723	-	4,870,723
Post employment benefit liabilities	(viii)	1,485,695	(2,739)	1,482,956	1,478,148	-	1,478,148
		7,578,446	(2,739)	7,575,707	7,568,344	-	7,568,344

35.2 Impact for the Consolidated Statement of Financial Position

	Note	Group			Company		
		Balance before adjustment	Adjustment	Balance after Adjustment	Balance before adjustment	Adjustment	Balance after Adjustment
Current liabilities							
Trade and other payables		4,816,529	21,478	4,838,007	4,624,583	-	4,624,583
Income tax payable	(ix)	405,523	(25,317)	380,206	405,472	(31,961)	373,510
Amounts Due to Branches / HO		-	-	-	-	-	-
Current portion of Interest Bearing Loans and Borrowings		63,918	15,000	78,918	63,918	-	63,918
Total current liabilities		5,285,969	11,161	5,297,130	5,093,972	(31,961)	5,062,011
Total liabilities		12,864,416	8,422	12,872,838	12,662,316	(31,961)	12,630,355
Total Equity and Liabilities		48,015,465	88,188	48,103,653	47,344,682	77,262	47,421,944

- i. Property, plant and equipment figure was changed to re-instate correct figure
- ii. Advance for shares amount shown in Trade & other receivables, re-instated
- iii. Inventories Error on Right of Use Assets depreciation
- iv. Trade and other receivables - Interest adjustment and Advances for shares adjustment
- v. Cash and bank balances - Accrual of Interest income
- vi. Retained earnings was changed based on re-instatement of Profit or Loss Statement
- vii. Non-controlling interests changed based on the re-instatement of retained earnings of Ante LECO Metering Company Ltd
- viii. Post employment benefit liabilities,- Opening Balance Adjustment
- ix. Income tax payable - was changed based on re-instatement of Profit or Loss Statement



Group Performance Highlights for past 10 years

For the Year ended 31 st Dec.	2021 Rs. Bn	2020 Rs. Bn	2019 Rs. Bn	2018 Rs. Bn	2017 Rs. Bn	2016 Rs. Bn	2015 Rs. Bn	2014 Rs. Bn	2013 Rs. Bn	2012 Rs. Bn
Operating Results										
Revenue	33.64	31.68	33.71	31.83	30.57	29.74	26.77	24.33	22.37	19.76
Profit from operations	4.42	1.58	2.62	1.90	0.99	1.37	0.96	1.02	(1.49)	1.23
Profit before taxation	5.11	2.42	4.00	3.17	2.28	2.27	1.52	2.30	(0.06)	2.42
Income tax expenses	(1.82)	(0.60)	(1.26)	(0.24)	(0.45)	(0.57)	(0.36)	(0.70)	0.37	(0.41)
Profit for the year	3.29	1.82	2.74	2.94	1.84	1.70	1.16	1.60	0.31	2.00
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	37.76	34.09	32.82	31.00	28.39	24.71	23.22	22.83	14.28	14.16
Total equity	38.91	35.23	33.97	32.14	29.53	25.86	24.37	23.98	15.42	15.30
Non-current liabilities	8.02	7.58	7.11	6.15	6.00	5.21	4.95	4.56	3.93	3.95
Current liabilities	6.51	5.30	7.21	6.34	5.57	5.29	2.88	2.82	6.09	3.70
Total Liabilities	14.53	12.87	14.32	12.49	11.58	10.50	7.83	7.39	10.02	7.64
Total equity & liabilities	53.44	48.10	48.29	44.63	41.11	36.36	32.20	31.37	25.44	22.95
Assets										
Non-current assets	31.87	26.79	26.35	23.81	24.70	21.34	21.81	20.60	14.62	16.19
Current assets	21.57	21.32	21.94	20.83	16.40	15.01	10.39	10.77	10.82	6.76
Total assets	53.44	48.10	48.29	44.63	41.11	36.36	32.20	31.37	25.44	22.95
Total assets employed / Total capital employed	46.92	42.81	41.08	38.29	35.54	31.07	29.32	28.54	19.35	19.25
Key indicators										
Earnings per share (Rs.)	28.56	15.87	23.76	25.73	15.90	14.85	10.16	14.01	2.69	17.50
Net Assets Per Share (Rs.)	340	308	359	334	310	271	256	249	169	168
Dividend per share (Rs.)	4.37	6.55	10.04	6.11	4.37	3.06	1.75	0.50	1.50	1.50
Dividend approved (Rs 'Bn)	0.50	0.75	1.15	0.70	0.50	0.35	0.20	0.06	0.17	0.17
Annual sales growth (%)	6%	-6%	6%	4%	3%	11%	10%	9%	13%	4%
Equity to total assets ratio (%)	73%	73%	70%	72%	72%	71%	76%	76%	61%	67%
Dividend cover (no. of times)	6.6	2.4	2.4	4.2	3.7	4.9	5.8	28.0	1.8	11.7
Current ratio (no. of times)	3.3	4.0	3.0	3.3	2.9	2.8	3.6	3.8	1.8	1.8
Revenue to capital employed (no. of times)	0.7	0.7	0.8	0.8	0.9	1.0	0.9	0.9	1.2	1.0
No. of Consumers	606,202	595,435	568,250	562,412	546,571	539,829	526,119	523,734	520,997	500,783
No. of employees	1,505	1,527	1,535	1,570	1,573	1,556	1,465	1,474	1,462	1,463
Consumers per employee ratio	403	390	370	358	347	347	359	355	356	342
Sales (GWh) Purchases from CEB (GWh) LECO	1,603	1,624	1,647	1,570	1,519	1,466	1,356	1,272	1,221	1,216
Purchases from CEB (GWh) LECO (Including upward adjustment)	1,633	1,606	1,684	1,640	1,597	1,553	1,446	1,352	1,302	1,301
Distribution System Losses (11 Kv) % LECO	1.94	-1.37	1.34	1.61	2.7	3.5	3.8	4.0	4.7	4.6





NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 38th Annual General Meeting of Lanka Electricity Company (Private) Limited will be held at the Registered Office of the Company at No. 411, E. H. Cooray Building, 3rd Floor, Galle Road, Colombo 3, on Thursday, 24th November 2022 at 3.30 p.m. for the following purposes :

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st December 2021 with the Report of the Auditor General's thereon.
2. To note that the Auditor General continues to be the Auditor of the Company pursuant to the 19th and 20th Amendments to the Constitution read together with Article 154 of the Constitution.
3. To authorize the Directors to determine donations for the year ending 31st December 2022 and up to the date of the next Annual General Meeting.

By order of the Board

LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED

A handwritten signature in black ink, appearing to be 'P W Corporate Secretarial (Pvt) Ltd', written in a cursive style.

P W Corporate Secretarial (Pvt) Ltd

Director / Secretaries

at Colombo

31 October 2022

Notes

1. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on behalf of him/her.
2. A proxy need not be a Shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Registered Office of the Company at No. 411, E.H.Cooray Building, 3rd Floor, Galle Road, Colombo 3, not less than forty seven (47) hours, before the time appointed for the meeting.



Form of Proxy

We of, being a shareholder of LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED hereby appoint (or failing him/her*)

- Mr. M P A P De Silva or failing him*
- Mr. N S Ilangakoon or failing him*
- Dr. D C R Abeysekara or failing him*
- Mr. H G Sumanasinghe or failing him*
- Mr. N P K Ranaweera or failing him*
- Mr. S P M W Jayewardene or failing him*
- Dr. I U Dedigama

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 Thursday, 24th November 2022 and at any adjournment thereof and at every poll which may be taken in consequence thereof

	For	Against
1 To note that the Auditor General continues to be the Auditor of the Company pursuant to the 19th and 20th Amendments to the Constitution read together with Article 154 of the Constitution.	<input type="checkbox"/>	<input type="checkbox"/>
2 To authorize the Directors to determine donations for the year ending 31st December 2022 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

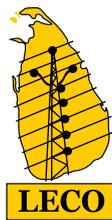
Singed this day of 2022.

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



LECO

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