STAYING RESILIENT

Annual Report

2022

LECO

Lanka Electricity Company (Private) Limited

DISTRIBUTION NETWORK AND RESILIENCE

The distribution network is the end point of the power system, providing “last mile” connectivity to its consumers. It is a very crucial point of interaction as it provides a lifeline facility to the people and all other dependent essential sectors. Unlike the transmission grid, the resilience of the distribution network is inherently more susceptible. Particularly in urban settings, distribution network encounter significant uncertainty, disturbances, and risks, leading to power disruptions and interruptions. These challenges are originated from both internal and external factors. External risks encompass events like climate-related incidents, natural disasters, and unforeseen events such as recent pandemics, while internal issues include deficiencies in system design, equipment failures, and operational, managerial, and administrative shortcomings.

In electricity distribution network, resilience signifies the ability to adapt and promptly recover in response to unpredictable changes or disruptions. This resilience encapsulates the network’s capacity to modify its state to minimize losses when confronted with such events, subsequently rebounding within an acceptable timeframe while mitigating associated risks and financial cost.

Our Vision

Be the Best Asian Electricity Distribution

Our Mission

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

Our Value

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

Core Competencies

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

Content

Corporate Information

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

PRESENT COMPOSITION OF THE BOARD
Mr. M P A P De Silva (Chairman)
Mr. N S Ilangakoon
Mr. 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
People's Bank
Sampath Bank PLC
Seylan Bank PLC
Standard Chartered Bank
State Mortgage and Investment Bank
Housing Development Finance Corporation Bank
National Development Bank PLC
National Savings Bank (NSB)
DFCC Vardana Bank PLC
Citibank N.A
Pan Asia Banking Corporation PLC
Union Bank of Colombo PLC

Robust Network

The network resiliency of electricity distribution network has emerged as a focused topic in recent past with the rise of the demand for the reliable and quality power supply. As the world grapples with increasingly frequent and severe climate events, it has become paramount to engineer distribution network that stand steadfast in the face of these challenges. A robust network architecture, fortified against the disruptions brought forth by natural disasters like heavy rains, floods, landslides etc., forms the bedrock of this vision. These network not only have to withstand the challenges of this nature but also need to implement state of art technologies like self-healing capabilities to rebound. In the event of a disturbance, these adaptive network promptly identify the network status and autonomously reroute power flows, mitigating downtime and promptly restoring electricity supply. Network automation is the main feature of this architecture where intelligent algorithms and real-time data can orchestrate complex responses within minimal time, creating an ecosystem where uninterrupted power distribution seamlessly aligns with the ever-changing environment. This convergence of climate resilience, robust architecture, self-healing attributes, and network automation heralds a future where electricity distribution remains steadfast and no longer be beaten to internal and external disruptions.

Chairman's Message

It is with great pleasure that I share my thoughts with you upon the successful completion of a challenging year at LECO. The past year has been marked by significant hurdles primarily from the prevailing macroeconomic conditions, which have exerted considerable pressure on our operational performance. Despite these challenges, I am proud to report to you that we have successfully navigated these turbulent waters, thanks to the unwavering commitment and dedication of our exceptional workforce, guided by our visionary board of directors.

During these extraordinary times, we were fortunate to have an extraordinary team with us both in terms of our workforce and leadership. In the wake of the post-pandemic hardships, characterized by fragile exchange rate, shortage of foreign currency for imports, shortage of fuel, soaring inflation and mandatory power cuts, our operations and financial management encountered enormous challenges. Nevertheless, we continued to provide high-quality supplies to our valued consumers, even in the face of these formidable macroeconomic headwinds. We view these challenges as opportunities for the future, where our primary focus will be on fostering resiliency in all facets of our organization.

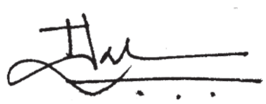
The principle of "LEAN LECO" that we practiced emerged as an indispensable asset throughout this challenging period. This philosophy served as a constant reminder of the importance of our operational efficiency and stood as the foundation of the resilience we demonstrated throughout the year. It paved the way for us, highlighting that ensuring resilience across all facets of our business is crucial for upholding the company's stability.

As we confronted these challenges as a company, we strengthen our welfare activities as well to look after the well-being of our dedicated staff members their families who have been greatly impacted by these socio-economic conditions. In return, they have come back to us with heightened performance and an unwavering commitment, which has ultimately played a pivotal role in the company's success.

The current socio-economic landscape has prompted LECO to reassess its financial sustainability and the imperative of diversifying our company. Consequently, we are actively exploring opportunities within the sector to diversify LECO's operations and expand our scope with the talented human capital already at our disposal.

I extend my sincere appreciation and gratitude to all those who have contributed to and supported LECO during this period. This includes the Honorable Minister of Power, Honorable State Ministers of Power, the Secretary of the Ministry of Power and its dedicated staff, our esteemed Board of Directors, our hardworking employees, valued consumers, loyal shareholders, trusted business associates, supportive bankers, reliable suppliers, company secretaries, auditors, and individuals who have played a pivotal role in our journey.

In conclusion, the challenges of the past year have only strengthened our resolve and determination to adapt, innovate, and build a more resilient and diverse LECO. We are committed to navigating the evolving landscape, and with your continued support, we are confident that we will emerge even stronger.



M P A P De Silva
Chairman

General Manager's Message

I am delighted to share the highlights of LECO's performance in 2022, as presented in this annual report. It is with great pleasure that I report our accomplishments, which go beyond meeting regulatory targets and encompass the delivery of exceptional services to our esteemed customers through groundbreaking technological innovations. As we progressed into the final year of our existing corporate plan, we have judiciously formulated LECO's new Strategic Plan for the period spanning 2023 to 2027. This strategic blueprint has been developed by incorporating valuable insights from external stakeholders and facilitating robust internal discussions, with the overarching goal of propelling our company to the next level of excellence.

In 2022, LECO achieved a consolidated revenue of Rs. 39.72 Billion, marking a 18.05% increase compared to the previous year's revenue, with a net profit of Rs. 1.9 Billion. We are fully committed to maintaining this growth trajectory in the years ahead.

We have devised a strategic roadmap with a great attention to seamlessly integrate a large amount of renewable energy sources into our network, thereby actively contributing to our nation's sustainable energy future. Our commitment to improve the network "hosting capacity" to accommodate more renewable energy remains of utmost significance. Furthermore, we proudly inaugurated the nation's first-ever renewable energy based grid-tied microgrid project and the LECO-UOM Smart Grid Research Lab at the University of Moratuwa. This pioneering facility, generously funded by the Asian Development Bank, not only promises advancements in smart grid technology and renewable energy within our borders but also on a global scale. We were honored to have Mr. Masatsugu Asakawa, the President of the Asian Development Bank (ADB), grace the inauguration ceremony as our distinguished guest.

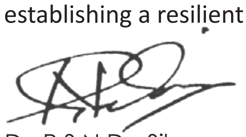
Our Model Branch operations were executed seamlessly, introducing operational innovations like Centralized Breakdown Operations, Centralized Maintenance Operations, and Decentralized Customer Services. The successful rollout of the Paperless Office (PO) system has set a benchmark for improved efficiency across our branches. In a significant strategic move, LECO transitioned from the traditional legacy analog radio transmission system to a mission-critical Push-to-Talk (MCPTT) system, enhancing our operational efficiency.

In the domain of human resources and administration, we initiated the transition of employee services to web-based platforms and introduced a new HR and Admin Manual. The groundwork for implementing a new Human Resource Information System has been laid. Our partnership with the Vocational Training Authority aims to elevate the skills of our technicians, enabling them to attain the prestigious National Vocational Qualification certification. We have also undertaken numerous initiatives to enhance the work environment and welfare of our employees, including the addition of a new circuit bungalow at Kataragama.

At LECO, we have made substantial progress in promoting good governance within our organization. Our audit and management committee has consistently worked towards elevating quality standards, transparency, and overall governance in our company's performance.

As we reflect on the year 2022, we are confident that LECO has positioned itself as a modern-age electricity distribution utility. Our unwavering commitment to technology and visibility will continue to be the driving force behind our success, encompassing both the consolidation of existing platforms and the embrace of future opportunities.

I extend my heartfelt appreciation to our dedicated staff, our visionary Chairman, and the Board of Directors for their leadership during these challenging times. I firmly believe that by working together, this team will propel our company to greater heights with unprecedented customer satisfaction, making LECO a regional benchmark for distribution utilities. Finally, thank you for your support, and we eagerly anticipate another year marked by growth and innovation as we work towards establishing a resilient distribution network.



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. He serves as the Chairman on the Boards of the two subsidiary companies of LECO, namely Ante-Leco Metering Company (Pvt) Ltd and LECO Projects Company (Pvt) Ltd. Respectively. In addition, he also serves as a Director of the West Coast Power (Pvt) Limited.

He is a past pupil of the Royal College, Colombo 07 and was enrolled as an Attorney-at –Law in 1996.

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

Mr. N S Ilangakoon

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

Director

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

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

Mr. H.G. Sumanasinghe

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

Director

Mr H.G. Sumanasinghe obtained a Bachelor of Commerce (B. Com.) 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 since 1996. He also served as the Acting Commissioner General of Excise in 2019.

Mr Sumanasinghe represents as a Board Member of many government and semi-government institutions. He presently serves as the Additional Secretary of the Ministry of Finance, Economic Stabilization and National Policies in Sri Lanka.

Board of Directors

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 (Netherland).

Director

Mr. N.P. K Ranaweera holds a degree in Master of Science 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 (BSc.) in Estate Management and Valuation from the University of Sri Jayewardenepura, Kotte.

Mr. N.P.K Ranweera 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 (ITPSL M241) and is a Fellow Member of the Institute of Real Estate and Valuation, Sri Lanka (IREV 54).

Mr. Ranaweera was appointed as the Board Director / Secretary of the Urban Development Authority (UDA) and as a Board Director for 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 Colombo Lands and Development Company PLC.

Mr. Pradip Jayewardene

Director

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

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

Board of Directors

Dr. Ishanka Dedigama

PhD (UK), MEng (UK)

Director

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

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

Mr. Rohan Seneviratne

CEng, B.Sc. (Electrical Engineering), Pg. Dip. in Computer Technology, Pg. Dip. in Electric Power Distribution Systems (Norway)

Director

Mr. Rohan Seneviratne is a Chartered Electrical Engineer with over 35 years of experience in the field of engineering and technology. He is a Fellow member of Institution of Engineering and Technology, UK and Institution of Engineers, Sri Lanka and a Member of Engineers Australia. He is an alumnus of University of Moratuwa and obtained his Electrical Engineering Degree in the year 1986. He obtained his Master of Business Administration degree and the Post Graduate Diploma in Computer Technology from University of Colombo and the Post Graduate Diploma in Electric Power Distribution Systems from University of Trondheim, Norway.

He joined Ceylon Electricity Board (CEB) in the year 1986 as an electrical engineer and served in many Divisions of the CEB in different capacities and at present serves as the General Manager of the CEB.

During his carrier he also served as the Additional Secretary (Technical) of the Ministry of Defence and Urban Development from 2011 to 2015. As the Additional Secretary (Technical) of the Ministry, he actively involved in urban regeneration works in metro Colombo region. In addition, he served as a Board Director of the Urban Development Authority, Sri Lanka Land Reclamation and Development Corporation, Lanka Electricity Company (Pvt) Limited, and Waters Edge. He also functioned as the Executive Director of the Flagship Project Monitoring Unit of the Presidential Secretariat.

Board of Directors

Mr Saliya Jayathilaka

MSc in Dev. Practice (SL), MSc in Public Policy in International Policy(Aus)

Observer (Ministry of Power and Energy)

Mr. J M S P B Jayathilaka is an experienced Development Practitioner with demonstrated history of working in the Public Sector for 13 years, with diverse local & international stakeholders. Skilled in Public Policy & Public Administration, Rural Development, Livelihood Development, Sustainable Development, Investment Policy, Trade & Competitiveness Polices, Public Procurement, Labour Laws, Labour Studies, Energy Policy, Natural Gas Policy, and Petroleum Products. Posses Strong Academic Background with a Master's Degree in Public Policy in International Policy from The Australian National University with a Merit Pass, and a Master's Degree in Development Practice from University of Peradeniya, Sri Lanka.

Currently working at Ministry of Power and Energy, Sri Lanka as Senior Assistant Secretary (Development), and engaged with formulating and evaluating policies in relation to the subject of Power & Energy in Sri Lanka, in conformity with the prescribed Laws, Acts & Ordinances, and implementation of projects under the Ministry and the relevant institutions.

Corporate Management

Seated (L-R) :

1. **S D C Gunawardena**
   Additional General Manager- Operations

2. **M P A P De Silva**
   Chairman

3. **P S N De Silva**
   General Manager

4. **S L Jayasekara**
   Additional General Manager- Coporate Strategy

Standing (L-R) :

1. **M D Gamage**
   Additional General Manager-Engineering

2. **K K De Silva**
   Additional General Manager-Finance

3. **A D A C I Premachandra**
   Additional General Manager-Human Resources & Administration

Senior Management

Seated (L-R) :

1. **G P Seneviratne**
   Deputy General Manager-Customer Services

2. **D M Samaradiwakara**
   Deputy General Manager-Project

3. **G R S Wijewardena**
   Deputy General Manager-Corporate Strategy

4. **N R Fernando**
   Deputy General Manager-Planning & Procument

Standing (L-R) :

1. **D A P Amarasena**
   Deputy General Manager-System Operations(South)

2. **W A C Weerasekara**
   Deputy General Manager-Information Technology

3. **M A S Kumara**
   Deputy General Manager-Design & Development

4. **M A D A K Samaraweera**
   Deputy General Manager-System Operations (West)

Doing business index

Electricity distribution utilities play a pivotal role in enhancing the "Doing Business" index, particularly in demanding circumstances, to boost the country's economic resilience. A reliable power supply stands as a critical foundation for the seamless operation of businesses. LECO prioritize the reduction of power outages, the implementation of efficient maintenance schedules, and substantial investments in infrastructure to ensure a reliable supply to its commercial sector.

Simplifying and expediting the process for businesses to connect to the distribution network considered as a paramount requirement. Our focus is set on streamlining procedures for new connections, eliminating unnecessary obstacles, and significantly shortening waiting periods by introducing online services. Clear and transparent billing practices are also equally vital for any businesses. We expect to provide accurate and timely invoices in e-format through convenient channels for the consumers.

Accessible and responsive customer service stands as an important aspect. To this end, we aim to establish dedicated customer support channels that promptly address queries, concerns, and complaints from businesses. Such timely responses enhance the overall experience for businesses, fostering a positive perception of the LECO's services.

LECO envisions the introduction of novel customer supporting mechanisms that foster collaboration with businesses to promote energy-efficient measures. Tech-Help is one such an initiative. Offering advice on optimizing energy usage, implementing energy-efficient technologies, and providing incentives for energy-saving practices can reduce operational costs for businesses and improve their competitiveness.

LECO is encouraging businesses to adopt renewable energy sources, such as solar, which can lower their energy costs and contribute to a cleaner environment. LECO undertakes the facilitation of the integration of these energy sources into the distribution network.

Our consumer-centric approach involves regular engagement through consultative meetings, collaborations with business associations, and proactive efforts to comprehend the specific requisites of businesses. These ongoing dialogues enable tailored solutions that effectively address the distinct challenges encountered by businesses within the energy sector.

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 2022.

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

CORPORATE INFORMATION

General

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

Principal activities of the Company and the Subsidiaries

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

The Subsidiary companies and their principal activities were as follows:
Leco Projects (Pvt) Ltd

To provide infrastructure facilities for electricity distribution within the country, 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 are given on this Annual Report.

Shareholders' Information & Substantial Shareholdings

Shareholders' position of the LECO as at 31st December 2022 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 2022 were:

Mr. M P A P De Silva	-	Chairman (from 17.01.2020)
Mr. N S Ilangakoon	-	Director (from 30.08.2021)
Eng. G A D R P Seneviratne	-	Director (from 19.12.2022 upto 19.09.2023)
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
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 2022 and the present composition:

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

► **LECO PROJECTS (PVT) LTD**

The Directors of Leco Projects (Pvt) Ltd as at 31st December 2022 and the present composition:

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)

The changes in the Directorate of Leco Projects (Pvt) Ltd

Mr. S L Jayasekera	-	Director (from 13.05.2016 upto 01.02.2022)

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

Auditor General's Report

The Auditor General's Report on the Financial Statements of the Company is given on pages 33 to 43.

Financial Statements

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

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 2022, 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 2022 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 2022 reflect a true and fair view of the Company and the Group, respectively.

Revenue

The revenue of the Group was Rs. 39.72 Bn. There is a 18.05% increase in group sales revenue generated compared to the previous year.

The main growth attributed from the Religious and Hotel tariff categories, exonerated the decrease in sales revenue generated from Street Lightning and Meter Sales 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 61.57% from Rs. 5.82 Bn, to Rs. 9.41 Bn compared to the previous year.

Profits

The Group's Gross profit ratio is maintained at the level of 22.65%. Profit before tax is decreased by 62.63% amounting to Rs 3.2 Bn. The main cause for the decrease in profit was the extensive proliferation of operating and administrative expenses and the diluted quantum of dividend income caused by the adverse effects of hyperinflationary economic conditions prevailed during the financial year which superseded the inconsequential increase in gross profit.

The profit after tax is decreased by 43.95%, amounting the decrease by Rs 1.45 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% for the first semester and at 30% for the second semester.

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

Dividends

A dividend of Rs.600 Mn was declared for the year ended 31st December 2022 and has been paid in 2023.

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	9,835,044	27,467,846	128,373	41,099,760
Company	1,145,067	340,642	2,112,937	9,835,044	27,252,874	-	40,686,563

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 28.09 Mn.

Property, Plant and Equipment

The consolidated property, plant and equipment amounted to Rs. 15.64 Bn by 31st December 2022 compared to Rs.14.69 Bn in the previous year. The value of the Company's property, plant and equipment was Rs. 15.38 Bn compared to Rs. 14.41 Bn a year earlier.

Current Assets

The Group recorded total current assets of Rs. 18.82 Bn as at end of 2022, against Rs. 21.57 Bn in the previous year. The total current assets of the Company stood at Rs. 17.72 Bn compared to Rs. 20.67 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. Comprehended details are disclosed in Note 32 in the Financial Statements.

COMPLIANCE WITH OTHER LAWS & REGULATIONS

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

OUTSTANDING LITIGATION

In the view of the Directors' litigations pending against the company will not have major impact to the Financial Statements. Contingencies and commitments Information with regards to contingent liabilities and capital expenditure commitments are disclosed in Note 26 in the Financial Statements.

GOING CONCERN

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

RISK MANAGEMENT

The Directors have continuously reviewed the risk management of the company and group to ensure the achievements of their corporate objectives. Please refer Note 29 in relation to Financial Investments Risk Management.

AUDITORS

The Audit of the Financial Statements of the Group for the year ended 31st December 2022 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	2,898,000/= (Excluding VAT)
Ante LECO Metering Company (Pvt) Ltd	National Audit Office	Audit fees	355,261/20 (Excluding VAT)
LECO Projects (Pvt) Ltd	National Audit Office	Audit fees	171,600/= (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 39th Annual General Meeting will be held on Friday, 27th October 2023 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 4, 2023
Colombo:

Planning and Design of Network

Designing resilient electricity distribution network at the forefront involves a strategic fusion of pragmatic engineering solutions and sensitive environmental considerations. Within this framework, an all-encompassing comprehension of localized climate patterns and susceptibilities serves as the cornerstone for designing the network architecture and topology. By the experienced field staff and employing sophisticated on-field data gathering instrument, LECO expects to identify potential stress points in the network, paving the way for the strategic siting of substations, transformers, and distribution lines. Through the adoption of renewable energy sources and energy storage systems, the resiliency of the network is further amplified, presenting decentralized power generation and storage capabilities that remain self-sufficient even amidst disruptive events. Furthermore, the accumulation of adaptive devices like switchgears and relays and intelligent sensor network fosters real-time surveillance of infrastructure well-being, thereby incorporating proactive maintenance and prompt response mechanisms in to the network operations. The close connection between reliability based planning, innovative network designs utilizing state of art technologies, and the importance of climate resilience not only ensures continuous power supply but also creates a greener and more reliable sustainable energy future for generations to come.

Engineering Division

The Engineering Division of LECO accomplished a fruitful year in 2022, despite the challenges posed by the macroeconomic environment. Amidst the complexities resulting from the global pandemic's aftermath and its impact on the socioeconomic landscape, the engineering division displayed a significant resilience in attaining the projected targets. The several departments functioning under the Engineering Division – namely, the Design and Development Department, Planning and Regulatory Department, Projects Department, and IT Department – exhibited dedicated efforts to establish a year of notable accomplishments.

Procurement Section has achieved a procurement progress of 76%, including in the changes made to the procurement plan to discontinue the procurement activities involving properties, constructions, and special projects in line with government directions, in response to the contracted market circumstances. Procurement department has successfully initiated over 400 procurement processes and allocated contracts valued at over 2.8 billion during the year.

With the dedication of the Civil Engineering Section, the construction of the LECO Head Office Building has achieved remarkable milestones. Piling work has reached full completion along with thorough testing. Notably, the substructure work has also reached the halfway point, reaching a 50% mark of completion by end of 2022. Dalugama CSC Building project has achieved substantial milestones. Following the Ground Breaking Ceremony March 2022, the project has successfully concluded 100% of its structural work contributing to the overall progress of 55% by the end of 2022. Additionally, their renovation efforts have also been noteworthy, with approximately 50 million worth of renovation works undertaken at the Head Office, branches, CSCs, stores, and circuit bungalows.

The countries first ever grid tied microgrid project was declared commissioned in 2022 by the President of the Asian Development Bank (ADB), Mr. Masatsugu Asakawa, who graced the inauguration ceremony as the distinguished guest. This innovative establishment, known as the LECO-UOM Smart Grid Research Lab, was fully funded by the Asian Development Bank in the form of a grant. This facility is expected to pave the way for advancements in smart grid technology and renewable energy and anticipated to grow beyond national boundaries with the promise of evolving into a regional center for international research and developmental endeavors in future.

LECO Technical Training Center has conducted a comprehensive array of 167 training programs, benefiting a count of 1418 staff members. These trainings covered a wide spectrum of areas penetrating most of the hierarchical layers of the organization, including engineers, customer service superintendents, technical officers and non-executive staff members including technicians, technical helpers, drivers, and branch clerical staff members.

The year presented an exceptionally challenging landscape for the Projects Department. All most all the major projects planned by the Projects Department were forced into suspension. This cessation further compounded the strain on project execution endeavors, which had already been significantly hampered during the pandemic years. Despite these unfamiliar challenges, Projects Department was able to initiate network construction projects over LKR 800Mn and fully completed over LKR 400Mn of works.

The anticipated Model Branch operations were successfully executed according to the set objectives. The implementation of Centralized Breakdown Operations, Centralized Maintenance Operations, and Decentralized Customer Services, alongside the effective rollout of the Paperless Office (PO) system, in alignment with the appropriate circulars, was accomplished during the year. The achievements of this model branch initiatives are currently being replicated across other branches.

Engineering division developed the LECO's Strategic Plan for the 2023-2027 period, incorporating thorough input from external stakeholders and fostering a dynamic dialogue within the company. This engagement spanned various levels of employees, staff hierarchies etc. within the organization. Recognizing the paramount importance of this Strategic Plan in aligning with and realizing our corporate business objectives over the upcoming five years, we affirm that its implementation will be a key driver. We firmly believe that the collaboration of our committed and accountable stakeholders, who consistently contribute to achieving LECO's objectives and strategies, will firmly establish and propel this plan, along with its associated action plans, towards successfully attaining the intended goals.

In a pivotal move, LECO implemented a mission-critical Push-to-Talk (MCPTT) system, marking a significant departure from the traditional legacy analog radio transmission system. This state-of-the-art MCPTT system is anticipated to provide invaluable support to LECO's field staff. By adopting this advanced communication infrastructure, LECO is embracing enhanced capabilities in instant and reliable communication, ensuring prompt and efficient coordination among its teams, even in critical situations. This transition to the MCPTT system underscores LECO's commitment to staying at the forefront of technological advancements and optimizing its operational effectiveness.

LECO has confronted significant challenges in ensuring a robust source capacity supply, particularly when addressing high-capacity spot loads. However, with the commencement of the Distribution System Reliability Strengthening Project, a remarkable transformation has been instigated within LECO's network architecture. Given the challenging macroeconomic climate, the physical execution of this project is yet to be realized. A pivotal component of this transformation involves the conceptual integration of a 33kV distribution voltage, triggering substantial modifications within LECO's network planning and design functions during this year.

Operations Division

The Operations Division of LECO in the year 2022 was restructured with the intension of providing an efficient service to its consumes. Seven Branch areas operated under the AGM (Operations) assisted by one System Operations DGM were divided into two main divisions as Operations are West and South. Two DGM levels was introduced as DGM –West and DGM-South. West area included branches Kotte, Kelaniya Negombo and Nugegoda while Moratuwa, Galle and Kalutara Branches area were in South area.

The country's crisis situations faced time to time had some effects on LECO Operational activities but we could manage the situations with some alternative assistances provided by LECO management with the help of the other government organizations. Supply of fuel for essential breakdown services by Sri Lanka Transport Board (SLTB), arrangements of transport services for essential service employees are some examples of such assistances.

Great effort and dedication of the operational staff along with the support rendered from third party organizations we managed to serve 615,647 number of consumers amidst of the economic crisis throughout the year in the country. Even though our total sales had a little hit due to the closing or partially functioning of industries, hotels etc. during this economic crisis which was 1,568 GWh for the year. LECO was able to maintain 4.47 % of loss value (twelve month moving average) for the year 2022.

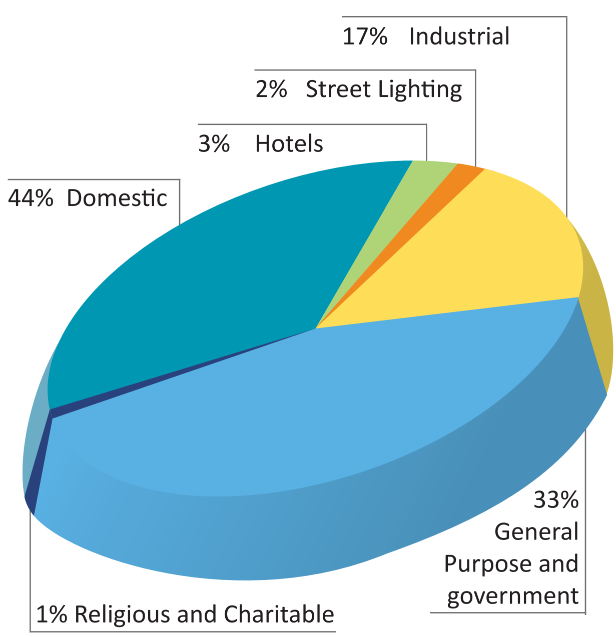
The consumer mix (tariff wise) at each Branch is as follows,

Tariff Type	Negombo	Kelaniya	Kotte	Nugegoda	Moratuwa	Kalutara	Galle	Total
Domestic	47,753	85,847	68,736	70,017	87,125	79,101	66,409	504,988
Religious & Charitable	219	425	266	292	471	542	478	2,693
General Purpose & Government	13,221	17,341	9,789	15,320	14,699	15,620	14,590	100,580
Industrial	214	643	190	327	1,517	200	320	3,411
Hotels	14	1	0	0	4	35	27	81
Street Light	418	787	353	8	536	1,274	324	3,700
Temporary	15	59	8	0	60	29	23	194
Total	**61,854**	**105,103**	**79,342**	**85,964**	**104,412**	**96,801**	**82,171**	**615,647**

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

Tariff Category	Annual Consumption 2022 (kWh)
Domestic	688,810
Religious & Charitable	9,935
General Purpose & Government	522,638
Industrial	272,046
Hotels	49,975
Street Light	24,100
Temporary	**244**
Total	1,567,748

Annual Consumption 2022 (MWh)



At the end of the year 2022, LECO maintain the Distribution System Assets as follows

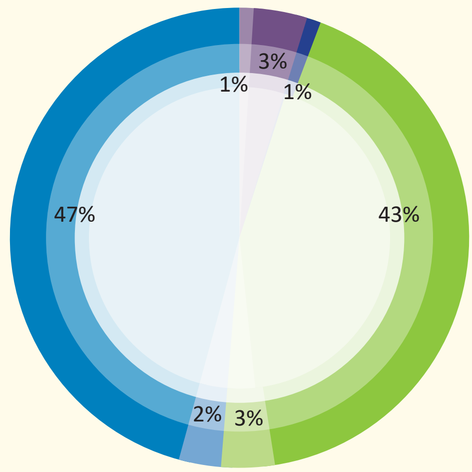
Asset Type	Unit	Length/Count
11kV HV OH Lines	km	1029
11kV HV UG Cables	km	75
LV ABC Lines	km	4523
Substations	No	3931
Switches (LBS & LBC)	No	1097
Auto Recloses/ Sectionalizers	No	52

System Reliability

Our main target is to provide uninterrupted power supply to all our customers. Special attention was taken during this fuel crisis situation since most customers were in trouble. 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 transportation issues. Further, total SAIDI value for the year 2022 reached to 528.34 hrs/consumer which was a very high value compared to the last year. This was due to the load shedding by the CEB with the consequences of crisis situation of the country.

Category	SAIDI (including load shedding) 2022 (Hrs/Consumer)
LV failures	0.44
LV failures (Due to Load Shedding)	0.6
11 kV LECO planned	4.83
11 kV LECO failures	13.73
11 kV CEB planned	4.31
11 kV CEB failures	1.64
11kV CEB failures (Due to Load Shedding)	226.5
33 kV planned	16
33 kV failures	9.09
33kV CEB failures (Due to Load Shedding)	251.2
Total	**528.34**

SAIDI (including load shedding) 2022 (hrs/Consumer)



Customer Services

The year 2022, was a successful year for Customer Service after the drawback of two years of Pandemic effect. Service rendered for customers was achieved to the stipulated standards with successful new implementation of digitized environment. E-application service and e-billing services continued throughout the year.

The service guarantees achieved for the year 2022 is,

Service Assurance	% achieved
Estimates issued within 10 working days (retail)	82
New Connections given within 10 working days after payment (retail)	78
Billing efficiency for 30±3 days	98

Consumer consultative Meeting

The annual major event of the customer service division the Consumer Consultative Meeting was successfully conducted in the year 2022 for the Consumers in Kalutara Area. Event was conducted at Waskaduwa –Citrus Hotel. Meeting had an open forum for customers to meet the LECO management. Many issues were raised and answered by the management of LECO. The meeting was concluded after awarding valuable gifts for selected winners from a raffle draw among the participants.

Human Resources & Administration

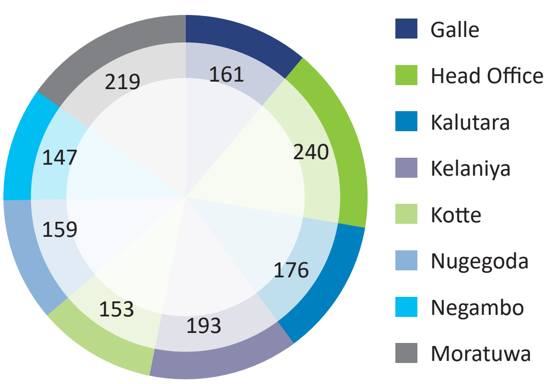
In the dynamic landscape of modern business, organizations are constantly challenged to adapt, innovate, and excel. Amidst this ever-evolving environment, the Human Resources (HR) function emerges as a cornerstone of success, serving as the driving force behind an organization's ability to attract, retain, develop, and empower its most valuable asset: its people. As we reflect on the past year's achievements and look forward to the future, it is paramount to acknowledge the profound importance of the HR function in our organization's continued growth and success.

OVERVIEW OF EMPLOYEES CADRE

As of December 31, 2022, LECO employed a total staff of 1448 individuals, comprising 194 executives and 1254 non-executive staff. Similar to the previous years, our organization managed to uphold an exceptionally minimal rate of employee turnover throughout 2022, a testament to the contentment and enthusiasm of our workforce.

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

Employees Distribution - Geographically



TRAINING AND DEVELOPMENT

Training and development are not mere activities; they are integral components of our organizational ethos. At the heart of our approach is the belief that a skilled and empowered workforce is the cornerstone of achieving our goals. Training equips our employees with the competencies required to perform their roles effectively, while development nurtures their potential for future responsibilities, fostering a culture of continuous improvement.

Under the terms of the Memorandum of Understanding (MOU), we have partnered with the Vocational Training Authority (VTA) to enhance the skill sets and expertise of our Technicians. Our goal is to enable them to attain the prestigious National Vocational Qualification (NVQ) certification. The initial phase of the program has concluded successfully for multiple groups, and we are currently in the process of extending NVQ Level 4 and NVQ Level 3 qualifications to additional batches of Technicians and Technical Helpers.

Furthermore, in accordance with the stipulations of the Engineering Council Act No. 4 of 2017, we are currently in the procedure of enrolling our engineering professionals with the Engineering Council. This action is aimed at facilitating an uninterrupted career path while also conferring official recognition to their roles within the company.

During the course of the aforementioned program in 2022, we successfully executed additional training initiatives in accordance with our planned schedule, both through online platforms and in-person sessions.

EMPLOYEES REWARDS, RECOGNITION AND WELFARE ACTIVITIES

In the realm of organizational success, the true driving force behind exceptional performance is our invaluable workforce. As we reflect on the past year's accomplishments and look ahead to the future, it is imperative to acknowledge the pivotal role that employee recognition, reward, and welfare play in fostering a culture of excellence and sustaining our organization's growth trajectory.

In the year 2022, a range of welfare and CSR initiatives occurred. Notably, these included the opening of the Kataragama Circuit bungalow, supply of the sleeping arrangements for overnight staff at all Customer Service Centres, distribution of washing machines to ensure cleanliness of staff uniforms, a beach cleaning endeavor and the revival of the sports meet after a hiatus of several years are some of the successful projects completed.

As we look forward, our commitment to employee recognition, reward, and welfare remains resolute. We will continue to innovate and refine our programs to align with evolving employee needs and industry best practices. Moreover, we recognize that our employees are the architects of our success, and investing in their well-being and growth is an investment in the enduring prosperity of our organization.

Financial Review

Despite unprecedented challenges in all sectors of the economy during the financial year 2022, Lanka Electricity Company (Pvt) Limited continued to generate significant shareholder value and ensured the resilient stability of the strategic direction while reassessing and recalibrating the process of adopting into the contemporary economic mayhem to accommodate evolving challenges.

Lanka Electricity Company (Pvt) Limited surmounted the hostile challenges transpired in entire Sri Lankan political and socio-economic landscape gracefully and conducted itself in the highest form of integrity in discharging its responsibilities as a conscientious utility provider in the country, whilst safeguarding the interest of its connected stakeholders.

LECO recorded a consolidated revenue of Rs . 39.72 Billion in 2022 compared to Rs 33.64 Billion in 2021 an increase of 18.05%. The main growth attributed from the Religious and Hotel tariff categories, exonerated the decrease in sales revenue generated from Street Lightning and Meter Sales categories. The consequential positive trend of consumer payments during the year in several consumer categories caused a decrease of Trade Receivable to sales ratio to 16.1% compared to 20.15% in the previous year.

LECO has achieved a net profit of Rs 1.9 Billion compared to Rs 3.3 Billion in 2021 and operating profit of Rs 0.8 Billion in 2022 compared to 4.4 Billion in 2021.

As LECO rallied together to safeguard the group and its stakeholders, it has been safeguarded by the its' team's commitment and sustained the ability to prevail under highly volatile and stressful conditions. Although short-term pressures remain inevitable, financial performance of the group is challenging to look beyond the current crisis, to rethink, refine re-strategize the financial aspect of the business to thrive in the long-term.

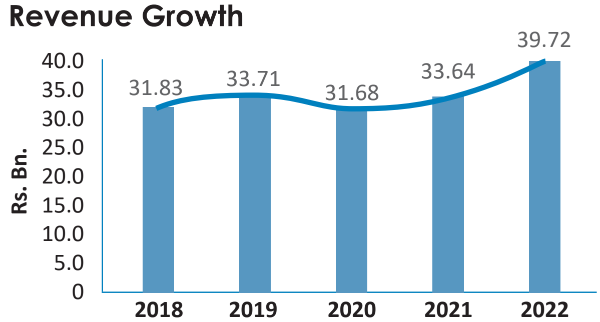
PERFORMANCE HIGHLIGHTS

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

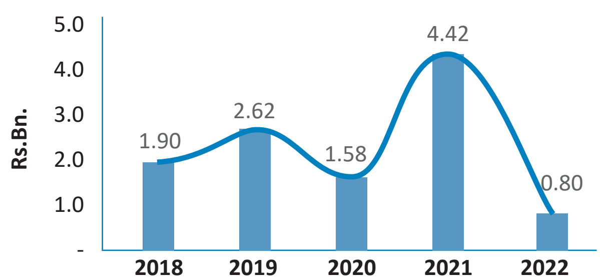
Rs.Bn	2018	2019	2020	2021	2022
Revenue	31.83	33.71	31.68	33.64	39.72
Gross Profit	5.38	4.93	6.18	7.90	9.00
Net Profit	2.94	2.74	1.82	3.30	1.85
Sales KWh	1,519	1,570	1,570	1,624	1,603
Purchases KWh	1,597	1,640	1,640	1,606	1,633
Energy Loss %	2.7	1.61	1.61	-1.37	1.94

Graphical presentation of Financial Performances is as follows

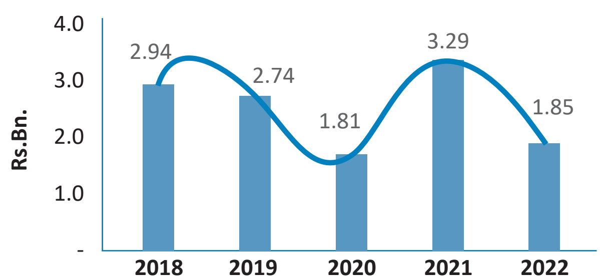
Revenue Growth



Trend in Operating Profit



Trend in Net Profit



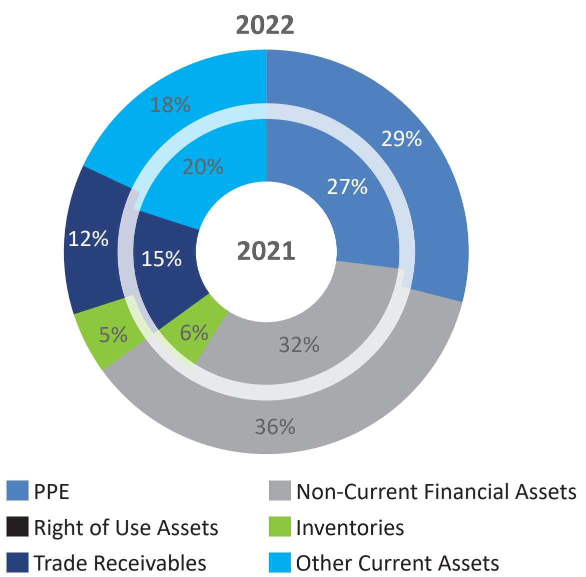
Return on Equity

Return on Group equity for the year under review was 4.63%, whilst return on equity of the Company was 4.94%. 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 2022 are Rs 53.867 Billion. Non-current assets represent 65.06% of the total assets. Graphical presentation of composition of the total assets is as follows.

Property, Plant & Equipment (PPE) Rs 15.643 Billion, investments in West Coast Lanka Rs 12.079 Billion and Investments in short term financial assets such as Repos / Fixed deposits and loans given to employees represent Rs 15.61 Billion are the key components of the total assets of the group.



Cash Flow

Group net operating cash inflow was Rs. 1,394 million, compared to the inflow of Rs. 3,177 million in the prior year. Increase in Income tax paid during the financial year caused in shrank cash flows from operating activities.

SHARE HOLDER RETURNS

Group Earnings per Share (EPS) for the financial year under review was Rs. 16.18 vs. Rs. 28.70 during the prior year 2021. Earnings per share of the Company were Rs. 17.06 vs. Rs. 28.37 in year 2021.

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 2022 signed on behalf of the Board by the Chairman and a member of the Board of Director.

Financial Resilience

The financial strength of distribution utilities relies on various factors. Improving financial stability involves shifting from imported to locally produced components, reducing foreign exchange costs, and promoting self-reliance in the local market. Embracing local supply chains not only reduces vulnerabilities but also boosts the local economy. At the same time, utilities can implement effective sales strategies to attract diverse customer groups, increasing revenue while meeting specific customer needs. To enhance revenue collection and ensure steady cash flow, utilities can adopt innovative payment approaches like prepaid electricity. Prioritizing customer satisfaction is also a crucial aspect and offering personalized services can be used to build loyalty and trust which is essential in long run. Additionally, utilities can innovate their pricing structures to optimize revenue as well as encourage energy conservation. These new tariff models and incentives can promote the responsible energy use patterns of consumers and prosumers. They can be easily adopted to the state of art Demand Response market models. The combination of these factors, and by supporting local production establishes a financially resilient framework. These not only ensures the viability of distribution utilities but also positions them to thrive stably through ever evolving financial challenges.

Internal Audit Department

Management Review

The main focus of the internal audit division is to ensure the assurance of integrity, objectivity and good governance of the operational and recording aspects of LECO day today activities.

LECO as a government owned limited liability Company, always keeps the good governance and transparency for its operations while maintaining a proper internal control system in line with the government legislation and accepted Accounting methods and principles.

We, as the LECO internal Audit Division, continuously conduct regular visits and checks in its all operational units in order to maintain the quality assurance and effective implementation of management systems and controls.

The internal Audit Division is comprised of professionally qualified staff members expertise in diverse streams. Strength of the division is mainly the team spirit of our staff and the entire audit functions delegate based on the expertise knowledge of the each individual. During the year under review, we were able to reach our planned targets with the help of effective planning, work allocation and maintaining a continuous monitoring process in all our audit engagements.

All these work performed were in order with the internal audit plan of year 2022 approved by the Audit & Management Committee (AMC) based on the risk assessment prepared by the division at the beginning of the year covering all operational and recording aspects of the organization which should be performed in rotational basis.

All audit observations initially discussed at branch/ CSC level and subsequent discussions had with respective divisional heads with Branch/CSC reply reports before forwarding them to Audit Review Committee (ARC) meeting headed by the Chairman.

Decisions /remedial actions (instructed by the higher management) and the respective minutes of the meeting along with the audit reports are forwarded to the Audit and Management Committee as for their formation/for further discussions.

Good Governance 2022

Audit and Management Committee

Audit and Management Committee consists of three board members, chaired by the Treasury representative of the Board, holds the meetings with the 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, make their participation as observers to the Committee meetings.

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

In addition to internal Audit Division performances, a separate branch of National Audit office is functioned under the supervision of the Auditor General- Sri Lanka.

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE

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எனது இல.
My No. PWR/C/LECO/01/22/02

ඔබේ අංකය
உமது இல.
Your No.

දිනය
திகதி
Date 12 September 2023

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 2022 in terms of Section 12 of the National Audit Act, No. 19 of 2018

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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 2022 comprising the statement of financial position as at 31 December 2022 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 2022, and of their financial performance and their cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

අංක 306/72, පොල්දූව පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව இல. 306/72, பொல்தூவ வீதி, பத்தரமுல்லை, இலங்கை. No. 306/72, Polduwa Road, Battaramulla, Sri Lanka.
+94 11 2 88 70 28 - 34 +94 11 2 88 72 23 ag@auditorgeneral.gov.lk www.naosl.gov.lk

1.2 Basis for Qualified Opinion

1.2.1 Compliance with Sri Lanka Accounting Standards (SLAS/SLFRS) and accounting policies.

(a) According to the paragraph 5.5 of Conceptual Framework for Financial Reporting, the initial recognition of assets or liabilities arising from transactions or other events may result in the simultaneous recognition of both income and related expenses. The simultaneous recognition of income and related expenses is sometimes referred to as the matching of costs with income. However, the Company had not identified solar energy purchased cost (Net Accounting and Net Plus) for the period of 2017, 2018, 2019, 2020 and 2022 amounting to Rs. 2,819.6 million as cost of sales in respective years (instead, Company had recognised as receivable from Ceylon Electricity Board) even though the sales revenue of solar energy purchased had been recognized as sales in respective years. As a result of this retained earnings, profit for the year and receivable balance had being overstated Rs. 1,336.9 million, Rs. 1,482.7 million and Rs. 2,819.6 million respectively as at 31 December 2022.

(b) According to the section 51 of LKAS – 16 Property, Plant and Equipment, The residual value and the useful life of an assets shall be reviewed at least each financial year end and, if expectations differ from previous estimates, the change(s) shall be accounted for as a change in an accounting estimate in accordance with LKAS 8. Fully depreciated asset which are being used by the Company amounted to Rs. 9,554.6 million had not been reviewed accordingly as at 31 December 2022.

1.2.2 Accounting Deficiencies.

(a) The balance due from Ceylon Electricity Board (CEB) for miscellaneous services as at 31 December 2022 was Rs. 2,826.6 million This balance was comprised of Rs. 2,819.6 million which was due from CEB for the cost of purchasing energy using net accounting and net plus methods for the years 2017, 2018, 2019, 2020 and 2022. According to balance confirmation from CEB, there were no payable amounts to the Company and there was no formal agreement between two parties for purchasing

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தேசிய கணக்காய்வு அலுவலகம்
NATIONAL AUDIT OFFICE
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Electricity using net accounting and net plus methods. Therefore, the recoverability of that balance could not be satisfactory ascertained in audit. Further, the Company had made provision for impairment of Rs. 2,449.3 million for the above receivable balance.

(b) The Company had incurred a cost of Rs. 206.9 million to purchase the lands and buildings to be used for construction of the CEB primary substations and that amount had been recorded as a balance receivable from the CEB as at 31 December 2022. 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.

(c) The receivable balances of Rs. 3.9 million due from CEB for self generation had been remained unrecovered for more than five years. There was no formal agreement between the Company and CEB regarding self generation, and the balance confirmation of that amount was not made available to audit. Therefore, the recoverability of that balance could not be satisfactory ascertained in audit.

(d) The difference between value of purchasing order and actual payment had been identified in the purchasing variance account. Accordingly, an amount of Rs.149.2 million had been charged as operating expenses in profit or loss instead of recognizing it as inventory, assets or profit or loss as relevantly. Accordingly, the audit cannot rule out the impact on profit or loss, inventory or assets due to the above adjustment for the year under review.

(e) Unidentified deposits amounting to Rs. 6.7 million had been included in sundry creditors as at 31 December 2022.

(f) According to the financial statements, the balances of Capital Work in Progress of Kelaniya, Moratuwa, Nugegoda and Negombo branches as at 31 December 2022 were Rs. 45.7 million, Rs. 56 million Rs. 183.5 million and Rs 41.3 million respectively. However, as per the report of capital jobs in progress, the aforesaid balances were Rs. 43.8 million, Rs 55.3 million Rs. 181.7 and Rs. 46.7 million respectively. Accordingly, there were differences amounting to Rs. 1.9 million Rs 0.7 million Rs. 1.8 million and Rs. 5.4 million between the balances shown in the financial statements and the report of capital jobs in progress.

(g) The amortization of Treasury bond purchase discount amounting to Rs. 3.3 million relating to the Treasury bond of Rs. 1.9 billion for the period of 15 September 2022 to 31 December 2022 had been erroneously recorded. As a result of this interest income had been understated by Rs. 6.6 million and investment in the Treasury bond amount had been understated by same amount as at 31 December 2022.

(h) The Company had not made provision for Uniform National Tariff adjustment for the year 2022. However, the impact to the financial result of the year under review could not be ascertained by audit due to lack of information.

(i) Share certificates or any other sufficient appropriate documentary evidence in respect of the investment amounting to Rs. 5 million made in ordinary shares of the Lanka Broad Band Network (Private) Limited as at 31 December 2022 were not made available to audit.

1.2.3 Un-reconciled Differences.

(a) The balance payable to CEB for Electricity purchases as at 31 December 2022 was Rs. 1,799.3 million However, as per the balance confirmation of CEB, respective receivable balance was Rs.2, 912.7 million. A difference of Rs. 1,113.4 million had been observed between financial statements and balance confirmation as at 31 December 2022.

(b) The Company had not taken prompt action to clear unidentified bank deposits amounting to Rs. 16.2 million and unidentified debit amounts to the bank amounting to Rs. 6.2 million as per the bank reconciliations as at 31 December 2022. Out of those, Rs.14.3 million and Rs. 5 million are over 06 months respectively. Further, those unidentified bank deposits and debits had not been included in financial statements.

(c) Un-reconciled debit balance of Rs. 5.9 million had been included in Trade and Other Receivable balance as at 31 December 2022.

(d) According to the financial statement of the Company, the balance payable to Ante LECO Metering Company (Pvt) Ltd as at 31 December 2022 was Rs. 38.6 million. The corresponding balance due from LECO recorded in the financial statements of the Ante LECO Metering Company (Pvt) Ltd was Rs. 22.8 million and a difference of Rs. 15.8 million had been observed between the two Companies as at 31 December 2022.

(e) According to the financial statement of the Company, advances made to Ante LECO Metering Company (Pvt) Ltd as at 31 December 2022 was Rs. 136.3 million. However, as per the financial statements of the Ante LECO Metering Company (Pvt) Ltd, corresponding balance was Rs. 113.3 million and there was a difference of Rs. 23 million between the two Companies as at 31 December 2022.

1.2.4 Comments on Consolidated Financial Statements

1.2.4.1 A Qualified Opinion on the financial statements of the Ante LECO Metering Company (Private) Limited for the year ended 31 December 2022 had been expressed by me based on the following observations.

(a) According to the reports of the Inland Revenue Department, Company is liable to pay tax and penalty for previous years amounting to Rs 23.4 million as at 31 December 2022. However Company had not recognised the liability. As a result of this, liability had been understated and retained earnings had been overstated by same amount as at 31 December 2022.

(b) Company had paid a surcharge tax expense of Rs 7.1 million in the year under review. However surcharge tax expense had not been properly recorded as per the Addendum to Statement of Alternative Treatment on Accounting for Surcharge Tax issued by the Institute of Chartered Accountants of Sri Lanka on 10 August 2022. Instead, surcharge tax payment had been debited to income tax liability account.

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(c) As per Sections 79 and 80 (b) of LKAS - 12, Income Taxes, any adjustments recognized in the period for current tax of prior periods shall be disclosed separately. However the Company had not recognized previous years' income tax under/ over provision in the financial statements.

(d) According to section 51 of LKAS – 16 Property, Plant and Equipment, The residual value and the useful life of an assets shall be reviewed at least each financial year end and, if expectations differ from previous estimates, the changes shall be accounted for as a change in an accounting estimate in accordance with LKAS 8. However, the fully depreciated assets which are being used by the Company amounted to Rs. 95.6 million at the end of the year under review had not been reviewed accordingly.

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 Company's 2022 Annual Report.

The other information comprises the information included in the Company's 2022 Annual Report but does not include the financial statements and my auditor's report thereon, which is expected to be made available to me after the date of this auditor's report. Management is responsible for the other information.

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

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

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When I read the Company's 2022 Annual Report, if I conclude that there are material misstatements therein, I am required to communicate that matter to those charged with governance for correction. If further material uncorrected misstatements are existed those will be included in my report to Parliament in pursuance of provisions in Article 154 (6) of the Constitution that will be tabled in due course.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting 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 as per the requirement of section 6(1) (d)(iv) of the National Audit Act, No. 19 of 2018 except for audit observations in paragraphs 1.2(b),1.2.(c), 1.2.(e) and 1.2.(g) describe in the basis for Qualified Opinion section of this report

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

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

2.2.2 to state that the Company has not complied with any applicable written law, general and special directions issued by the governing body of the Company as per the requirement of section 12(f) of the National Audit Act, No. 19 of 2018;

2.2.3 to state that the Company has not performed according to its powers, functions and duties as per the requirement of section 12(g) of the National Audit Act, No. 19 of 2018;

2.2.4 to state that the resources of the Company had not been procured and utilized economically, efficiently and effectively within the time frames and in compliance with the applicable laws as per the requirement of section 12(h) of the National Audit Act, No. 19 of 2018;

2.3 Other Matters

(a) There was no formal power purchase agreement entered into between the CEB and the Company.

(b) According to 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.

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(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 by each division. Therefore, it was observed that the control over the vehicle administration had not been properly designed and implemented by the Company.

W.P.C. Wickramaratne

Auditor General

Financial Statements

Statement of Profit or Loss

Year ended 31 December 2022

	Note	Group		Company	
		2022 Rs. '000	2021 Reinstated Rs. '000	2022 Rs. '000	2021 Reinstated Rs. '000
Revenue	4	39,715,935	33,644,837	38,586,801	32,200,503
Cost of Sales		(30,720,758)	(25,745,147)	(29,427,280)	(24,403,497)
Gross Profit		8,995,178	7,899,690	9,159,520	7,797,007
Other Operating Income	5	1,210,592	2,315,557	1,214,347	2,319,820
Operating Expenses		(5,459,640)	(2,960,432)	(5,459,528)	(2,956,928)
Administrative Expenses		(3,949,432)	(2,863,061)	(3,923,476)	(2,832,383)
Profit from operations		796,698	4,391,754	990,863	4,327,516
Finance Income	6.1	1,368,163	905,443	1,316,241	897,693
Finance Cost	6.2	(256,018)	(189,502)	(256,018)	(188,474)
Profit Before Taxation	7	1,908,843	5,107,694	2,051,087	5,036,735
Income Tax Expense	8	(56,681)	(1,803,243)	(97,323)	(1,788,408)
Profit for the Year		1,852,162	3,304,451	1,953,764	3,248,328

Profit attributable to :			
- Equity Holders of the company		1,884,017	3,286,076
- Non-controlling interests		(31,855)	18,376
Profit for the year		1,852,162	3,304,451

The accounting policies and notes on pages 50 through 90 form an integral part of the financial statements.

Statement of Other Comprehensive Income

Year ended 31 December 2022

	Note	Group		Company	
		2022 Rs. '000	2021 Reinstated Rs. '000	2022 Rs. '000	2021 Reinstated Rs. '000
Profit for the year		1,852,162	3,304,451	1,953,764	3,248,328
Other comprehensive income					
Other Comprehensive Income to be reclassified to Statement of Profit or Loss in subsequent period					
Gain on FVOCI instruments	21.4	312,772	926,877	312,772	926,877
Deferred tax on net changes in fair value of FVOCI instruments		(93,831)	(92,688)	(93,831)	(92,688)
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	139,171	71,102	135,450	70,060
Deferred tax reversal on actuarial loss		(41,751)	(19,804)	(40,635)	(19,617)
Revaluation of property, plant and equipment	21.2	-	-		
Deferred tax charge on revaluation surplus		-	-	-	-
Other comprehensive income, net of tax for the year		316,360	885,487	313,755	884,632
Total comprehensive income for the year		2,168,522	4,189,938	2,267,519	4,132,960
Total Comprehensive Income Attributable to:					
- Equity Holders of the company		2,199,596	4,171,306		
- Non-controlling interests		(31,074)	18,632		
		2,168,522	4,190,643		
Basic Earnings Per Share (Rs.)	9.	16.18	28.70	17.06	28.37

The accounting policies and notes on pages 50 through 90 form an integral part of the financial statements.

Statement of Financial Position

As at 31 December 2022

	Note	Group 2022 Rs. '000	Group 2021 Reinstated Rs. '000	Company 2022 Rs. '000	Company 2021 Reinstated Rs. '000
ASSETS					
Non-current assets					
Property, plant and equipment	10	15,643,097	14,693,395	15,377,481	14,409,396
Investment property	11	-	-	114,166	118,065
Intangible assets	12	43,432	47,111	39,425	41,701
Investments in subsidiaries	13	-		31,319	31,319
Financial assets at fair value through other comprehensive income	14	12,078,524	11,765,752	12,078,524	11,765,752
Advance for shares	15	-		64,931	64,931
Right of use assets	16	58,458	34,549	58,458	34,549
Other Financial Assets	19	7,221,479	5,481,067	7,221,479	5,481,067
Total non-current assets		**35,044,990**	**32,021,875**	**34,985,783**	**31,946,781**
Current assets					
Inventories	17	2,912,359	2,952,444	2,515,184	2,647,238
Trade and other receivables	18	6,193,089	7,973,332	5,906,199	7,722,411
Prepayments and advances		355,053	96,255	355,053	259,865
Other financial assets	19	8,389,744	9,241,394	8,008,804	8,926,394
Cash and bank balances	20	971,829	1,303,098	930,673	1,118,167
Total current assets		**18,822,075**	**21,566,522**	**17,715,913**	**20,674,074**
Total Assets		53,867,065	53,588,397	52,701,696	52,620,855
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	9,835,044	9,616,104	9,835,044	9,616,104
Retained earnings		27,467,846	25,474,804	27,252,874	25,204,294
Total equity attributable to equity holders of the Company		40,971,387	38,759,405	40,686,563	38,419,044
Non-controlling interests		128,373	155,841	-	-
Total Equity		**41,099,760**	**38,915,246**	**40,686,563**	**38,419,044**
Non-current liabilities					
Interest bearing borrowings	22	-	26,429	-	26,429
Deferred tax liabilities	8.3	603,693	1,394,256	640,955	1,390,454
Deferred income	23	5,594,842	5,316,981	5,594,842	5,316,981
Post employment benefit liabilities	24	1,317,743	1,491,941	1,315,219	1,487,284
		7,516,278	8,229,607	7,551,016	8,221,147
Current liabilities					
Trade and other payables	25	4,607,000	4,660,649	3,815,423	4,208,035
Income tax payable		608,604	1,363,853	613,271	1,353,586
Current portion of Interest Bearing Loans and Borrowings	22	35,422	419,043	35,422	419,043
Total current liabilities		5,251,026	6,443,545	4,464,117	5,980,663
Total liabilities		12,767,304	14,673,151	12,015,132	14,201,811
Total Equity and Liabilities		**53,867,065**	**53,588,397**	**52,701,696**	**52,620,855**

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

....
Additional General Manager - Finance

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

....
Chairman/Director

....
Director

The accounting policies and notes on pages 50 through 90 form an integral part of the financial statements.

July 27, 2023
Colombo

Statement of Changes in Equity

Year ended 31 December 2022

Group	Attributable to Equityholders of the Parent						Non-controlling Interests	Total Equity
	Stated capital	Revenue reserves	Revaluation surplus	Fair value reserve	Retained earnings	Total		
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at December 31, 2020	1,145,067	340,642	2,182,788	8,781,915	22,637,686	35,088,099	137,209	35,225,308
Profit for the year					3,286,076	3,286,076	18,376	3,304,451
Other comprehensive income				834,189	51,041	885,231	256	885,487
Total comprehensive income for the period	-	-	-	834,189	3,337,117	4,171,306	18,632	4,189,938
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	25,474,804	38,759,405	155,841	38,915,246
Profit for the period	-	-	-	-	1,884,017	1,884,017	(31,855)	1,852,162
Other comprehensive income	-	-	-	218,940	96,638	315,578	672	316,250
Total comprehensive income for the period	-	-	-	218,940	1,980,656	2,199,596	(31,184)	2,168,412
Adjusment - written back NBT liability - Ante LECO					12,387	12,387	3,716	16,102
Balance as at December 31, 2022	1,145,067	340,642	2,182,788	9,835,044	27,467,846	40,971,387	128,373	41,099,760

The accounting policies and notes on pages 50 through 90 form an integral part of the financial statements.

Statement of Changes in Equity

Year ended 31 December 2022

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, 2020	1,145,067	340,642	2,112,937	8,781,915	22,405,524	34,786,084
Profit for the year					3,248,328	3,248,328
Other comprehensive income for the period				834,189	50,443	884,632
Total comprehensive income for the year	-	-	-	834,189	3,298,771	4,132,960
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	25,204,294	38,419,044
Profit for the year					1,953,764	1,953,764
Other comprehensive income for the period				218,940	94,815	313,755
Total comprehensive income for the year	-	-	-	218,940	2,048,579	2,267,519
Balance as at December 31, 2022	1,145,067	340,642	2,112,937	9,835,044	27,252,874	40,686,563

The accounting policies and notes on pages 50 through 90 form an integral part of the financial statements.

Statement of Cash Flows

For the year ended 31 December

	Note	Group		Company	
		2022	2021 - Reinstated	2022	2021 - Reinstated
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		1,908,843	5,107,694	2,051,087	5,036,735
Adjustment for;					
Depreciation of property, plant and equipment		922,937	915,947	892,244	883,118
Prior year adjustment		-	-		
Amortization of deferred income		(455,412)	(428,897)	(455,412)	(428,897)
Amortization of intangible asset		18,390	6,283	14,747	3,859
Revaluation gain on Property Plant & Equipment					
Depreciation of investment property		-	-	3,900	4,604
Depreciation - Right of use assets		32,709	129,331	32,709	129,331
Provision for retiring gratuity		236,455	203,005	234,773	201,938
Impairment of trade receivable		2,364,588	(163,747)	2,373,942	(163,773)
Provision for slow moving inventories		(888)	6,611	(888)	6,611
Gain/ (loss) on disposal of property, plant, and equipment		32,740	15,471	32,740	15,471
Interest income		(1,368,163)	(905,443)	(1,316,241)	(897,693)
Interest expense		256,018	189,502	256,018	188,474
Dividend income		**(181,818)**	**(1,727,273)**	**(181,818)**	**(1,727,273)**
Operating profit before working capital changes		***3,766,399***	***3,348,485***	***3,937,801***	***3,252,505***
(Increase)/decrease in inventories		40,973	30,786	132,942	102,193
(Increase)/decrease in advances and prepayments		(258,798)	35,534	(95,188)	(128,076)
(Increase)/decrease in trade and other receivables		(584,346)	772,547	(557,731)	724,558
Increase/(decrease) in trade and other payables		(53,649)	(677,358)	(392,611)	(916,548)
Increase/(decrease) in deferred income		**733,272**	**644,930**	**733,272**	**644,930**
Cash generated from operating activities		***3,643,851***	***4,154,924***	***3,758,484***	***3,679,562***
Income tax paid		(1,722,083)	(665,468)	(1,721,603)	(655,262)
Interest expense paid		(256,018)	(189,502)	(256,018)	(188,474)
Retiring gratuity paid		**(271,483)**	**(122,918)**	**(271,388)**	**(122,743)**
Net cash generated from operating activities		***1,394,268***	***3,177,036***	***1,509,476***	***2,713,084***
CASH FLOWS FROM INVESTING ACTIVITIES					
Net investments in other financial assets		(888,762)	(3,891,185)	(822,822)	(3,616,185)
Net acquisition of property, plant and equipment		(1,920,090)	(1,409,499)	(1,905,541)	(1,405,768)
Net acquisition of Right of use assets		(56,617)	(4,494)	(56,617)	(4,494)
Interest income received		1,368,163	905,443	1,316,241	897,693
Dividend income received		**181,818**	**1,727,273**	**181,818**	**1,727,273**
Net cash generated from/ (used in) investing activities		***(1,315,489)***	***(2,672,463)***	***(1,286,921)***	***(2,401,481)***
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid to equity holders of the parent					
Lease Liability on Net acquisition of Right of use assets		1,661	(135,396)	1,659	(120,396)
Short term loan			(15,000)		
Dividend paid to shareholders of non controlling interest					
Net cash used in financing activities		***1,661***	***(150,396)***	***1,659***	***(120,396)***
Net increase/ (decrease) in cash and cash equivalents		***80,440***	***354,177***	***224,214***	***191,207***
Cash and cash equivalents at the beginning of the year		884,055	529,878	699,124	507,916
Cash and cash equivalents at the end of the year	20	964,495	884,056	923,338	699,124
Analysis of cash and cash equivalents	20				
Cash and cash equivalents in the statement of financial position		971,829	1,303,098	930,673	1,118,167
Bank Overdraft		(7,334)	(419,043)	(7,334)	(419,043)
Cash and cash equivalents for the purpose of Cash Flow		964,495	884,055	923,338	699,124

The accounting policies and notes on pages 50 through 90 form an integral part of the financial statements.

Notes to the Financial Statements

Year ended 31 December 2021

1. CORPORATE INFORMATION

1.1 General

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

1.2 Principal Activities and Nature of Operation

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

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

1.3 Parent Entity and Ultimate Controlling Party

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

2. BASIS OF PREPARATION

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

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

- Financial assets at fair value through other comprehensive income are measured at fair value
- Land and buildings which are measured at cost at the time of acquisition subsequently measured at re-valued amounts, which are the fair values at the date of revaluation
- Liabilities for defined benefit obligations are recognised as the present value of the defined benefit obligation

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

2.1.1 Going Concern

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

2.1.2 Basis of consolidation

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

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

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

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

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

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

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

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

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

For the purpose of consolidation, Ante Leco Metering Company (Private) Limited and LECO Projects (Private) Limited is considered as subsidiaries since Lanka Electricity Company (Private) Limited has the majority of voting rights and retain control of those companies.

2.1.3 Current Vs Non-Current Classification

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

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

  All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

Judgements

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

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

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

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

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

Property lease classification – Group as lessor

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

Useful life-time of the property, plant and equipment

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

Estimates and assumptions

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

Leases - Estimating the incremental borrowing rate

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

Revaluation of property, plant and equipment
The Land and Buildings of the Group and the Company are reflected at fair value. The Group engages independent valuation specialists to determine fair value of lands and buildings in terms of the Srilanka Accounting Standards SLFRS 13 (Fair Value measurement)

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

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

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

Fair value of financial assets at fair value through other comprehensive income
The determination of fair value of financial assets classified as financial assets at fair value through other comprehensive income in the Statement of Financial Position for which there is no observable market price are determined using valuation techniques. The valuation of financial assets at fair value through other comprehensive income are described in more detail in Note 31 to the financial statements.

The Group measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements. The fair value hierarchy is given in Note 31 to the financial statements.

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

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

2.3 SUMMARY SIGNIFICANT ACCOUNTING POLICIES

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

2.3.2 Taxation

Current taxation
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted on the reporting date in the country where the Company operates and generates taxable income.

Provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purpose in accordance with the provision in the Inland Revenue Act. No 24 of 2017 and amendments there to. All operating companies are liable to pay income tax at 28%.

Deferred taxation
Deferred income tax is provided, using the liability method, on all temporary differences at the reporting date between the tax bases of

assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except;

- Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

Sales Tax

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

2.3.3 Borrowing costs

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

2.3.4 Revenue from contracts with customers

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

Revenue from sale of electricity meters is generally expected to be the single performance obligation and is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment.

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

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

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

Contract balances

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

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

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

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

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

Other Income
Other income is recognised on an accrual basis.

Deferred income on consumer contribution
Contributions from Consumers to defray the cost of assets installed to establish new service connections are recognized as deferred obligations. The new service connection assets are depreciated over a period of 20 years. The corresponding consumer contributions are amortized to profit or loss over a similar period of 20 years.

2.3.5 Intangible assets

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

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

2.3.6 Inventories

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

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

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

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

2.3.7 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the Group statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.3.8 Property, plant and equipment

Cost model

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

Revaluation model

The Group applies the revaluation model to the entire class of freehold land and buildings. Such properties are carried at a re-valued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land and buildings of the Group are re-valued once in every three years to ensure that the carrying amounts do not differ materially from the fair values at the reporting date. On revaluation of an asset, any increase in the carrying amount is recognised in 'Other Comprehensive Income' and accumulated in Equity, under capital reserve or used to reverse a previous revaluation decrease relating to the same asset, which was charged to Profit or Loss. In this circumstance, the increase is recognised as income to the extent of the previous write down.

Any decrease in the carrying amount is recognised as an expense in Profit or Loss or debited in the Other Comprehensive Income to the extent of any credit balance existing in the capital reserve in respect of that asset. The decrease recognised in Other Comprehensive Income reduces the amount accumulated in Equity under capital reserves. Any balance remaining in the revaluation reserve in respect of an asset is transferred directly to Retained Earnings on retirement or disposal of the asset.

Subsequent cost

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

De-recognition

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

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

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

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

The principal annual rates of depreciation used by the Group are as follows;
Leco Projects (Pvt) Ltd held no depreciable assets.

Asset Category	LECO (Pvt) Limited	Ante Leco Metering Company (Pvt) Ltd
Buildings	2.50%	2.50%
Supply of Infrastructure Substations, Overhead lines & Service Lines taken over from Local Authorities and CEB	10%	-
Substations Overhead Lines & Service Lines Constructed by LECO	4% - 5%	-
Motor Vehicles	15%	20%
Computers	20%	33 1/3 %
Office Equipment	15%	33 1/3 %
Plant and Machinery	-	6 2/3% to 33 1/3 %

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

2.3.9.1 Financial assets

Initial recognition and measurement

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

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

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

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

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of

cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

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

- The rights to receive cash flows from the asset have expired Or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership.

When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of Financial Assets
The Group recognises loss allowances for Expected Credit Losses (ECLs) on:

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

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

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

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

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

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

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

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

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

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

Presentation of allowance for ECL in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

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

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

2.3.9.2 Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, other financial liabilities, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

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

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

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

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

De-recognition

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

2.3.9.4 Offsetting of financial instruments

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

2.3.9.5 Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3.7 Investment property

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

The Group applies the cost model for investment properties. Accordingly, land classified as investment properties are stated at cost less any accumulated impairment losses and buildings classified as investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation

No depreciation is provided on land treated as investment property.

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

Buildings - 40 years

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

2.3.8 Provisions

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

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

Warranty Provision

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

2.3.9 Retirement benefit Obligations

Defined contribution plans - Employees' Provident Fund and Employees' Trust Fund

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

Defined benefit plan – gratuity

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

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

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

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

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

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

2.3.10 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available.

If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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

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

2.3.13 Leases

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

Group as a lessee

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

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and Building 2 to 4 years

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

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

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

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

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

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

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

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

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

New and amended standards and interpretations
The Group applied SLFRS 16 and IFRIC-23. The nature and effect of the changes as a result of adoption of these accounting standards are described below.

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

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

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

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

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

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

Leases previously accounted for as operating leases

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

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

The Group also applied the available practical expedients wherein it:

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

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments

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

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

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

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

3.1 COMPARATIVE INFORMATION

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

		Group		Company	
		2022	2021 - Reinstated	2022	2021 - Reinstated
4.	**REVENUE**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
4.1	**Revenue from Contracts with Customers**				
	Industrial	5,732,018	4,754,756	5,732,018	4,754,756
	Hotels	1,071,319	809,960	1,071,319	809,960
	Domestics	17,141,273	14,401,546	17,141,273	14,401,546
	Commercial	14,465,435	12,142,681	14,465,435	12,142,681
	Street light	2,144	4,209	2,144	4,209
	Religious	168,133	82,032	168,133	82,032
	Temporary connections	6,479	5,320	6,479	5,320
	Meter sales	1,100,795	1,444,334	-	-
	Project contracts	28,340			
	Total Revenue	**39,715,935**	**33,644,837**	**38,586,801**	**32,200,503**
4.2	**Timing of Revenue Recognition**				
	Products transferred at a point in time	39,715,935	33,644,837	38,586,801	32,200,503
	Revenue from Contracts with Customers	**39,715,935**	**33,644,837**	**38,586,801**	**32,200,503**
5.	**OTHER OPERATING INCOME**				
	Amortization of Consumer Contribution	449,598	423,083	449,598	423,083
	Amortization of Government Grants	5,813	5,813	5,813	5,813
	Recoveries from customers	643,575	169,496	643,575	169,496
	Gain/ (loss) on disposal of property, plant, and equipment	(32,740)	(15,471)	(32,740)	(15,471)
	Gain/ (loss) on exchange of currencies	(49,637)	(3,975)	(49,637)	(3,975)
	Sundry Income	12,165	9,338	15,920	13,601
	Dividend Income	181,818	1,727,273	181,818	1,727,273
		1,210,592	**2,315,557**	**1,214,347**	**2,319,820**
6.	**FINANCE INCOME & FINANCE COST**				
6.1	**Finance Income**				
	Interest on staff loans	(3,092)	141,536	(3,498)	140,851
	Interest on term deposits	645,288	365,872	593,773	358,808
	Interest on loan granted to CEB	25,649	85,702	25,649	85,702
	Interest on government securities	700,317	312,332	700,317	312,332
		1,368,163	**905,443**	**1,316,241**	**897,693**
6.2	**Finance Cost**				
	Interest expense on consumer deposits	30,307	39,575	30,307	39,575
	Interest expense on bank overdrafts and bank charges	4,415	4,411	4,415	3,383
	Accrued interest & premium amortization for Treasury Bond	132,501	171,735	132,501	171,735
	Lease interest on Right of Use Assets	4,047	(27,754)	4,047	(27,754)
	Interest for NSB Sooriya Bala Sangramaya Loan Scheme	84,748	1,536	84,748	1,536
		256,018	**189,502**	**256,018**	**188,474**

		Group		Company	
		2022	2021 - Reinstated	2022	2021 - Reinstated
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
7.	**PROFIT BEFORE TAXATION**				
	Profit before tax is stated after charging all expenses including the following.				
	Directors' emoluments	2,725	1,975	2,725	1,975
	Audit fees	3,000	2,169	3,000	2,169
	Depreciation - property, plant and equipment	922,937	915,947	892,244	883,118
	Depreciation - Right of use assets	(32,709)	(57,384)	(32,709)	(57,384)
	Amortization - intangible asset	18,390	6,283	14,747	3,859
	Depreciation of investment property	-	-	3,900	4,604
	Public relations and advertising	16,771	12,810	16,771	12,810
	Impairment of obsolete and slow moving inventories	(888)	6,611	(888)	6,611
	Impairment of trade receivables	2,373,942	(163,773)	2,373,942	(163,773)
	Staff cost (Note 7.1)	**4,763,218**	**3,685,573**	**4,757,986**	**3,680,341**
7.1	**Staff cost**				
	Salaries and wages	2,351,257	2,058,016	2,351,257	2,058,016
	Other staff related costs	1,786,270	1,080,972	1,786,270	1,080,972
	Other staff related costs	977,214	399,864	977,214	399,864
	Bonus	275,562	231,028	275,562	231,028
	Overtime	533,494	450,080	533,494	450,080
	Contribution to EPF & ETF	389,850	343,580	385,686	339,415
	Retirement benefit obligations (Gratuity)	235,840	203,005	234,773	201,938
		4,763,218	**3,685,573**	**4,757,986**	**3,680,341**
8.	**INCOME TAX EXPENSE**				
a)	Current tax expense				
	Income Tax Expenses for the year (Note 8.1)	982,826	949,288	981,288	935,511
	(Over)/ under provision in respect of previous years	-	(14,647)	-	(14,647)
	Provision for Surcharge Tax Bill - 25% of taxable income of 2020/21	-	714,474		714,474
	Deferred Tax Charge/(Reversal) for the year	(926,145)	154,129	(883,965)	153,070
	Income tax expense/ (reversal)	**56,681**	**1,803,243**	**97,323**	**1,788,408**

		Group		Company	
		2022	2021 - Reinstated	2022	2021 - Reinstated
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
8.1	**Income Tax**				
	Profit before tax	1,908,843	5,107,694	2,051,087	5,036,735
	Consolidation adjustment		-	-	-
	Other Sources of Income	(1,934,523)	(2,905,303)	(1,931,320)	(2,905,303)
	Aggregate allowable items	(1,909,989)	(1,413,545)	(1,867,709)	(1,413,545)
	Aggregate disallowable items	3,591,249	1,178,260	3,551,847	1,178,260
	Intergroup adjustments		(18,403)		
	Business Profit	1,655,579	1,948,703	1,803,905	1,896,147
	Other Sources of Income				
	Interest income	1,345,605		1,294,091	
	Taxable consumer contribution income	435,394	408,879	435,394	408,879
	Assessable income from business	3,436,579	2,357,583	3,533,390	2,305,027
	Assessable income from investments	181,818	2,312,634	181,818	2,312,634
	Less : Qualifying payments / Tax losses	99,707			
	Taxable Income	**3,718,104**	**4,670,217**	**3,715,208**	**4,617,660**
	Tax Rate				
	Tax on Dividend Income	15%	14%	15%	14%
	Tax on Balance Taxable Income - 1st six months	24%	24%	24%	24%
	Tax on Balance Taxable Income - 2nd six months	30%	24%	30%	24%
	Tax on profit for the year	**982,826**	**949,288**	**981,288**	**935,511**

8.2 Assessments issued by the Department of Inland Revenue

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

	Tax	Penalty	Total Tax Liability
For the year of assessment 2016/2017	107,506,780	101,003,207	208,509,987
For the year of assessment 2017/2018	1,975,649	47,701,836	49,677,485
	109,482,429	**148,705,043**	**258,187,472**

"The Company has made valid appeal against the said assessment on the basis that the Department of Inland Revenue has not granted entire tax credit claimed by the Company.
Hence the company is in the view that it is not required to provide additional provision as a tax liability in the books of account."

8. INCOME TAX EXPENSE (Contd...)

		Group		Company	
		2022	2021 - Reinstated	2022	2021 - Reinstated
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
8.3	**Deferred tax expenses / (Reversal)**				
	Origination and reversal of temporary differences	(790,562)	266,374	(749,499)	265,128
	Break up of deferred tax expense				
	Recognized in Profit or Loss Statement	(926,145)	154,129	(883,965)	152,823
	Recognized in Other Comprehensive Income Statement	135,583	112,492	134,466	112,304
		(790,562)	**266,374**	**(749,499)**	**265,128**
8.4	**Deferred tax liability**				
	Balance as at the beginning of the year	1,394,256	1,127,635	1,390,454	1,125,080
	Recognized in profit or loss	(926,145)	154,129	(883,965)	153,070
	Recognized in other comprehensive income	135,583	112,492	134,466	112,304
	Balance as at the end of the year	603,693	1,394,256	640,955	1,390,454
	Closing deferred tax asset, liabilities relates to the following				
	Deferred tax liability				
	Accelerated depreciation s for tax purposes	1,761,465	2,138,323	1,750,538	2,134,709
	Right of Use Assets	7,560	1,949	9,111	1,949
	Impact on revaluation	745,385	-	745,385	-
	Fair value of FVOCI - Impact on Financial Instrument	93,831	92,688	93,831	92,688
		2,608,242	**2,232,960**	**2,598,866**	**2,229,345**
	Deferred tax asset				
	Deferred income on consumer contribution	(327,672)	(53,722)	(327,672)	(53,722)
	Employee benefit liability	(395,323)	(356,760)	(394,566)	(356,948)
	Provision for obsolete and slow moving inventories	(68,853)	(64,511)	(68,853)	(64,511)
	Provision for impairment of trade and other receivables / Losses	(1,212,701)	(363,710)	(1,166,820)	(363,710)
		(2,004,549)	(838,703)	(1,957,911)	(838,891)
		603,693	**1,394,256**	**640,955**	**1,390,454**

Deferred tax is calculated at the rate of 30%, which is the tax rate effective from 1st October 2022 as per Inland Revenue Act No. 24 of 2017

8.4 As per the interview held on 22nd December 2009, with the Department of Inland Revenue in order to settle the petition of appeal made against the Notice of Assessment issued for the Year of Assessment 2007/2008, the Department of Inland Revenue agreed to tax the consumer contribution on the following basis;

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

8. INCOME TAX EXPENSE (Contd…)

8.4 (Contd…)

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	
	2022	2021 - Reinstated	2022	2021 - Reinstated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Amount use as the Numerator :				
Net profit for the year attributable to ordinary shareholders	1,852,162	3,286,076	1,953,764	3,248,328
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	**16.18**	**28.70**	**17.06**	**28.23**

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.

10. PROPERTY PLANT AND EQUIPMENT

10.1 Group

	Freehold land	Freehold building	Motor vehicles	Computers	Office equipment	Plant and machinery	Supply of infra-structure	Capital work-in-progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Cost / Fair Value									
Balance as at December 31, 2021	3,199,395	1,204,400	1,289,104	382,639	612,652	271,965	24,952,209	1,327,754	33,240,118
Additions	-	2,137	-	42,324	182,005	12,104	1,139,182	1,691,480	3,069,232
Transfers	-	-	-	-	3,776	-	165,234	(1,307,931)	(1,138,921)
Surplus / (deficit) on revaluation of property	-	-	-	-	-	-	-	-	-
Disposals	-	-	(4,650)	-	(1,152)	(197)	(130,285)	-	(136,284)
Balance as at December 31, 2022	3,199,395	1,206,537	1,284,454	424,963	797,280	283,872	26,126,340	1,711,302	35,034,145
Depreciation									
Balance as at December 31, 2021	-	39,704	1,142,355	297,994	400,361	179,663	16,486,646	-	18,546,723
Depreciation for the year	-	28,874	88,764	37,888	57,400	25,492	684,519	-	922,937
Transfer	-	-	-	-	-	-	-	-	-
Surplus / (deficit) on revaluation of property	-	-	-	-	-	-	-	-	-
Disposals / adjustments	-	-	(4,650)	-	(405)	(78)	(73,479)	-	(78,612)
Balance as at December 31, 2022	-	68,578	1,226,470	335,881	457,356	205,077	17,097,687	-	19,391,049
Written down value									
Balance as at December 31, 2022	**3,199,395**	**1,137,959**	**57,985**	**89,082**	**339,924**	**78,796**	**9,028,654**	**1,711,302**	**15,643,097**
- As at December 31, 2021	3,199,395	1,164,697	146,749	84,646	212,290	92,302	8,465,563	1,327,754	14,693,395

10. PROPERTY PLANT AND EQUIPMENT

10.2 Company

Company	Freehold land	Freehold building	Motor vehicles	Computers	Office equipment	Supply of infrastructure	Capital work-in-progress	Total
	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000	Rs'000
Cost / Fair Value								
Balance as at December 31, 2021	3,199,395	1,002,325	1,281,211	379,225	610,500	24,952,209	1,327,754	32,752,619
Additions	-	2,137	-	42,098	181,907	1,139,182	1,691,480	3,056,804
Transfer	-	-	-	-	3,776	165,234	(1,307,931)	(1,138,921)
Surplus / (deficit) on revaluation of property								-
Disposals / Adjustments	-	-	(4,650)	-	(1,152)	(130,285)	-	(136,087)
Balance as at December 31, 2022	3,199,395	1,004,463	1,276,561	421,323	795,031	26,126,340	1,711,302	34,534,416
Depreciation								
Balance as at December 31, 2021	-	25,545	1,137,087	295,561	398,384	16,486,646	-	18,343,223
Depreciation for the year	-	24,975	88,108	37,382	57,260	684,519		892,244
Transfer								
Surplus / (deficit) on revaluation of property								
Disposals / adjustments			(4,650)		(405)	(73,479)		(78,534)
Balance as at December 31, 2022	-	50,522	1,220,545	324,565	455,239	17,106,065	-	19,156,935
Written down value								
- As at December 31, 2022	**3,199,395**	**953,941**	**56,017**	**96,759**	**339,791**	**9,020,276**	**1,711,302**	**15,377,481**
- As at December 31, 2021	3,199,395	976,780	144,125	83,664	212,116	8,465,563	1,327,754	14,409,396
Fully depreciated assets								
- As at December 31, 2022		**-**	**500,769**	**241,872**	**143,643**	**8,648,795**		**9,535,080**
- As at December 31, 2021		-	483,775	242,067	187,309	8,293,250		9,206,401

10. PROPERTY PLANT AND EQUIPMENT (Contd...)

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.

	2022			2021 - Reinstated		
Class of Asset	Cost	Cumulative Depreciation	Net Carrying Amount		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	(165,431)	518,935	684,366	(148,322)	536,044
	1,349,738	**(165,431)**	**1,184,307**	**1,349,738**	**(148,322)**	**1,201,416**

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

Release of six perches is not completed as at 31st December 2022 as court decision process is still in progress. Hence the company had made provision of Rs 11,664,122.06 for the loss of land portion and charged to the Income Statement. Once court process is completed this cost will be removed from Assets Registry.

11. INVESTMENT PROPERTIES	Rs.'000	Rs.'000
Cost		
As at 01st January	132,224	139,344
Additions during the year		(7,120)
As at 31st December	**132,224**	**132,224**
Accumulated depreciation		
As at 01st January	14,159	10,259
Charge for the year	3,900	3,900
As at 31st December	18,058	14,159
Written down value	**114,166**	**118,065**

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, 2022.

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

12. INTANGIBLE ASSETS

	Group		Company	
	2022	2021 - Reinstated	2022	2021 - Reinstated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost				
Balance as at 01st January	128,376	117,000	98,313	88,795
Additions	14,711	11,377	12,471	9,517
Balance as at December 31	143,087	128,376	110,783	98,313
Amortization				
Balance as at 01st January	81,265	74,982	56,612	52,752
Charge for the year	18,390	6,283	14,747	3,859
Balance as at December 31	99,655	81,265	71,359	56,612
Net book value as at December 31	**43,432**	**47,111**	**39,425**	**41,701**

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

			Company	
			2022	2021 - Reinstated
	Holding %		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	
	2022	2021 - Reinstated	2022	2021 - Reinstated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
West Coast Power (Private) Limited (Note 14.1)	12,078,524	11,765,752	12,078,524	11,765,752
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
	12,098,524	11,785,752	12,098,524	11,785,752
Less: Impairment of Investments	(20,000)	(20,000)	(20,000)	(20,000)
	12,078,524	**11,765,752**	**12,078,524**	**11,765,752**

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

		Group		Company	
		2022	2021 - Reinstated	2022	2021 - Reinstated
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
14.1	West Coast Power (Private) Limited				
	Balance as at 01st January	11,765,752	10,838,875	11,765,752	10,838,875
	Remeasuremnt recognized in Other Comprehensive Income	312,772	926,877	312,772	926,877
	Balance as at December 31	12,078,524	11,765,752	12,078,524	11,765,752

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 181,818,182 from the West Coast Power (Pvt) Ltd

15. ADVANCE FOR SHARES

	Company	
	2022	2021 - Reinstated
	Rs.'000	Rs.'000
Ante LECO Metering Company (Pvt) Ltd		
- Application for Shares	64,931	64,931

16. RIGHT OF USE ASSETS

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

Incremental Borrowing rate	9.75%
Lease Period	2 to 4 years

	Group		Company	
	2022	2021 - Reinstated	2022	2021 - Reinstated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Gross Carrying Amount				
Balance as at 01st January	240,482	235,988	235,897	235,988
Additions	56,617	14,300	56,617	14,300
Adjustments	-	4,584	-	-
Disposal	-	(14,391)	-	(14,391)
Balance as at December 31	297,099	240,482	292,515	235,897
Depreciation				
Balance as at 01st January	205,932	115,840	201,348	115,840
Charge for the year	32,709	87,612	32,709	87,612
Adjustments	-	4,584	-	-
Disposal	-	(2,103)	-	(2,103)
Balance as at December 31	238,641	205,932	234,057	201,348

	Group		Company	
	2022	2021 - Reinstated	2022	2021 - Reinstated
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Net Book Value				
Balance as at December 31	58,458	34,549	58,458	34,549
Impact on statement of profit or loss is as follows;				
Depreciation during the year	32,709	90,093	32,709	90,093
	32,709	90,093	32,709	90,093

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

16.2 The company identified overstatement of value of Right of Use assets and the Lease Liability as at 1st January 2022. Hence relevant adjustments were made in the books of account as follows.
Impact of the year 2021 for the Income statement and the Statement of Financial Position were adjusted by revising the comparative figures for the year 2021 and impact on prior to year 2021 was adjusted by retained earnings in the Equity statement

17. INVENTORIES

Operational and maintenance goods	2,672,245	2,804,888	2,672,245	2,803,883
Finished goods	79,132	140,301		
Raw-materials	297,686	151,689		
Work in progress	19,526	12,211		
Goods in transit	73,280	73,753	72,449	73,753
	3,141,869	3,182,842	2,744,694	2,877,636
Provision for obsolete and slow moving inventories	(229,510)	(230,398)	(229,510)	(230,398)
	2,912,359	2,952,444	2,515,184	2,647,238

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

As per LKAS 02 inventories shall be measured at the lower of cost or net realizable value. However, the company is in the view it is impracticable to ascertain the Net Realizable value. Operational and maintenance goods solely use for the development of the supply of infrastructure and no intention to re-sell or use for manufacture any other goods. Most of the items are specialized items to the electricity distribution industry. Hence it is impractical to identify the realizable value in the open market accordingly the company measured its all inventories at cost.

		Group		Company	
		2022	2021 - Reinstated	2022	2021 - Reinstated
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
18.	**TRADE AND OTHER RECEIVABLES**				
	Trade receivables- Related parties (Note 18.1)	3,110,076	1,611,276	2,826,508	1,343,821
	Trade receivables	6,393,803	6,777,885	6,393,702	6,787,480
		9,503,879	8,389,160	9,220,210	8,131,302
	Other receivables - Related parties (Note 18.2)	210,865	991,378	232,885	996,166
	Other receivables	367,745	117,605	342,504	110,401
		10,082,489	9,498,143	9,795,599	9,237,869
	Provision for impairment of receivables - CEB - Net Plus/ Net Accounting Reimbursements	(2,472,085)	(613,859)	(2,472,085)	(613,859)
	Provision for impairment of receivables - Other	(1,417,315)	(910,953)	(1,417,315)	(901,599)
	Provision for impairment of trade and other receivables	(3,889,400)	(1,524,812)	(3,889,400)	(1,515,458)
		6,193,089	**7,973,332**	**5,906,199**	**7,722,411**
18.1	**Trade receivables - related parties**				
	Ceylon Electricity Board	3,110,076	1,611,276	2,826,508	1,343,821
		3,110,076	1,611,276	2,826,508	1,343,821
18.2	**OTHER RECEIVABLES - RELATED PARTIES**				
	Ceylon Electricity Board	210,837	210,837	210,837	210,837
	Ceylon Electricity Board - Short term loan & accrued interest	-	780,541	-	780,541
	LECO Projects (Private) Limited	28	-	23,066	5,626
	Ante LECO Metering Company (Private) Limited	-	(0)	(1,019)	(837)
		210,865	991,378	232,885	996,166
19.	**OTHER FINANCIAL ASSETS**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
	Loans given to employees (Note 19.1)	1,485,261	1,590,444	1,485,261	1,590,444
	Loans given to consumers	33,395	62,360	33,395	62,360
	Investments in debt instruments - Amortized cost (Note 19.2)	14,092,568	13,069,656	13,711,628	12,754,656
		15,611,223	14,722,461	15,230,283	14,407,461
	Current	8,389,744	9,241,394	8,008,804	8,926,394
	Non-current	7,221,479	5,481,067	7,221,479	5,481,067
		15,611,223	**14,722,461**	**15,230,283**	**14,407,461**
19.1	**Loans given to employees**				
	Festival advances	5,318	6,178	5,318	6,178
	Medical loans	5,982	1,996	5,982	1,996
	Vehicle and distress loan (Note 19.1.1)	1,473,961	1,582,270	1,473,961	1,582,270
		1,485,261	**1,590,444**	**1,485,261**	**1,590,444**

19. OTHER FINANCIAL ASSETS (Contd..)

		Group		Company	
		2022	2021 - Reinstated	2022	2021 - Reinstated
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
19.1.1	**Loans given to employees**				
	Employees' loan balance (Note 19.1.1.1)	1,173,364	1,381,707	1,173,364	1,381,707
	Prepaid expenses (Note 19.1.1.2)	300,597	200,562	300,597	200,562
		1,473,961	**1,582,270**	**1,473,961**	**1,582,270**
19.1.1.1	**Employees' loan balance**				
	Balance before fair value adjustment	1,381,707	1,356,707	1,381,707	1,356,707
	New loans granted during the year	540,540	393,243	540,540	393,243
	Recoveries from employees	(529,095)	(386,308)	(529,095)	(386,308)
		1,393,152	1,363,641	1,393,152	1,363,641
	Fair value adjustment on loans granted at below market interest rate	(219,788)	18,066	(219,788)	18,066
	Balance at the end of the year	**1,173,364**	**1,381,707**	**1,173,364**	**1,381,707**
	Loans to members				
	Distress loan-m	585,732	618,153	585,732	618,153
	Vehicle loan-m	587,632	763,554	587,632	763,554
		1,173,364	**1,381,707**	**1,173,364**	**1,381,707**
19.1.1.2	**Prepaid expense**				
	Distress loan	180,933	96,954	180,933	96,954
	Vehicle loan	119,664	103,609	119,664	103,609
		300,597	**200,562**	**300,597**	**200,562**
	New loans granted during the year				
	Distress loan	376,105	267,900	376,105	267,900
	Vehicle loan	164,435	125,343	164,435	125,343
		540,540	**393,243**	**540,540**	**393,243**
19.2	**Investments in debt instruments - Amortized cost**				
	Investments in Term deposits /REPO	5,320,322	2,794,000	5,080,322	2,519,000
	Investment in Fixed deposits	3,069,422	6,447,394	2,928,482	6,407,394
	Investments in Treasury Bonds	5,702,824	3,828,262	5,702,824	3,828,262
		14,092,568	**13,069,656**	**13,711,628**	**12,754,656**

20. CASH AND CASH EQUIVALENTS

Components of cash and cash equivalents comprise the following;

	Group 2022	Group 2021 - Reinstated	Company 2022	Company 2021 - Reinstated
Cash in-hand and bank	971,829	1,303,098	930,673	1,118,167
Cash and cash equivalents in the statement of financial position	971,829	1,303,098	930,673	1,118,167
Bank Overdraft	(7,334)	(419,043)	(7,334)	(419,043)
Cash and cash equivalents for the purpose of Cash Flow	964,495	884,055	923,338	699,124

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.

		Group		Company	
		2022	2021 - Reinstated	2022	2021 - Reinstated
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
	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.

21.4	**Fair Value Reserve**				
	Balance as at January 01,	9,616,104	8,781,915	9,616,104	8,781,915
	Add : Gain on FVOCI instruments	312,772	926,877	312,772	926,877
	Effect of deferred tax	(93,831)	(92,688)	(93,831)	(92,688)
		218,940	834,189	218,940	834,189
	Balance as at December 31,	9,835,044	9,616,104	9,835,044	9,616,104
	Total other components of equity as at December 31,	**12,358,474**	**12,139,534**	**12,288,623**	**12,069,683**

22. INTEREST BEARING LOANS AND BORROWINGS

Leases (Note 22.1)	28,088	26,429	28,088	26,429
Short Term Loans				
Bank Overdraft	7,334	419,043	7,334	419,043
	35,422	**445,471**	**35,422**	**445,471**

		Group		Company	
		2022	2021 - Reinstated	2022	2021 - Reinstated
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
22.1	**Leases**				
	As at 1st January	26,429	107,587	26,429	107,587
	Additions	56,617	14,300	56,617	14,300
	Adjustments	-	-	-	-
	Accretion of interest	4,049	(24,097)	4,049	(24,097)
	Disposal	-	(12,287)		(12,287)
	Lease payment during the year	(59,005)	(59,074)	(59,005)	(59,074)
	As at 31 December	28,090	26,429	28,088	26,429
	Amount repayable within one year	35,422	419,043	35,422	419,043
	Amount payable more than one year	-	26,429	-	26,429
		35,422	**445,471**	**35,422**	**445,471**

As at December 31,

23.	**DEFERRED INCOME**				
	Deferred income on consumer contributions (Note 23.1)	5,117,048	5,013,970	5,117,048	5,013,970
	Deferred income on ADB grant (Note 23.2)	66,973	72,787	66,973	72,787
	Deferred income on ADB grant (Note 23.3)	410,820	230,225	410,820	230,225
		5,594,842	**5,316,981**	**5,594,842**	**5,316,981**
23.1	**Deferred income on consumer contributions**				
	Balance as at January 01	5,013,970	4,792,123	5,013,970	4,792,123
	Consumer contributions during the year	552,677	644,930	552,677	644,930
	Transferred to profit or loss	(449,598)	(423,083)	(449,598)	(423,083)
		5,117,048	**5,013,970**	**5,117,048**	**5,013,970**
23.2	**Deferred income on ADB grant - Grant No. 0149-SRI**				
	Balance as at January 01	72,787	78,600	72,787	78,600
	Transferred to profit or loss	(5,813)	(5,813)	(5,813)	(5,813)
	Balance as at December 31	**66,973**	**72,787**	**66,973**	**72,787**

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	
23.3	**Deferred income on ADB grant -Grant No. 0486- SRI**	**2022**	**2021 - Reinstated**	**2022**	**2021 - Reinstated**
	Balance as at January 01	230,225	-	230,225	-
	Received / Adjustment during the year	180,596	230,225	180,596	230,225
	Transferred to profit or loss	-	-	-	-
	Balance as at December 31	410,820	230,225	410,820	230,225

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

24. POST EMPLYMENT BENEFIT LIABILITIES

		Group		Company	
		2022	2021 - Reinstated	2022	2021 - Reinstated
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
24.1	Balance at the beginning of the year	1,491,941	1,482,956	1,487,284	1,478,148
	- Current service cost	63,938	62,046	63,735	61,514
	- Interest on obligation	172,518	140,960	171,038	140,424
	- Actuarial (gains)/losses on obligation	(139,171)	(71,102)	(135,450)	(70,060)
	- Payments made during the year	(271,483)	(122,918)	(271,388)	(122,743)
	Balance at the end of the period /year	**1,317,743**	**1,491,941**	**1,315,219**	**1,487,284**

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	63,938	62,046	63,735	61,514
- Interest on obligation	172,518	140,960	171,038	140,424
	236,455	**203,005**	**234,773**	**201,938**
Others comprehensive income				
- Actuarial (gains)/ losses on obligation	(139,171)	(71,102)	(135,450)	(70,060)
	(139,171)	**(71,102)**	**(135,450)**	**(70,060)**

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	**2022**	**2021 - Reinstated**
- Discount rate	18.0%	11.5%
- Salary Increase	9%	9%
- 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 54	3.00%	1.00%
Age above 50	0%	0%

24.3 Sensitivity of Assumptions Employed in Actuarial Valuation

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

Change in Assumptions	**Effect in Post Employment Benefit Liabilities**	
	2022	**2021 - Reinstated**
+1% Change in discount rate	Rs.1,237,420,937	Rs 1,384,004,832
-1% Change in discount rate	Rs.1,401,578,205	Rs 1,603,592,090
+1% Change in rate of salary increase	Rs 1,396,567,616	Rs 1,612,263,951
-1% Change in rate of salary increase	Rs 1,240,683,621	Rs 1,374,819,716

		Group		Company	
		2022	2021 - Reinstated	2022	2021 - Reinstated
25.	**TRADE AND OTHER PAYABLES**	**Rs.'000**	**Rs.'000**	**Rs.'000**	**Rs.'000**
	Trade payable - Related parties (Note 25.1)	1,799,591	2,061,277	1,799,591	1,822,785
	Trade payable - Other	1,518,098	1,157,959	1,136,612	929,989
	Other payables - Related parties (Note 25.2)	2,992	(21,904)	-	-
	Other payables - Other	654,370	719,410	272,542	721,237
	Sundry creditors including accrued expenses	631,949	743,907	606,679	734,023
		4,607,000	4,660,649	3,815,423	4,208,035
25.1	**Trade payable - related parties**				
	Ceylon Electricity Board	1,799,591	2,061,277	1,799,591	1,822,785
	Lanka Electricity Company (Private) Limited	-	-	-	-
		1,799,591	2,061,277	1,799,591	1,822,785
25.2	**OTHER PAYABLES - RELATED PARTIES**				
	Ceylon Electricity Board	2,992	(21,904)	-	-
	Ante Meter Co, China	-	-	-	-
	Lanka Electricity Company (Private) Limited				
		2,992	(21,904)	-	-

26. COMMITMENTS AND CONTINGENCIES

26.1 Contingent Liabilities

Contingent liabilities as at 31 December 2022 is as follows

1. The company is defendant or defendant respondent in six lawsuits and have estimated a possible obligation of Rs 32,774,636.19 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.
2. 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.

27. ASSETS PLEDGE

Following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liabilities	Carrying amount	
		2022	2021 - Reinstated
		Rs.'000	Rs.'000
Fixed deposits	Bank overdraft facilities of People's Bank	45,500	86,000
Fixed deposits	SMI loan schemes of People's Bank	225,097	213,982
Fixed deposits	Staff loan schemes of SMIB Bank and HDFC Bank facilities	1,199,166	1,066,533
Fixed deposits	NSB Solar Loan	1,406,480	1,332,525
		2,876,244	2,699,040

28. RELATED PARTY DISCLOSUERS

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

	2022	2021 - Reinstated
	Rs.'000	Rs.'000
Key Management Personal compensation		
Directors fees and short term benefits	2,725	1,975

(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, 2022.

Name of the company	Relationship	Nature of transaction	Amount	Balance due from/ (to) 2022	Balance due from/ (to) 2021 - Reinstated
			Rs.'000	Rs.'000	Rs.'000
Ceylon Electricity Board	Immediate parent	Purchase of electricity	(29,427,280)		
		Payments for electricity	29,450,474	(1,799,591)	(1,822,785)
		Dividend paid	-	-	-
		Meter sales	706,345	260,783	265,924
		NET Metering	1,482,687	2,826,508	1,343,821
		Short Term Loan	(780,541)	-	780,541
		Interest received on ST Loan	112,243		
Ante Leco Metering Company (Private) Limited (ALMC)	Subsidiary	Rent on leased asset	6,040	6,040	6,040
		Meter purchases	393,899	22,786	40,130
Leco Projects (Private) Limited	Subsidiary	Receivable	(17,441)	23,066	5,626

28. RELATED PARTY DISCLOSUERS (Contd..)

28.2 Transactions with the Government of Sri Lanka and its related entities (Contd..)

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

Government institution	Nature of the transaction	2022	2021 - Reinstated
		Rs.'000	Rs.'000
Central Bank of Sri Lanka	Treasury Bonds	5,999,992	3,999,997.52
People's Bank	Deposits	4,182,616	6,269,500
National Savings Bank	Deposits	1,406,480	1,332,525
State Mortgage & Investment Bank	Deposits	43,183	46,504
HDFC	Deposits	1,157,662	1,020,029
		12,789,933	12,668,555.52

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.

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.

29. **FINANCIAL INVESTMENTS RISK MANAGEMENT (CONTD.)**

29.1 Market risk (Contd.)

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	
	2022	**2021**	**31-Dec-22**	**31-Dec-21**
USD	326.37	198.99	366.01	200.75

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

Equity price risk

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

29.2 Credit risk

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

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

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

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

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

Financial instruments and cash deposits

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

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

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

	2022	**2021 - Reinstated**
	Rs.'000	**Rs.'000**
Trade receivables	9,220,210	8,131,302
Other receivables	575,389	1,106,567
Other financial assets	15,230,283	14,407,461
Cash and cash equivalents	923,338	699,124

29. **FINANCIAL INVESTMENTS RISK MANAGEMENT (CONTD.)**

29.2 Credit risk (Contd.)

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

Institute	Instrument	Instrument value Rs'000
Central Bank of Sri Lanka	Treasury Bonds	5,999,992
National Savings Bank	Fixed Deposit	1,406,480
People's Bank	Fixed Deposit	-
People's Bank	Call Deposit	4,182,616
Bank of Ceylon	Call Deposit	923,205
State Mortgage & Investment Bank	Fixed Deposit	43,183
HDFC	Fixed Deposit	1,157,662
		13,713,139

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.

	2022	2021 - Reinstated
	Rs.'000	Rs.'000
Trade payables	2,936,203	2,752,774
Other payables	879,221	1,455,260
	3,815,423	4,208,035

30. CLASSIFICATION OF FINANCIAL ASSET AND FINACIAL 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, 2022	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	-	6,261,252	-	6,261,252
FVOCI	12,078,524	-	-	12,078,524
Other financial asset	-	15,230,283	-	15,230,283
Cash and bank balances	-	923,338	-	923,338
Total financial assets	12,078,524	22,414,874	-	34,493,398
Financial liabilities				
Trade and other payables	-	-	4,428,694	4,428,694
Interest Bearing Loans and Borrowings	-	-	28,088	28,088
Total financial liabilities	-	-	4,456,782	4,456,782
As at December 31, 2022				
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	-	-	5,561,621	5,561,621
Interest Bearing Loans and Borrowings	-	-	26,429	26,429
Total financial liabilities	-	-	5,588,049	5,588,049

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, 2022, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

31 FAIR VALUE (CONTD.)

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, 2022, 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-22	12,078,524	-	-	12,078,524
Land and Building	31-Dec-20	4,176,175			4,176,175

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

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

Due to the minority stake of West Coast Power (Private) Limited, the Management is not in a position to access the direct management and insider information. However considering the nature of the industry and general features of Power Purchasing agreement, market values of assets and liabilities are assumed to be remain similar to the carrying value recorded as at December 31, 2022.

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

32. EVENTS OCCURING AFTER THE REPORTING DATE

32.1 As at 31st December 2022 inflation rate was 64.4%. However, it has been decreased to 54.2% at February 2023. (As per the Colombo Consumer Price Index CCPI, headline inflation Y-O-Y basis).Although prevailing downturn economic conditions prevailing, there is no requirement for applying LKAS 29 - Financial Reporting in Hyperinflationary Economies.

Dividend were declared for the financial year 2021 and payment was made on 21st February 2023 amounting to one billion for the shareholders as a % of 87.33 from the profit. 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

Dividend were declared for the financial year 2021 and payment was made on 21st February 2023 amounting to one billion for the share holders as a % of 87.33 from the profit.

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 2022 , total withdrawal from the grant is US$ 1,798,768

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. Constructions and commissioning will be completed in 2023 and capitalized in 2023. Hence this amount will be amortized over the useful life of the asset commencing from year 2023.

35. PRIOR YEAR ADJUSTMENTS

35.1 Impact for the Consolidated Statement of Profit or Loss

	Group	Company
Profit for the year ended 31 Dec 2021 (Published)	3,289,039	3,232,915
Error on Right of Use Assets depreciation	(32,709)	(32,709)
Overstated Lease liability interest adjustment	26,427	26,427
Income Tax Expenses for the year	4,465	4,465
Over provision in respect of previous years	14,647	14,647
Deferred Tax Reversal for the year	2,583	2,583
Adjusted Profit as at 31 Dec 2021	3,304,451	3,248,328

Group's assets and liabilites were changed accordignly.

35.2 Impact for the Consolidated Statement of Financial Position

				Group			Company
	Note	Balance before adjustment	Adjustment	Balance after Adjustment	Balance before adjustment	Adjustment	Balance after Adjustment
ASSETS							
Non-current assets							
Property, plant and equipment	(i)	14,463,170	230,225	14,693,395	14,180,198	229,198	14,409,396
Investment property	(ii)	-	-	-	117,038	1,027	118,065
Intangible assets		47,111	-	47,111	41,701	-	41,701
Investments in subsidiaries			-	-	31,319	-	31,319
Financial assets at fair value through other comprehensive income		11,765,752	-	11,765,752	11,765,752	-	11,765,752
Advance for shares			-	-	64,931	-	64,931
Right of use assets	(iii)	112,002	(77,453)	34,549	112,002	(77,453)	34,549
Other Financial Assets		5,481,067	-	5,481,067	5,481,067	-	5,481,067
Total non-current assets		31,869,103	152,772	32,021,875	31,794,009	152,772	31,946,781

35. PRIOR YEAR ADJUSTMENTS (CONTD.)

35.2 Impact for the Consolidated Statement of Financial Position (Contd.)

				Group			Company
	Note	Balance before adjustment	Adjustment	Balance after Adjustment	Balance before adjustment	Adjustment	Balance after Adjustment
Current assets							
Inventories		2,952,444	-	2,952,444	2,647,238	-	2,647,238
Trade and other receivables		7,973,332	-	7,973,332	7,722,411	-	7,722,411
Prepayments and advances		96,255	-	96,255	259,865	-	259,865
Other financial assets		9,241,394	-	9,241,394	8,926,394	-	8,926,394
Cash and bank balances		1,303,098	-	1,303,098	1,118,167	-	1,118,167
Total current assets		21,566,522	-	21,566,522	20,674,074	-	20,674,074
Total Assets		53,435,625	152,772	53,588,397	52,468,083	152,772	52,620,855
EQUITY AND LIABILITIES							
Equity attributable to Equity Holders of the Parent							
Stated capital		1,145,067	0	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		9,616,104	-	9,616,104	9,616,104	-	9,616,104
Retained earnings	(iv)	25,464,897	9,906	25,474,804	25,194,388	9,906	25,204,294
Total equity attributable to equity holders of the Company		38,749,498	9,907	38,759,405	38,409,138	9,906	38,419,044
Non-controlling interests		155,841	-	155,841	-	-	-
Total Equity		38,905,339	9,907	38,915,246	38,409,138	9,906	38,419,044
Non-current liabilities							
Interest bearing borrowings	(v)	42,787	(16,358)	26,429	42,787	(16,358)	26,429
Deferred tax liabilities	(vi)	1,396,838	(2,583)	1,394,256	1,393,037	(2,583)	1,390,454
Deferred income	(vii)	5,086,756	230,225	5,316,981	5,086,756	230,225	5,316,981
Post employment benefit liabilities		1,491,941	-	1,491,941	1,487,284	-	1,487,284
		8,018,323	211,284	8,229,607	8,009,863	211,284	8,221,147

35. PRIOR YEAR ADJUSTMENTS (CONTD.)

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		4,660,649	-	4,660,649	4,208,035	-	4,208,035
Income tax payable	(viii)	1,382,965	(19,112)	1,363,853	1,372,698	(19,112)	1,353,586
Current portion of Interest Bearing Loans and Borrowings	(v)	468,349	(49,307)	419,043	468,349	(49,307)	419,043
Total current liabilities		6,511,963	(68,419)	6,443,545	6,049,082	(68,419)	5,980,663
Total liabilities		14,530,286	142,865	14,673,151	14,058,945	142,865	14,201,811
Total Equity and Liabilities		53,435,625	152,772	53,588,397	52,468,083	152,772	52,620,855

(i) Constructions relegating to ADB grant (0486- SRI) shown as capital working progress. (Note 23.3)

(ii) Depreciation charges overstated rectified within Investment property and PPE

(iii) Error on Right of Use Assets depreciation

(iv) Changes to the Equity Statement - Retained Profit

	Group	Company
Balance as at 31 Dec 2021 (Published)	25,464,897	25,194,388
Changes from Income statement	15,413	15,413
Adjustments through equity statement		
Depreciation for RoU Assets	(44,744)	(44,744)
Interest on RoU Assets Lease Liability	39,238	39,238
	25,474,804	25,204,294

(v) Change in lease liability relating to Right of Use Assets

(vi) Changes to the deferred tax liability due to RoU assets adjustment

(vii) ADB grant (0486- SRI)

(viii) Over provision adjustment in respect of previous years

35.3 Reconciliation of Retained Earnings balance as at 31 December 2020

Changes in Retained Earnings	Group	Company
Balance as at 31 Dec 2020 (Published)	22,643,193	22,411,030
Interest Charges on lease liability of RoU Assets	39,238	39,238
Depreciation for RoU Assets	(44,744)	(44,744)
Revised Balance as at 31 Dec 2020	22,637,687	22,405,524

The company identified overstatement of value of Right of Use assets and the Lease Liability as at 1st January 2022. Hence relevant adjustments were made in the books of account as follows Impact of the year 2021 for the Income statement and the Statement of Financial Position were adjusted by revising the comparative figures for the year 2021 and impact on prior to year 2021 was adjusted by retained earnings in the Equity statement

Group Performance Highlights for past 10 years

For the Year ended 31 st Dec.	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
	Rs. Bn	Rs. Bn	Rs. Bn	Rs. Bn	Rs. Bn	Rs. Bn	Rs. Bn	Rs. Bn	Rs. Bn	Rs. Bn
Operating Results										
Revenue	39.72	33.64	31.68	33.71	31.83	30.57	29.74	26.77	24.33	22.37
Profit from operations	0.80	4.39	1.58	2.62	1.90	0.99	1.37	0.96	1.02	(1.49)
Profit before taxation	1.91	5.11	2.42	4.00	3.17	2.28	2.27	1.52	2.30	(0.06)
Income tax expenses	(0.06)	(1.80)	(0.60)	(1.26)	(0.24)	(0.45)	(0.57)	(0.36)	(0.70)	0.37
Profit for the year	1.85	3.30	1.82	2.74	2.94	1.84	1.70	1.16	1.60	0.31
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	39.95	37.77	34.09	32.82	31.00	28.39	24.71	23.22	22.83	14.28
Total equity	**41.10**	**38.92**	**35.23**	**33.97**	**32.14**	**29.53**	**25.86**	**24.37**	**23.98**	**15.42**
Non-current liabilities	7.52	8.23	7.58	7.11	6.15	6.00	5.21	4.95	4.56	3.93
Current liabilities	5.25	6.44	5.30	7.21	6.34	5.57	5.29	2.88	2.82	6.09
Total Liabilities	12.77	14.67	12.87	14.32	12.49	11.58	10.50	7.83	7.39	10.02
Total equity & liabilities	53.87	53.59	48.10	48.29	44.63	41.11	36.36	32.20	31.37	25.44
Assets										
Non-current assets	35.04	32.02	26.79	26.35	23.81	24.70	21.34	21.81	20.60	14.62
Current assets	18.82	21.57	21.32	21.94	20.83	16.40	15.01	10.39	10.77	10.82
Total assets	53.87	53.59	48.10	48.29	44.63	41.11	36.36	32.20	31.37	25.44
Total assets employed / Total capital employed	48.62	47.14	42.81	41.08	38.29	35.54	31.07	29.32	28.54	19.35
Key indicators										
Earnings per share (Rs.)	16.18	28.70	15.87	23.76	25.73	15.90	14.85	10.16	14.01	2.69
Net Assets Per Share (Rs.)	359	340	340	359	334	310	271	256	249	169
Dividend per share (Rs.)	5.24	8.73	4.37	6.55	10.04	6.11	4.37	3.06	1.75	0.50
Dividend approved (Rs 'Bn)	0.60	1.00	0.50	0.75	1.15	0.70	0.50	0.35	0.20	0.06
Annual sales growth (%)	18%	6%	-6%	6%	4%	3%	11%	10%	9%	0.09
Equity to total assets ratio (%)	76%	73%	73%	70%	72%	72%	71%	76%	76%	61%
Dividend cover (no. of times)	-	3.3	3.6	3.6	2.6	2.6	3.4	3.3	8.0	5.4
Current ratio (no. of times)	3.6	3.3	4.0	3.0	3.3	2.9	2.8	3.6	3.8	1.8
Revenue to capital employed (no. of times)	0.8	0.7	0.7	0.8	0.8	0.9	1.0	0.9	0.9	1.2
No. of Consumers	615,647	606,202	595,435	568,250	562,412	546,571	539,829	526,119	523,734	520,997
No. of employees	1,509	1,505	1,527	1,535	1,570	1,573	1,556	1,465	1,474	1,462
Consumers per employee ratio	408	403	390	370	358	347	347	359	355	356
Sales (GWh) Purchases from CEB (GWh) LECO	1,560	1,603	1,624	1,647	1,570	1,519	1,466	1,356	1,272	1,221
Purchases from CEB (GWh) LECO (Including upward adjustment)	1,550	1,633	1,606	1,684	1,640	1,597	1,553	1,446	1,352	1,302
Distribution System Losses (11 Kv) % LECO	1.62	1.94	-1.37	1.34	1.61	2.7	3.5	3.8	4.0	4.7

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 39th 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 Friday, 27th October 2023 at 4.30 p.m. for the following purposes :

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the Statement of Accounts for the year ended 31st December 2022 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 Article 154 of the Constitution.
3. To authorize the Directors to determine donations for the year ending 31st December 2023 and up to the date of the next Annual General Meeting.

By order of the Board

LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED

P W Corporate Secretarial (Pvt) Ltd
Director / Secretaries
at Colombo

4th October 2023

Notes

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

Form of Proxy

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

Mr. M P A P De Silva or failing him*
Mr. N S Ilangakoon or failing him*
Mr. 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 Friday, 27th October 2023 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 Article 154 of the Constitution.		
2	To authorize the Directors to determine donations for the year ending 31st December 2023 and up to the date of the next Annual General Meeting.		

Singed this ………………………….. day of …………………… 2023

…………………………….

Signature of Shareholder/s

Notes: 1. A proxy need not be a shareholder of the Company.

2. Instructions as to completion appear overleaf.

3. Please mark "X" in appropriate cages to indicate your instructions as to voting

Instructions for completion

1. Kindly perfect the Form of Proxy by filling in legibly your full name address and other relevant information and signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company at No. 411, Galle Road, Colombo 3 not less than forty seven (47) hours.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointer is a company / incorporated body this Form must be executed in accordance with the Articles of Association / Statute.

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