

E M P O W E R

EFFICIENT IN
ALL OUR WAYS

PEOPLE FRIENDLY
THROUGHOUT
OUR OPERATIONS

WELL-BEING OF
OUR COMMUNITY

RELIABLE TO
YOU AND
OUR COUNTRY



MOTIVATED TO
BRING YOU
THE BEST

OPPORTUNITIES
FOR GROWTH AS
A NATION

ENERGETIC AND
DYNAMIC
TEAM WORK

we are
LECO
ANNUAL REPORT 2013

OUR VISION

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



OUR MISSION

To provide the best energy solutions to the
Society through continuous innovation



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WE An organization which constantly innovates
enriching our nation with the latest
technology through constant R&D

INNOVATE



CORPORATE INFORMATION

LANKA ELECTRICITY COMPANY (PRIVATE) LTD

LEGAL FORM

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

LIST OF DIRECTORS DURING THE PERIOD 01.01.2013 - 31.12.2013

Mr. H. G. Sagara Kariyawasam	Appointed w.e.f. 8th March 2013 (Chairman w.e.f. 8th March 2013)
Mr. W. B. Ganegala	Appointed w.e.f. 1st March 2013
Mr. W. J. L. S. Fernando	Appointed w.e.f. 10th October 2013
Mrs. P. K. A. D. De Silva	Appointed w.e.f. 1st July 2009
Mr. Rohan Seneviratne	Appointed w.e.f. 30th June 2010
Mr. D. P. S. Jayawardena	Appointed w.e.f. 8th March 2013
Mr. Sudarman De Costa	Appointed w.e.f. 13th November 2013

COMPANY SECRETARIES

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

REGISTERED OFFICE

No. 411, Galle Road,
E.H. Cooray Building, Colombo 3

AUDITORS

Ernst and Young - Chartered Accountants
201, De Seram Place, Colombo 10

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 Limited

The Hongkong and Shanghai Banking Corporation
Limited (HSBC)

National Savings Bank (NSB)

DFCC Vardana Bank PLC

Citibank N.A.

Pan Asia Banking Corporation PLC (PABC)

Union Bank PLC



Chairman's Message

Since its inception in 1983, LECO has evolved into a key player in the backbone of national infrastructure of Sri Lanka and in 2013 LECO celebrated 30 years of dedicated and committed service to the nation, as a major utility provider. This was in no small way thanks to the strong foundations laid at our start that have empowered LECO to continue providing a reliable and quality service to its customers.

On the occasion of the 30th Annual General Meeting of LECO, it is my great privilege and pleasure to welcome and report to our valued shareholders on the progress and performance made over the last 12 months.

Financial Highlights

During the year under review, the overall performance of LECO and its subsidiaries have been satisfactory; due to an enhanced performance compared to the previous year.

The overall revenue generated by the Group was LKR 22,373 million compared to LKR 19,761 million in 2012. These figures also reflected a 13% in sales growth and contributed in reporting an overall Gross profit before adjustments, which is LKR 5,469 million compared to LKR 3,793 million during 2012.

Interest income during the year 2013 was LKR 864 million arising out of excess cash surplus that was invested in both short and long term deposits.

Dividends from subsidiary companies include LKR 3.4 million from Ante LECO Metering Company (Pvt.) Ltd.; a joint venture with the Ante Meter Group of China and LKR 573 million from West Coast Power (Pvt.) Ltd.

Net Assets grew from LKR 15,256 million in 2012 to LKR 15,366 million during the year and Net Assets per Share also saw an increase of LKR 134.19 in 2013, compared to LKR 133 in 2012.

The financial statement for the year ended 31st December 2013 was prepared in compliance with The Sri Lanka Financial Reporting Standards, which is a mandatory requirement and in the year 2013, we have received yet another unqualified audit opinion due to dedicated work of the financial division.



Chairman's Message

Operations

During the year under review, LECO absorbed a consumer growth of 1.43% that contributed in making our total consumer base 507,986 strong. The distribution loss was 4.6%, the most minimum figure since the inception of the Company, which is even 1% below the minimum standard given by the Public Utilities Commission of Sri Lanka.

Over 1,221 GWh was distributed to our consumers during 2013 and further we have given 218 new net metering connections in keeping with green energy policy.

As of December 2013, distribution system assets had reached 1,120 km of high voltage lines, 3,620 km of low voltage lines complemented by 2,187 distribution substations and 1,398 bulk substations. In total, LKR 595.39 million in value was added to the LECO Distribution Asset System.

At special request of the organizers of Commonwealth Heads of Government Meeting, LECO provided its knowledge and expertise in installing a new lighting system within the Galle Fort Ramparts in addition to installing lamp-posts to illuminate the popular Hikkaduwa beach as a special project.

LECO also intensified its branch loss control monitoring efforts during the year, in an attempt to stem further potential losses.

I am proud to state that LECO has been able to achieve a significant reduction in System Average Interruption Duration Index during the year under review which is 30%.

Engineering

LECO has begun preliminary work in exploring new investment opportunities overseas and also is in the process of developing a technologically advanced street lighting system which is still under evaluation.

We have taken initiatives to convert overhead lines into underground cable networks in urban townships, which will increase the supply reliability and also enhance the appearance of the townships.

We also have taken initiatives to divert into power generation sector where certain preliminary steps have been taken to explore the possibility of commencing mini hydro power and wind power projects.

Human Resources & Administration

During the year under review, several modifications and changes were effected to both organizational structure and work processes which has resulted in considerably improving efficiency and quality of LECO service provision.

Recognizing the importance and value of its staff, LECO conducted several capacity development programmes that were all aimed at improving both the capabilities and capacities of the LECO team. The Company is dedicated and committed in ensuring that a well trained and motivated team is in place in order to drive the corporate objectives of the Group.

Taking into consideration the welfare of its team, the long overdue promotional scheme was implemented in 2013 and staff that had served the company for more than 25 years was given special rewards.

Acknowledgement

I wish to express my sincere thanks to the Hon. Minister, Hon. Deputy Minister and the Secretary of the Ministry of Power and Energy for their continued guidance and support. I would also like to thank my colleagues and fellow directors on the Board, for their commitment and support.

The performance recorded across these pages could have not been realized if not for the untiring efforts of all the staff and senior management led by the General Manager.

I also wish to place on record our gratitude and appreciation to all LECO customers, consumers, shareholders, business associates, bankers, suppliers, company secretaries, auditors and all others not mentioned here for their assistance and cooperation in making the past year, a successful one.

In conclusion I would like to express great hope and expectations for the year 2014 as LECO continues to partner with the government and others in improving and fostering greater economic and infrastructure development. A journey starts with a single step and as LECO celebrates its 30th year, I pledge to continue this great journey, despite many challenges, reassuring all our stakeholders of mutual prosperity.

Sagara Kariyawasam

Attorney-at-Law
Chairman



Board of Directors



Mrs. P.K.A.D. De Silva
Board Director

Mr. H.G. Sagara Kariyawasam
Chairman

Mr. W.B. Ganegala
Board Director

Mr. W.J.L.S. Fernando
Board Director

Mr. Rohan Seneviratne
Board Director
(Not in the Picture)



LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED

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

The Board of Directors of Lanka Electricity Company (Private) Limited has pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st December 2013.

This Annual Report on the affairs of the Company contains the information required in terms of Section 168 of the Companies Act, No. 7 of 2007 and certain additional information.

Principal activities of the Company and the Subsidiaries and review of performance during the year

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

The Subsidiary Companies and their principal activities were as follows:

Leco Projects (Pvt) Limited

To provide infrastructure facilities for electricity distribution within the Country

Ante Leco Metering Company (Pvt) Limited

To set up an energy meter manufacturing facility to meet the electronic meter requirements of Sri Lanka and for the export market.

	2013		2012	
	Group	Company	Group	Company
Revenue	22,373,120	21,660,450	19,761,169	18,941,440
Gross Profit	2,814,553	2,760,835	3,899,920	3,793,425
Profit before Tax	(57,542)	(89,347)	2,415,351	2,399,174
Total Comprehensive Income for the year	294,537	243,146	2,003,981	1,944,353

Financial Statements

The complete Financial Statements of the Company are duly signed by Mr. H G Sagara Kariyawasam and Mr. W B Ganegala on behalf of the Board.

Auditor's Report

The Report of the Auditors on the Financial Statements of the Company is attached with the Financial Statements.



LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED

Accounting Policies

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards comprising SLFRS/LKAS and the accounting policies adopted thereof and are given in pages 09 to 19 in Notes 2.2 to 2.5 of the Financial Statements.

Stated Capital

The total Stated Capital of the Company as at 31st December 2013 was Rs.1,145.1 million representing 113,580,264 "A" class ordinary shares and 926,390 "B" class ordinary shares.

The movement of the Share Capital of the Company is shown in Note 9 to the Accounts.

Directors

The names of the Directors of the Group who held office as at the end of the accounting period are given below:

Mr. H.G. Sagara Kariyawasam
(appointed w.e.f. 08.03.2013)

Mr. W.B. Ganegala
(appointed w.e.f. 01.03.2013)

Mrs. P.K.A.D. De Silva

Mr. Rohan Seneviratne

Mr. D.P.S. Jayawardena
(appointed w.e.f. 08.03.2013)

Mr. W.J.L.S. Fernando
(appointed on 10.10.2013)

Mr. M.S. De Costa
(appointed w.e.f. 13.11.2013)

Mr. C.J. Haputantri resigned from office with effect from 8th February 2013 and Mr. H.G. Sagara Kariyawasam was appointed as a Director and Chairman of the Board on 8th March 2013.

Prof. W. Abeyewickreme ceased to hold office with effect from 31st January 2013 and Mr. W.B. Ganegala by virtue of his assuming office as the Chairman of the Ceylon Electricity Board became a Director of the Company from 1st March 2013 in terms of Article 81 (i) of the Articles of Association.

Mr. D. Priyantha S. Jayawardena was appointed as a Director of the Board with effect from 8th March 2013 and resigned as a Director w.e.f. 28th April 2014.

Mr. A.A.R. Abeyasinghe resigned from office with effect from 1st March 2013.

Mr. B.N.I.F.A. Wickramasuriya ceased to hold office as General Manager of Ceylon Electricity Board and Mr. F.K. Mohideen by virtue of his assuming office as the General Manager of the Ceylon Electricity Board became a Director of the Company from 1st July 2013 in terms of Article 81 (i) of the Articles of Association. Mr. F.K. Mohideen subsequently ceased to hold office with effect from 9th October 2013 and was replaced by Mr. W.J.L.S. Fernando on 10th October 2013.



LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED

Messrs P. Kodituwakku and S. De Costa were appointed to the Board on 5th May 2014.

Directors of the Subsidiary Companies:

Ante Leco Metering Company (Pvt) Limited

Mr. H.G. Sagara Kariyawasam
 Mr. W.J. L.S. Fernando
 Mr. Liu Jianwu
 Mr. Shen Dingqing
 Mr. H.S. Somathilaka

Leco Projects (Pvt) Limited

Mr. H.G. Sagara Kariyawasam
 Dr. D.M.D.O.K. Dissanayake
 Mr. W.J.L.S. Fernando
 Mr. H.S. Somathilaka
 Mr. A.A.R. Abeyasinghe

Interests Register

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

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 26 to the Financial Statements.

Directors' Remuneration

The Directors' remuneration is disclosed in Note 26.3 to the Financial Statements and the Directors fees set out in Note 20 under the 'Group' column includes remuneration of the Directors of the Subsidiary.

Donations

The donations and contributions made during the year by the Company amounted to Rs. 175,000/- and the Group Rs. 233,000/- respectively.

Dividends

A first and final dividend of Rs. 0/50 per share for the year ended 31st December 2013, amounting to a total gross dividend of Rs. 57.25 million was approved subject to receipt of Certificate of Solvency from the Auditors.

Property, Plant and Equipment

Information relating to movement in property, plant and equipment are given in Note 3 to the Audited Accounts.



LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED

Reserves

The total Company reserves as at 31st December 2013 amounts to Rs.14.08 billion, comprising Capital Reserves of Rs. 1.55 billion and Revenue Reserves of Rs. 12.53 billion. The movement is shown in Note 10 to the Financial Statements. The Group reserves during the period amounts to Rs.14.2 billion out of which Rs. 1.6 billion representing Capital Reserves and Rs.12.6 billion being the Revenue Reserves.

Employment

The number of persons employed by the Company at the end of 2013 was 1,462 (end of 2012 – 1,463).

Commitment and Contingencies

Commitments and contingencies as at 31st December 2013 are given in Note 24.2 to the Financial Statements.

Auditors

Messrs Ernst & Young, Chartered Accountants served as the Auditors of the Company and Messrs Amarasekera and Co., Chartered Accountants provided tax compliance services to the Company and are also the Auditors of Ante Leco Metering Company (Pvt) Limited. during the year under review. Messrs Ernst & Young, Chartered Accountants function as Auditors for Leco Projects (Pvt) Limited. The Auditors do not have any interest in the Company or its group companies other than that of Auditor and in the aforesaid capacity as advisors on tax

compliance.

A sum of Rs. 2,568,000/- including reimbursable expenses (excluding taxes) is payable by the Company to the Auditors as audit fee for the year under review.

A sum of Rs. 275,990/-including reimbursable expenses (excluding taxes) is payable as audit fees for Ante Leco Metering Company (Pvt) Limited and Rs. 99,960/- including reimbursable expenses (excluding taxes) for Leco Projects (Pvt) Limited as audit fees which is excluding taxes.

The non-audit fees for the Company is Rs. 988,847/- and for Ante Leco Metering Company (Pvt) Ltd is Rs. 183,672/-. There were no non-audit fees for Leco Projects (Pvt) Limited.

The Auditors have expressed their willingness to continue in office. A resolution to reappoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.



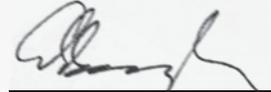
LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED

Events occurring after the Balance Sheet date

There have been no material events occurring after the reporting date that required adjustment or disclosure in these Financial Statements.

This Annual Report is signed for and on behalf of the Board of Directors by the Chairman and a Director.



Director

Director

P W Corporate Secretarial (Pvt) Limited
Secretaries

May 12, 2014

HUMAN RESOURCES & ADMINISTRATION

The Company having identified the Human Resource as the most important strategic unit several steps have been taken for the development of the Human Resource under the areas of training & development, employee well-being and other social activities.

During the year in-house training programmes were arranged for Technical staff and Executive staff increasing their IT skills and Team spirit.

The objective of such activities was to ensure that HR activities support the achievement of business strategies on a continuous basis, and are consciously concerned with seeing that their activities add value. We are also happy to mention that the Company further improves the employee relations by all HR activities during the year.

The promotion scheme which has been a long felt need was implemented during the year and employee grievance for promotions was satisfied up to a certain extent. Salaries of all the permanent staff was increased by 8.5% at the beginning of the year increasing the buying power of our employees in line with similar industries.

By 2013 the Company completed 30 years of Service to the nation and long service awards were granted to about 200 employees those who have completed 25 years of service. Scholarships for children of employees were awarded at this event.

Inter-branch sport meet was arranged at Shalika Grounds at Narahenpita as an annual event in order to improve mutual relationship/understanding among employees. Families of employees were allowed to attend to this event. Participants were recorded as 2,000.

Employees started the year 2014 with religious activities organized by various welfare societies supported by the Company. All night Pirith ceremony and other religious activities were arranged in Head Office and branches showing their harmony in worklife despite industrial harmony.

During the year blood donation campaign was arranged by the Welfare Society with the blessings of the Company and this was a very successful event. The Company's staff strength by the end of the year under review was 1,470. 18 new entrants were recorded and this was due to retirements and other kind of cessation of employment. Management of the Company had regular dialogue with the Trade Unions and their cooperation and assistance in maintaining good industrial relations are highly appreciated.



The year 2013 was a productive year for the Engineering Division comprising of the System Development Department, Regulatory Affairs Department and the Project Department.

The System Development Department comprising of the Design and Development, Procurement, IT and Training is the major functional unit within the Engineering Division. The Procurement section handled approximately 600 procurements. Several major amendments to the specifications were carried and implemented. The Procurement Department was supported by in-house developed software to track and control the stocks.

IT Department launched several in-house developments such as control centre automation software, customer services package, asset management package and the SMS software. The newly established sub-section of the IT section for the software development was a major success in developing the customised in-house systems.

The training centre carried out approximately 140 training sessions amounting into a total training man days of approximately 1,600. This is above our planned target for the year of 1,500 man days of training. In addition there were several external programmes for the executive staff as well as several foreign training sessions arranged by the Training Department.

The Test Department achieved high performance by carrying out the targeted meter testing operations within nine months of the year. Further the Test Department saw a landmark achievement in the year 2013 by deploying the in-house developed remote meter reading software. Now all bulk meters are remotely read through this software.

The newly formed Regulatory Department is handling the regulatory affairs and liaise with the Public Utilities Commission in the preparation of the codes and regulations related to the utility regulations. The Supply Service Code, Consumer Rights and Obligations, Safety, Quality and Continuity Regulations and Distribution Performance Standards are already enforced and the implementation process is being monitored. Regulatory Information System provides valuable management information in relation to regulatory affairs. This is published monthly by the Regulatory Department.

The Project Department had a very progressive year, where the most awaited Primary Substations in Katunayake, Kiribathgoda, Kotikawatta, Nawala and Hikkaduwa projects saw a major progress enabling all five substations to be commissioned within the first semester of year 2014.

Progress of the Activities of the Special Investigation Unit (SIU) for the year 2013

The Special Investigation Unit (SIU) was established in LECO during September 2008 mainly for carrying out the raids with the assistance of Police, in order to apprehend those who abstract electricity from our system by illegal means and prosecuting the offenders under the provisions of the Electricity Act in order to recover the undercharges involved etc.

During the year up to end of November 2013 SIU has made **252 successful** detections and secured a revenue of **Rs. 27,666,615.86** being the undercharges involved, apart from **Rs. 1,550,000.00** added to the government vaults being the statutory fines imposed on the offenders who were found guilty for the offences committed by them on institution of legal action in the respective Magistrate Courts under the provisions of the Electricity Act. The total revenue so secured by the SIU up to end of November 2013 from its formation amounts to **Rs. 111,663,025.60**.

The growth of Income based on figures up to November 2013 compared to the total income of 2012 was 9.3%. SIU has made these achievements in the absence of clear cut legal provisions made in the Electricity Act for recovery of the loss from those who defrauded electricity by tampering with the meters up to July 2013. This was rectified by the Amendment Act No. 31 of 2013 passed by the Parliament in July 2013.

Quite apart from those contributions, SIU is responsible for satisfactory conclusion of several preliminary investigations and other disciplinary related activities helping LECO to improve the disciplinary control of the organization of which the outcome is not convertible to monetary terms.

Year 2013 recorded a consumer growth of 1.43%, reaching our customer base to a total of 507,986 Nos. Company has been able to deliver 1,220,914 MWh to customers at a distribution loss of 4.6%. Category wise customer strength and annual consumption is given in the table below:

Tariff Type	No. of Customers	%	Annual Consumption kWh	%
Domestic	426,406	84.74	514,122,304	42.11
General Purpose	71,139	14.14	389,606,051	25.98
Religious, Industrial and Hotels	5,667	1.13	317,186,500	31.91

At the end of year 2013, distribution system assets has reached to 1,120 km of HV lines, 3,620 km of LV lines with 2,187 Nos. of Distribution Sub-stations and 1,398 Nos. of Bulk Sub-stations. Total value of distribution assets added to the system during 2013 is Rs. 595,390 million. It is worthwhile to note that LECO has provided 218 net metering connections during the year.

LECO has contributed for development of infrastructure facilities for General Public in Galle Fort by installing new lighting system in the rampart. Installation of lamp posts to illuminate Hikkaduwa beach was also done during the year. These were done in parallel to the Commonwealth Heads of Government Meeting at the request of organizers.

LECO managed to maintain the distribution loss at 4.6% by end of the year 2013 and branch wise loss control activity intensified and monitored.

System Average Interruption Duration Index (SAIDI) for supply outages in the year 2013 is 65.4 hrs per consumer. System Average Interruption Frequency Index (SAIFI) for supply outages in the year 2013 is 97 outages per consumer. Reduction of 30% in SAIDI is noted when compared with the previous year. Breakup of SAIDI due to planned outages and failures is illustrated in figure 1.

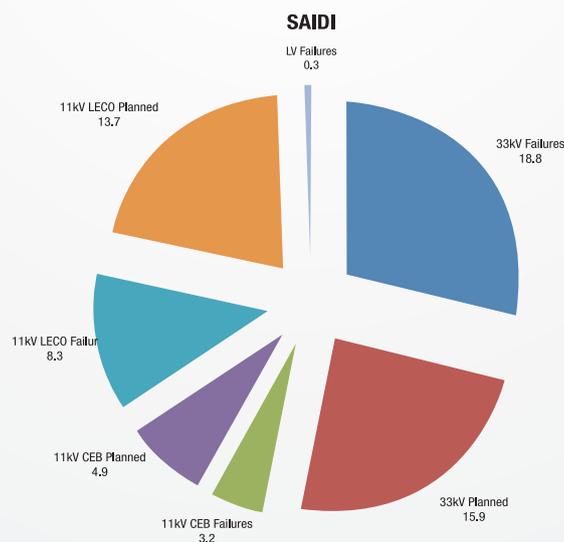


Figure 1

This entails the entire array of activities involved in the process of allocating and using finance effectively and efficiently in order to achieve the organizations objectives.

LECO perceives that financial value creation is the methodology that converts both financial and non-financial inputs into outputs that are measured as financial performance.

Financial Highlights (Group Level)

Year	2013	2012	2011	2010
Profitability				
Sales (Rs. Mn)	22,373,120	19,761,169	19,079,629	14,354,489
Gross Profit (%)	13%	20%	19%	11%
Net Profit (%)	1.32%	10.14%	10.86%	-4.17%
Working Capital Management				
Current Ratio (times) at the year end	1.78	1.83	2.10	1.70
Quick Asset Ratio (times) at the year end	1.63	1.54	1.87	1.45
Fixed Assets Turnover (times)	2.16	1.88	2.20	1.69

2013 was a yet another profitable year for Lanka Electricity Company (Pvt) Limited, even though the profit declined compared to the previous year. This decline was a result of the increased bulk supply tariff and the inclusion of the UNT (Uniform National Tariff) adjustment for the year 2012 and 2013.

The number of units sold in the year 2013 was 1221 GWh and in the year 2012 it was 1216 GWh the sales growth is 0.4 %, the average selling price was Rs. 17.74 and average purchase price was Rs. 14.45.

In the year 2013 LECO was able to earn an operating profit of Rs. 164 million, in addition the Company was able to earn Rs. 864 million from investing activities. In the year 2013 Rs. 573 million was received as net dividends from Investments in West Coast Power (Pvt) Limited and Rs. 3.4 million from Ante Leco (Pvt) Limited.

The Company has been able to carry out its activities within the approved recurrent expenditure budgets. LECO generated a net increase in cash and cash equivalents of Rs. 1,105.6 million.

Lanka Electricity Company secured the Compliance Award at the Annual Reports Award 2013 under the Power and Energy category for the year 2012, organized by Institute of Chartered Accountants. In the year 2013 too we have obtained an unqualified audit opinion.

I acknowledge the support extended by my dedicated staff members without whose contribution we could not have achieved this success.





WE COLLABORATE

Our understanding of our unique customer helps our team to offer and create rich solutions, through our operations as well as our community focus



Corporate Management



Mr. D. Munasinghe
*Head Of Human
 Resources &
 Administration Manager*

Mr. H.S. Somathilaka
General Manager

Mr. Sunil Perera
Chief Financial Officer

Dr. P.S.N. De Silva
Head of Engineering

Mr. H.N. Gunasekara
Head of Operations



Senior Management



Mr. K.G. Kularathne
Project Manager

Mr. S.D.C. Gunawardana
System Development Manager

Mrs. Z.A. Bashith
Management Accountant

Mr. N. Ekanayake
Chief Internal Auditor

Mr. H.H. Sumanadasa
System Operations Manager

Mr. S.L. Jayasekara
Customer Service Manager

Mr. Madura Gamage
Regulatory Manager





WE TRANSFORM

We uplift and offer new experiences for our customers, enabling and enriching lives, communities and a nation which is on a journey of unprecedented growth



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Lanka Electricity Company (Private) Limited, (the 'Company') the consolidated financial statements of the Company and its subsidiaries (the 'Group') which comprise the Statement of Financial Position as at 31 December 2013, and the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

Company

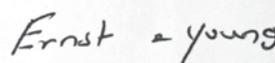
In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 December 2013 and the financial statements give a true and fair view of the Company's financial position as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.



14 March 2014
Colombo

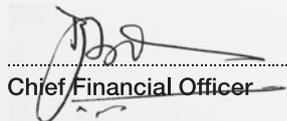


STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2013

	Note	Group		Company	
		2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	3	10,344,359	10,497,255	10,307,573	10,447,832
Intangible Assets	4	18,333	20,167	-	-
Investments in Subsidiaries	5	-	-	31,320	56,321
Other Non-Current Financial Assets	6	4,255,147	5,670,000	4,302,232	5,717,086
Total Non-Current Assets		14,617,839	16,187,421	14,641,125	16,221,239
Current Assets					
Inventories	7	910,839	1,068,873	807,060	840,689
Trade and Other Receivables	8	2,886,543	2,743,047	2,917,056	2,750,425
Other Financial Assets	6	3,351,060	351,817	3,351,060	351,337
Cash and Bank Balances	23	3,670,689	2,595,684	3,509,488	2,549,060
Total Current Assets		10,819,131	6,759,422	10,584,664	6,491,511
Total Assets		25,436,970	22,946,843	25,225,789	22,712,751
EQUITY AND LIABILITIES					
Equity and Reserves					
Stated Capital	9	1,145,067	1,145,067	1,145,067	1,145,067
Other Components of Equity	10	1,577,874	1,577,874	1,552,873	1,577,874
Retained Earnings		12,642,634	12,533,317	12,528,503	12,432,117
Equity Attributable to the Equity Holders of the Parent		15,365,575	15,256,258	15,226,443	15,155,057
Non-Controlling Interest		56,125	44,142	-	-
Total Equity		15,421,700	15,300,400	15,226,443	15,155,057
Non-Current Liabilities					
Interest Bearing Loans and Borrowings	11	-	55,169	-	55,169
Deferred Tax Liability	12	180,069	395,465	225,436	441,217
Deferred Income on Consumer Contributions	13	3,254,818	3,076,840	3,254,818	3,076,840
Employment Retirement Benefits	14	493,687	418,569	493,311	418,277
Total Non-Current Liabilities		3,928,575	3,946,042	3,973,565	3,991,503
Current Liabilities					
Trade and Other Payables	15	5,800,080	2,554,959	5,702,547	2,422,472
Income Tax Liabilities		215,157	1,022,006	251,777	1,020,921
Current Portion of Interest Bearing Borrowings	11	71,457	123,436	71,457	122,798
Total Current Liabilities		6,086,694	3,700,401	6,025,780	3,566,192
Total Equity and Liabilities		25,436,970	22,946,843	25,225,789	22,712,751

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


 Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
 Signed for and on behalf of the Board by,


 Director


 Director

The accounting policies and notes on pages 29 through 58 form an integral part of the Financial Statements.
 14 March 2014, Colombo



STATEMENT OF TOTAL COMPREHENSIVE INCOME

Year ended 31 December 2013

	Note	Group		Company	
		2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Revenue	16	22,373,120	19,761,169	21,660,450	18,941,440
Cost of Sales		(19,558,568)	(15,861,250)	(18,899,615)	(15,148,014)
Gross Profit		2,814,553	3,899,920	2,760,835	3,793,426
Other Operating Income	17	580,494	462,253	570,343	454,958
Operating Expenses		(1,728,855)	(1,668,374)	(1,722,344)	(1,631,384)
Administrative Expenses		(1,465,025)	(1,465,572)	(1,427,739)	(1,402,574)
Finance Income	18	1,451,314	1,213,185	1,439,533	1,210,811
Finance Cost	19	(17,028)	(26,062)	(16,980)	(26,062)
Profit Before UNT & Tax	20	1,635,453	2,415,351	1,603,648	2,399,175
UNT Adjustment		(1,692,995)	-	(1,692,995)	-
Profit Before Tax		(57,542)	2,415,351	(89,347)	2,399,175
Income Tax Expense	21	150,699	(627,319)	155,728	(625,120)
Deferred Tax Charge/(Reversal)	21.2	215,396	215,949	215,782	170,300
Profit /(Loss) for the Year		308,553	2,003,981	282,163	1,944,355
Other Comprehensive Income					
Net Gain/(Loss) on Available for Sale Financial Assets		-	-	(25,001)	-
Actuarial (Gain)/Loss on Retirement Benefits		(14,016)	-	(14,016)	-
Total Comprehensive Income for the Year		294,537	2,003,981	243,146	1,944,355
Attributable to:					
Equity Holder of the parent		295,093	1,994,255		
Non-Controlling Interest		13,460	9,726		
		308,553	2,003,981		
Basic Earning/ (Loss) Per Share	22			2.12	16.98

The accounting policies and notes on pages 29 through 58 form an integral part of the Financial Statements.



STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2013

Group	Stated Capital Rs.'000	Revenue Reserves Rs.'000	Retained Earnings Rs.'000	Revaluation Reserve Rs.'000	Total Rs.'000	Non-Controlling Interest Rs.'000	Total Equity Rs.'000
Balance as at 01 January 2012	1,145,067	449,900	10,710,822	1,127,974	13,433,763	37,423	13,471,186
Profit for the year	-	-	1,994,255	-	1,994,255	9,726	2,003,981
Other Comprehensive Income	-	-	-	-	-	-	-
Total Comprehensive Income	-	-	1,994,255	-	1,994,255	9,726	2,003,981
Dividend Payment	-	-	(171,760)	-	(171,760)	(3,007)	(174,767)
Balance as at 31 December 2012	1,145,067	449,900	12,533,317	1,127,974	15,256,258	44,142	15,300,400
Profit for the year	-	-	295,093	-	295,093	13,460	308,553
Other Comprehensive Income	-	-	(14,016)	-	(14,016)	-	(14,016)
Total Comprehensive Income	-	-	281,077	-	281,077	13,460	294,537
Dividend Payment	-	-	(171,760)	-	(171,760)	(1,476)	(173,236)
Balance as at 31 December 2013	1,145,067	449,900	12,642,634	1,127,974	15,365,575	56,125	15,421,701

Company

	Stated Capital Rs.'000	Revenue Reserves Rs.'000	Retained Earnings Rs.'000	Available for Sale Reserve Rs.'000	Revaluation Reserve Rs.'000	Total Rs.'000
Balance as at 01 January 2012	1,145,067	449,900	10,660,336	-	1,127,974	13,383,277
Profit for the year	-	-	1,944,355	-	-	1,944,355
Removal of Supply Infrastructure	-	-	(813)	-	-	(813)
Total Comprehensive Income	-	-	1,943,542	-	-	1,943,542
Dividend Payment	-	-	(171,760)	-	-	(171,760)
Balance as at 31 December 2012	1,145,067	449,900	12,432,117	-	1,127,974	15,155,058
Profit for the year	-	-	282,163	-	-	282,163
Other Comprehensive Income	-	-	(14,016)	(25,001)	-	(39,017)
Total Comprehensive Income	-	-	268,147	(25,001)	-	243,146
Dividend Payment	-	-	(171,760)	-	-	(171,760)
Balance as at 31 December 2013	1,145,067	449,900	12,528,503	(25,001)	1,127,974	15,226,443

The accounting policies and notes on pages 29 through 58 form an integral part of the Financial Statements.



STATEMENT OF CASH FLOW

Year ended 31 December 2013

	Note	Group		Company	
		2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Cash Flows From / (Used in) Operating Activities					
Profit/(Loss) Before Tax		(57,542)	2,415,351	(89,347)	2,399,175
Adjustments for					
Depreciation of Property, Plant and Equipment	3	848,257	831,771	836,057	820,434
Amortization of Intangible Assets		1,881	1,881	-	-
Finance Income	18	(1,451,314)	(1,213,185)	(1,439,533)	(1,210,811)
Profit on Sale of Property, Plant and Equipment	16	(20,760)	(13,930)	(20,760)	(13,930)
Finance Costs	19	17,028	26,062	16,981	26,062
Amortization of Consumer Contribution	16	(266,804)	(135,661)	(266,804)	(135,661)
Provision for Defined Benefit Plans	13	71,134	66,126	69,732	66,107
Operating Profit/(Loss) Before Working Capital Changes		(858,120)	1,978,414	(893,675)	1,951,375
(Increase)/ Decrease in Inventories		158,035	(248,766)	33,630	(242,663)
(Increase)/ Decrease in Trade and Other Receivables		(143,496)	(1,132,625)	(166,631)	(1,151,966)
(Increase)/ Decrease in Other Financial Assets		(2,999,243)	24,098	(2,999,723)	19,960
Increase/(Decrease) in Trade and Other Payables		3,245,121	138,131	3,280,075	199,368
Cash Generated From Operations		(597,703)	759,252	(746,325)	776,074
Interest Paid		(17,028)	(26,062)	(16,981)	(26,062)
Defined Benefit Plan Costs Paid		(10,032)	(14,905)	(8,713)	(14,905)
Income Tax Paid		(656,150)	(644,745)	(613,416)	(640,708)
Stamp Duty Paid		-	(150)	-	-
Net Cash From/(Used in) Operating Activities		(1,280,913)	73,389	(1,385,434)	94,398
Cash Flows From / (Used in) Investing Activities					
Net Acquisition and Disposal of Property, Plant and Equipment		(674,646)	(601,170)	(675,036)	(592,301)
Investment/ (Recoveries) in Other Investments - Non-Current		1,414,853	(2,968,000)	1,414,853	(2,968,000)
Investment in Subsidiaries		-	-	-	(25,000)
Interest Received		1,451,314	1,213,185	1,439,533	1,210,811
Consumer Contribution Received		444,782	425,079	444,782	425,079
Net Cash Flows From/(Used in) Investing Activities		2,636,303	(1,930,906)	2,624,133	(1,949,410)
Cash Flows From / (Used in) Financing Activities					
Dividend Payment		(173,236)	(174,767)	(171,760)	(171,760)
Issue of Ordinary Shares		-	-	-	-
Repayment of Interest Bearing Loans and Borrowings	10	(76,566)	(77,422)	(76,566)	(77,422)
Net Cash Flows From/(Used in) Financing Activities		(249,802)	(252,189)	(248,326)	(249,182)
Net Increase/(Decrease) in Cash and Cash Equivalents		1,105,588	(2,109,706)	990,372	(2,104,195)
Cash and Cash Equivalents at the beginning of the year		2,549,671	4,659,377	2,503,684	4,607,879
Cash and Cash Equivalents at the end of the year	23	3,655,258	2,549,671	3,494,057	2,503,684

The accounting policies and notes on pages 29 through 58 form an integral part of the Financial Statements.



WE We are a customer driven electricity distributor,
that allows each and every consumer to
experience a personalized solution, which is
timely and satisfying

DELIVER



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

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.

1.2 Consolidated Financial Statements

The consolidated Financial Statements of the Company for the year ended 31 December 2013 comprise Lanka Electricity Company (Private) Limited (the 'Company') and all its subsidiaries, whose accounts have been consolidated therein (the 'Group').

1.3 Principal Activities and Nature of Operations

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

The subsidiaries of the Company and their principal activities were as follows:

Company	Activity
LECO Projects (Pvt) Limited	To provide infrastructure facilities for electricity distribution within the Country.
Ante LECO Metering Company (Pvt) Limited	To set up an energy meter manufacturing facility to meet the electronic meter requirements of Sri Lanka and for the export market.

1.4 Parent Enterprise and Ultimate Parent Enterprise

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

1.5 Date of Authorisation for Issue

The consolidated Financial Statements of Lanka Electricity Company (Private) Limited for the year ended 31 December 2013 were authorised for issue, in accordance with a resolution of the Board of Directors on 14 March 2014.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

2. GENERAL POLICIES

2.1 BASIS OF PREPARATION

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

The financial statements of the Group have been prepared on an accrual basis. The Financial Statements are presented in Sri Lanka Rupees, which is the Group's functional and presentation currency and all values are rounded to the nearest rupee thousand (Rs.'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 Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.2 Basis of Consolidation

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as at the reporting date.

The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent company and in compliance with the Group's accounting policies unless specifically stated.

All intra-group balances, income and expenses and unrealised gains/losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The Financial Statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary.
- Derecognises the carrying amount of any non-controlling interest.
- Derecognises the cumulative translation differences, recorded in equity.
- Recognises the fair value of the consideration received.
- Recognises the fair value of any investment retained.
- Recognises any surplus or deficit in profit or loss.
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

The following companies have been consolidated:

Ante Leco Metering Company (Private) Limited

LECO Projects (Private) Limited.



2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and taxes.

The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of Goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

(b) Rendering of Services

Revenue from rendering of services is recognised in the accounting period in which the services are rendered or performed.

(c) Interest Income

For all financial instruments measured at amortised cost and interest bearing financial assets classified as available for sale, interest income or expense is recorded using the Effective Interest Rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the income statement.

(d) Dividends

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

(e) Others

Other income is recognised on an accrual basis.

2.2.2 Foreign Currencies

The Group's consolidated Financial Statements are presented in Sri Lankan Rupees, which is also the Parent Company's functional currency. For each entity the Group determines the functional currency and items included in the Financial Statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and has elected to recycle the gain or loss arises from this method.

(a) Transactions and Balances

Transactions in foreign currencies are initially recorded by the Company at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the income statement with the exception of all monetary items that forms part of a net investment in a foreign operation. These are recognised in other comprehensive income until the disposal of the net investment, at which time they are reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference (translation differences on items whose gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss respectively).



2.2.3 Taxation

a) Current Tax

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. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto.

b) Deferred Taxation

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

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

i) Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

ii) In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

i) Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

ii) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

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

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

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

c) Tax on Dividend Income

Tax on dividend income from subsidiaries is recognised as an expense in the Consolidated Income Statement.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

2.2.4 Property, Plant and Equipment

Property, Plant and Equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such costs include the cost of replacing component parts of the Property, Plant and Equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of Property, Plant and Equipment are required to be replaced at intervals, the Company derecognises net book value of the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the Plant and Equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred.

When items of Property, Plant and Equipment are subsequently revalued, the entire class of such assets is revalued. Any revaluation surplus is recognised in other comprehensive

income and accumulated equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the income statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation is calculated on straight line basis over the estimated useful lives of all Property, Plant and Equipment.

The principal annual rates of depreciation, used by the Group are as follows:

Freehold Buildings	2.5%
Supply of Infrastructure	
Sub-stations, Overhead lines & Service Lines takeover from Local Authorities and CEB	10%
Sub-stations, Overhead Lines & Service Lines constructed by LECO	4% - 5%
Motor Vehicles	15%
Computers	20%
Office Equipment	15%
Plant & Machinery	25%

An item of Property, Plant and Equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

2.2.5 Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating Leases

Operating lease payments are recognised as an operating expense in the income statement on a straight line basis over the lease term.

2.2.6 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.

2.2.7 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the

end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

2.2.8 Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Operational & Maintenance Goods - At actual cost on weighted average basis.
- Goods-in-Transit and Other Stocks - At actual cost.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs to sell.



2.2.9 Financial Instruments - Initial Recognition and Subsequent Measurement

i) Financial Assets

Initial Recognition and Measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets, as appropriate and determine the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The financial assets include cash and short-term deposits, trade and other receivables and other financial assets.

Subsequent Measurement

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

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement.

Available-for-Sale Financial Investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to the income statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in profit or loss.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances.

Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available for sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred assets and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

ii) Impairment of Financial Assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal

payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Assets carried at Amortised Cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the income statement.



Available-for-Sale Financial Investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

iii) Financial Liabilities

Initial Recognition and Measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, other financial liabilities or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, and other financial liabilities carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, other financial liabilities.

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 the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

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

Derecognition

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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

iv) 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.

v) Fair Value of Financial Instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.



2.2.10 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 the income statement in those expense categories consistent with the function of the impaired asset, except for a property previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed

only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. 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 the income statement unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

2.2.11 Cash and Short-Term Deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the Group statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

2.2.12 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 the income statement 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

2.2.13 Retirement Benefit Liability

(a) 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.

(b) Defined Benefit Plan – Gratuity

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary using the projected benefit valuation method. Actuarial gains and losses for defined benefit plans are recognised as income or expense in other comprehensive income during the financial year in which it arise.

However, as per the payment of Gratuity Act No. 12 of 1983 this liability only arises upon completion of 5 years of continued service.

The gratuity liability is not externally funded.

2.3 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. 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.

Judgments

In the process of applying the Company accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognised in the Financial Statements:

Deferred Tax Assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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 financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Defined Benefit Plans

The cost of defined benefit plans gratuity is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases and retirement age. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.



2.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

LKAS 19 - Employee Benefits (Revised 2013)

The Group applied LKAS 19 (Revised 19) in the current period in accordance with the transitional provisions set out in the revised standards. Key changes that impacted the Group include following:

The Group previously recognised actuarial gain and losses in the period in which they occur in the income statement. This method is no more allowed under revised LKAS 19 and hence Group changed its accounting policy to recognise actuarial gain and losses in the period in which they occur, those reflect in other comprehensive income statement.

The effect of this application has not been accounted for retrospectively since the effect is not material.

2.5 EFFECT OF SRI LANKA ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

a) SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. The Group will quantify the effect in due course.

This standard was originally effective for annual periods commencing on or after 01 January 2015. However effective date has been deferred subsequently.

b) SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements and provides guidance on all fair value measurements under SLFRS.

This standard will be effective for the annual period beginning on or after 01 January 2014. However use of fair value measurement principals contained in this standards are currently recommended.

In addition to the above, following standards will also be effective for the annual periods commencing on or after 01 January 2014:

SLFRS 10 - Consolidated Financial Statements

SLFRS 11 - Joint Arrangements

SLFRS 12 - Disclosure of Interests in Other Entities

The above three standards will impact the recognition, measurement and disclosure aspects currently contained in LKAS 27-Consolidated and separate financial statements, LKAS 28-Investments in associates. LKAS 31-Interest in joint ventures and SIC 12 and SIC 13 which standards will have an impact on consolidation of special purpose entities (SPEs) and jointly controlled entities respectively.

Establishing a single control model that applies to all entities including SPEs and removal of option to proportionate consolidation of jointly controlled entities are the significant changes introduced under SLFRS 10 and SLFRS 11 respectively.

SLFRS 12 establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as the standards previously captured in earlier versions of LKAS 27, LKAS 28 and LKAS 31.

The Group will adopt these standards when they become effective. Pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3. PROPERTY, PLANT & EQUIPMENT Group

3.1	Gross Carrying Amounts	Balance as at 01.01.2013 Rs.'000	Additions Rs.'000	Disposals/ Transfers Rs.'000	Balance as at 31.12.2013 Rs.'000
3.1.1	At Cost				
	Improvements to Leasehold Land	2,883	-	-	2,883
	Buildings	15,816	-	-	15,816
	Motor Vehicles	607,443	55,590	(27,557)	635,476
	Computers	259,896	18,617	-	278,513
	Office Equipment	302,328	41,454	(6,419)	337,363
	Plant and Machinery	89,660	-	-	89,660
	Supply of Infrastructure	19,006,698	605,182	(64,997)	19,546,883
		20,284,724	720,843	(98,973)	20,906,594
	At Valuation				
	Freehold Land	1,290,021	86,459	-	1,376,480
	Buildings	567,257	9,845	-	577,102
		1,857,278	96,304	-	1,953,582
	Total Value of Depreciable Assets	22,142,002	817,147	(98,973)	22,860,176
3.1.2	In the Course of Construction	Balance as at 01.01.2013 Rs.'000	Additions Rs.'000	Transfers Rs.'000	Balance as at 31.12.2013 Rs.'000
	Supply of Infrastructure	489,848	595,346	(679,768)	405,426
		489,848	595,346	(679,768)	405,426
	Total Gross Carrying Amount	22,631,850	1,412,493	(778,741)	23,265,602
3.1.3	Depreciation	Balance as at 01.01.2013 Rs.'000	Charge for the year Rs.'000	Disposals / Transfers Rs.'000	Balance as at 31.12.2013 Rs.'000
	At Cost				
	Improvements to Leasehold Land	662	70	-	732
	Buildings	-	280	-	280
	Motor Vehicles	342,026	69,328	(26,879)	384,475
	Computers	225,959	12,038	-	237,997
	Office Equipment	238,290	16,254	(5,823)	248,721
	Plant and Machinery	44,521	10,729	-	55,250
	Supply of Infrastructure	11,268,957	725,320	(28,907)	11,965,370
		12,120,415	834,019	(61,609)	12,892,825
	At Valuation				
	Buildings	14,180	14,238	-	28,418
		14,180	14,238	-	28,418
	Total Depreciation	12,134,595	848,257	(61,609)	12,921,243



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3. PROPERTY, PLANT & EQUIPMENT. (Contd.)
Group

3.1.4 Net Book Value	2013 Rs.'000	2012 Rs.'000
At Cost		
Improvements to Leasehold Land	2,151	2,221
Building	15,536	15,816
Motor Vehicles	251,001	265,417
Computers	40,516	33,937
Office Equipments	88,642	64,038
Plant and Machinery	34,410	45,139
Supply of Infrastructure	7,581,513	7,737,741
	8,013,769	8,164,309
At Valuation		
Freehold Lands	1,376,480	1,290,021
Buildings	548,684	553,077
	1,925,164	1,843,098
Capital Work-in-Progress		
Supply of Infrastructure	405,426	489,848
	405,426	489,848
Total Net Carrying Amount of Property, Plant and Equipment	10,344,359	10,497,255

3. PROPERTY, PLANT & EQUIPMENT
Company

3.2 Gross Carrying Amounts	Balance as at 01.01.2013 Rs.'000	Additions Rs.'000	Disposals / Transfers Rs.'000	Balance as at 31.12.2013 Rs.'000
3.2.1 At Cost				
Improvement to Leasehold Land	2,883	-	-	2,883
Buildings	15,816	-	-	15,816
Motor Vehicles	602,835	55,590	(27,557)	630,868
Computers	258,797	18,514	-	277,311
Office Equipment	299,398	41,406	(5,671)	335,133
Supply of Infrastructure	19,006,698	605,182	(64,997)	19,546,883
	20,186,427	720,692	(98,225)	20,808,894
At Valuation				
Freehold Land	1,290,021	86,459	-	1,376,480
Buildings	567,257	9,845	-	577,102
	1,857,278	96,304	-	1,953,582
Total Value of Depreciable Assets	22,043,705	816,996	(98,225)	22,762,476



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3. PROPERTY, PLANT & EQUIPMENT (Contd.)
Company

3.2.2 In the Course of Construction	Balance as at 01.01.2013 Rs.'000	Additions Rs.'000	Transfers Rs.'000	Balance as at 31.12.2013 Rs.'000
Supply of Infrastructure	492,299	595,346	(679,768)	407,877
	492,299	595,346	(679,768)	407,877
Total Gross Carrying Amount	22,536,004	1,412,342	(777,993)	23,170,353
3.2.3 Depreciation	Balance as at 01.01.2013 Rs.'000	Charge for the year Rs.'000	Disposals / Transfers Rs.'000	Balance as at 31.12.2013 Rs.'000
At Cost				
Improvements to Leasehold Land	312	70	-	382
Buildings	-	395	-	395
Motor Vehicles	341,902	68,405	(26,879)	383,428
Computers	225,553	11,818	-	237,371
Office Equipment	236,914	15,811	(5,663)	247,062
Supply of Infrastructure	11,269,311	725,320	(28,907)	11,965,724
	12,073,992	821,819	(61,449)	12,834,362
At Valuation				
Buildings	14,180	14,238	-	28,418
	14,180	14,238	-	28,418
Total Depreciation	12,088,172	836,057	(61,449)	12,862,780
3.2.4 Net Book Value			2013 Rs.'000	2012 Rs.'000
At Cost				
Improvements to Leasehold Land			2,501	2,571
Buildings			15,421	15,816
Motor Vehicles			247,440	260,933
Computers			39,940	33,244
Office Equipments			88,071	62,484
Supply of Infrastructure			7,581,159	7,737,387
			7,974,532	8,112,435
At Valuation				
Freehold Lands			1,376,480	1,290,021
Buildings			548,684	553,077
			1,925,164	1,843,098
Capital Work-in-Progress				
Supply of Infrastructure			407,877	492,299
			407,877	492,299
Total Net Carrying Amount of Property, Plant and Equipment			10,307,573	10,447,832



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3.3 PROPERTY, PLANT AND EQUIPMENT (Contd.)

The fair value of land and buildings was last determined by means of a revaluation during the financial year 31 December 2011 by Messrs. K.T.D. Tissera, P.B.D. Edirisinghe, P.T. Mohideen and Sunil Fernando and Associates the independent valuers in reference to market based evidence. The results of such revaluation were incorporated in these financial statements from its effective date which is 31 December 2011. The surplus arising from the revaluation was transferred to a revaluation reserve. The carrying amount of revalued assets that would have been included in the financial statements had the assets been carried at cost less depreciation is as follows:

Class of Asset	Cost Rs.'000	Cumulative Depreciation if assets were carried at cost Rs.'000	Net Carrying Amount 2013 Rs. Rs.'000	Cost Rs.'000	Cumulative Depreciation if assets were carried at cost Rs.'000	Net Carrying Amount 2012 Rs. Rs.'000
Building	317,055	84,443	232,612	317,055	76,517	240,538
Land	502,125	-	502,125	502,125	-	502,125
	819,180	84,443	734,737	819,180	76,517	742,663

3.4 During the financial year, the Company acquired Property, Plant and Equipment to the aggregate value of Rs. 1,412 Mn (2012- Rs. 1,157 Mn). Cash payments amounting to Rs. 91 Mn (2012- Rs. 1,157 Mn) were made during the year for purchase of Property, Plant and Equipment.

3.5 The useful lives of the assets are as follows:

	2013	2012
Buildings	2.5%	2.5%
Supply of Infrastructure		
Sub-stations, Overhead lines & Service Lines takeover from Local Authorities and CEB	10% p.a.	10% p.a.
Sub-stations, Overhead lines & Service Lines constructed by LECO	4% - 5% p.a	4% - 5% p.a.
Motor Vehicles	15% p.a.	15% p.a.
Computers	20% p.a.	20% p.a.
Office Equipment	15% p.a.	15% p.a.
Plant & Machinery	25% p.a	25% p.a

3.6 Property, Plant and Equipment of the Company includes fully depreciated assets having a gross carrying amounts of Rs. 583 Mn (2012 - Rs. 2,646 Mn).

4. INTANGIBLE ASSETS Group At Cost	Balance as at 01.01.2013 Rs.'000	Additions Rs.'000	Disposals	Balance as at 31.12.2013 Rs.'000
Technical Know-How (From China)	27,500	-	-	27,500
	27,500	-	-	27,500
Amortization				
Technical Know-How (From China)	7,333	1,833	-	9,167
	7,333	1,833	-	9,167
Net Book Value				
Technical Know-How (From China)	20,167			18,333



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

5. INVESTMENTS IN EQUITY SECURITIES (Company)						Carrying	Directors'	Carrying	Directors'
Investments in Subsidiaries						Value	Valuation	Value	Valuation
						2013	2013	2012	2012
						Rs.000	Rs.000	Rs.000	Rs.000
		Holding %		No. of Shares					
		2013	2012	2013	2012				
LECO Projects (Private) Ltd	-Ordinary Shares	100%	100%	2,500,100	100	25,001	25,001	25,001	25,001
Ante LECO Metering Company (Pvt) Ltd	-Ordinary Shares	70%	70%	3,131,967	3,131,967	31,320	31,320	31,320	31,320
Less: Allowance for fall in value						(25,001)	(25,001)	-	-
						31,320	31,320	56,321	56,321
6. OTHER FINANCIAL ASSETS						Group		Company	
Loans and Receivables						2013	2012	2013	2012
						Rs.000	Rs.000	Rs.000	Rs.000
Administrative Borrowings by Department of Treasury Operations						570,000	570,000	570,000	570,000
Loans to Company Officers						1,211,207	351,817	1,211,207	351,337
						1,781,207	921,817	1,781,207	921,337
Borrowings by Ceylon Electricity Board						3,825,000	3,100,000	3,825,000	3,100,000
						3,825,000	3,100,000	3,825,000	3,100,000
Available for Sale Investments									
Investments in Unquoted Equity Shares									
Lanka Broad Band Network (Pvt) Ltd	-Ordinary Shares	4%	4%	500,000	500,000	5,000	5,000	5,000	5,000
	-Preference Shares	100%	100%	1,500,000	1,500,000	15,000	15,000	15,000	15,000
West Coast Power (Pvt) Ltd	-Ordinary Shares	17%	17%	20,000,000	20,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Less: Impairment of Investments						(20,000)	(20,000)	(20,000)	(20,000)
Advance for Shares (6.1)						-	-	47,085	47,085
						2,000,000	2,000,000	2,047,085	2,047,085
Total Other Financial Assets									
Other Non-Current Financial Assets						4,255,147	5,670,000	4,302,232	5,717,085
Other Current Financial Assets						3,351,060	351,817	3,351,060	351,337
						7,606,207	6,021,817	7,653,292	6,068,422
6.1 Advance for Shares									
Ante LECO Metering Company (Pvt) Ltd - Application for Shares								47,085	47,085
						-	-	47,085	47,085
<i>Loans and Receivables</i>									
Loans and Receivables are held to maturity and generate a fixed or variable interest income for the Group. The carrying value might be affected by changes in the credit risk of the counterparties.									
<i>Available-for-Sale investments</i>									
The fair value of above unquoted equity securities were determined using net asset value of the investee Companies as at year end.									
7. INVENTORIES						Group		Company	
						2013	2012	2013	2012
						Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operational and Maintenance Goods						939,917	1,043,197	840,212	824,543
Work-In-Progress						4,074	6,597	-	-
Goods-in-Transit						14,804	35,980	14,804	33,047
						958,795	1,085,774	855,016	857,590
Impairment of Inventories						(47,956)	(16,901)	(47,956)	(16,901)
						910,839	1,068,873	807,060	840,689



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

8. TRADE AND OTHER RECEIVABLES	Group		Company		
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000	
8.1 Trade Debtors - Related Parties (8.2)	65,004	71,637	76,672	83,503	
- Others	3,288,159	3,053,021	3,280,510	3,050,188	
	3,353,163	3,124,658	3,357,182	3,133,691	
Other Debtors - Related Parties (8.3)	415	855	29,495	33,402	
- Others	38,271	68,121	35,337	34,544	
Advances and Prepayments	45,974	76,836	44,981	76,206	
Impairment of Debtors	(551,280)	(527,424)	(549,939)	(527,418)	
	2,886,543	2,743,046	2,917,056	2,750,425	
8.2 Trade Debtors - Related Parties	Relationship				
Ceylon Electricity Board	Parent	65,004	71,637	428	428
LECO Projects (Private) Ltd	Subsidiary Company	-	-	3,820	5,652
Ante LECO Metering Company (Pvt) Ltd	Subsidiary Company	-	-	72,424	77,424
		65,004	71,637	76,672	83,503
8.3 Other Debtors - Related Parties	Relationship				
Ceylon Electricity Board	Parent	415	855	-	-
Ante LECO Metering Company (Pvt) Ltd	Subsidiary Company	-	-	25,070	31,680
LECO Projects (Private) Ltd	Subsidiary Company	-	-	4,425	1,722
		415	855	29,495	33,402
9. STATED CAPITAL		2013	2012	2013	2012
(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 confer their right to receive dividends as declared from time to time and entitled to one vote per share at a meeting of the Company. All shares rank equally with regard to Company's residual assets.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

10. OTHER COMPONENTS OF EQUITY	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
10.1 Revaluation Reserve				
Lands	1,010,352	1,010,352	1,010,352	1,010,352
Buildings	117,622	117,622	117,622	117,622
	1,127,974	1,127,974	1,127,974	1,127,974
10.2 Revenue Reserves Summary				
Foreign Exchange Reserve (10.2.1)	109,258	109,258	109,258	109,258
Asset Replacement Fund (10.2.2)	311,641	311,641	311,641	311,641
Insurance Reserves (10.2.3)	29,000	29,000	29,000	29,000
	449,900	449,900	449,900	449,900
10.2.1 Foreign Exchange Reserve				
This represents the gain on exchange in the previous years when Asian Development Bank Term Loans in SDR were paid to the Government of Sri Lanka at contracted rates although supplies of capital goods were received and accounted at higher prevailing rates, and gain recorded when loan agreements were signed.				
10.2.2 Asset Replacement Reserve				
This represents amounts set aside from profit for replacement and rehabilitation of Property, Plant and Equipment of the Company.				
Balance as at the beginning of the year	311,641	311,641	311,641	311,641
Expensed during the year	-	-	-	-
Balance as at the end of the year	311,641	311,641	311,641	311,641
10.2.3 Insurance Reserves				
This represents the amount transferred from the Retained Earnings to cover losses and damages to Property, Plant and Equipment and Inventories of the Company.				
10.3 Available-For-Sale Reserve	Rs.	Rs.	Rs.	Rs.
Net (Loss)/Gain on available-for-sale financial assets	-	-	(25,001)	-
	-	-	(25,001)	-
Total Other Components of Equity	1,577,874	1,577,874	1,552,873	1,577,874



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

11. INTEREST BEARING LOANS & BORROWINGS**11.1 Group**

	2013 Amount Repayable within 1 Year Rs.'000	2013 Amount Repayable after 1 Year Rs.'000	2013 Total Rs.'000	2012 Amount Repayable within 1 Year Rs.'000	2012 Amount Repayable after 1 Year Rs.'000	2012 Total Rs.'000
Bank Loans (11.1.1)	56,026	-	56,026	77,422	55,169	132,592
Bank Overdraft (23)	15,431	-	15,431	46,013	-	46,013
	71,457	-	71,457	123,435	55,169	178,605

11.1.1 Bank Loans

Asian Development Bank	Interest Rate (%)	Repayment Period	Value of an Instalment Rs.'000	As at 01.01.2013 Rs.'000	Loans Obtained Rs.'000	Repayment Rs.'000	As at 31.12.2013 Rs.'000
Project 2	10.50	20 years	22,253	66,760	-	(44,507)	22,253
Project 3	13.00	15 years	16,458	65,832	-	(32,059)	33,773
				132,592	-	(76,566)	56,026

The above loans were given to the Government of Sri Lanka by Asian Development Bank and relented to Lanka Electricity Company (Private) Limited.

11.2 Company

	2013 Amount Repayable within 1 Year Rs.'000	2013 Amount Repayable after 1 Year Rs.'000	2013 Total Rs.'000	2012 Amount Repayable within 1 Year Rs.'000	2012 Amount Repayable after 1 Year Rs.'000	2012 Total Rs.'000
Bank Loans (11.2.1)	56,026	-	56,026	77,422	55,169	132,592
Bank Overdraft (23)	15,431	-	15,431	45,376	-	45,376
	71,457	-	71,457	122,798	55,169	177,968

11.2.1 Bank Loans

Asian Development Bank	Interest Rate (%)	Repayment Period	Value of an Instalment Rs.'000	As at 01.01.2013 Rs.'000	Loans Obtained Rs.'000	Repayment Rs.'000	As at 31.12.2013 Rs.'000
Project 2	10.50	20 years	22,253	66,760	-	(44,507)	22,253
Project 3	13.00	15 years	16,458	65,832	-	(32,059)	33,773
				132,592	-	(76,566)	56,026

The above loans were given to the Government of Sri Lanka by Asian Development Bank and relented to Lanka Electricity Company (Private) Limited.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

12. DEFERRED TAX (ASSET) / LIABILITY	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Balance as at the beginning of the year	395,465	611,414	441,218	611,518
Deferred Tax Charged to Income Statement (24)	(215,396)	(215,949)	(215,782)	(170,301)
Balance as at the end of the year	180,069	395,465	225,436	441,217
<i>Deferred Tax Liability</i>				
Depreciation Allowances for Tax Purposes	483,453	737,518	483,453	737,515
<i>Deferred Tax Asset</i>				
Deferred Income on Consumer Contribution	(213,236)	(224,921)	(213,236)	(224,921)
Employment Retirement Benefits	(90,542)	(117,132)	(90,523)	(117,117)
	179,675	395,465	179,694	395,476
13. DEFERRED INCOME	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Balance as at 1 January	3,076,840	2,787,422	3,076,840	2,787,422
Consumer Contributions during the year	444,782	425,079	444,782	425,079
Charged to Income Statement	(266,804)	(135,661)	(266,804)	(135,661)
	3,254,818	3,076,840	3,254,818	3,076,840



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

14. EMPLOYMENT RETIREMENT BENEFIT	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Balance as at 1 January	418,569	367,348	418,276	367,075
Charge for the year (14.2)	85,150	66,126	83,748	66,107
Payments made during the year	(10,032)	(14,905)	(8,713)	(14,905)
	493,687	418,569	493,311	418,277

- 14.1 Messrs Actuarial Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the defined benefit plan gratuity of the Company. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2013	2012
Discount Rate	11% per annum	11% per annum
Salary Increment Rate	8.5%	8.5%
Normal Retirement Age	Appointments up to 31 December 2006 - 65 years	Appointments up to 31 December 2006 - 65 years
	Appointments after 01 January 2007 - 55 years	Appointments after 01 January 2007 - 55 years

14.2 Charge for the year	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Interest Cost	44,743	40,408	44,743	40,378
Current Service Cost	26,391	22,152	24,988	22,071
Actuarial (Gain)/ Loss recognised in other comprehensive income	14,016	3,566	14,016	3,657
	85,150	66,126	83,748	66,107



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

14 EMPLOYMENT RETIREMENT BENEFITS (Contd.)

14.3 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonable possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement in respect of the year 2013.

The sensitivity of the Income Statement and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

	Increase/(Decrease)		2013 Effect on Income Statement (reduction)/ increase in results for the Year 2013	2013 Performa Post Employment Benefit Liability
	In Discount Rate	In Salary Increment Rate		
			Rs.'000	Rs.'000
	-1%	-	53,883	53,883
	+1%	-	(46,631)	(46,631)
	-	-1%	(50,142)	(50,142)
	-	+1%	57,261	57,261
			Group	Company
15. TRADE AND OTHER PAYABLES			2013	2012
			Rs.'000	Rs.'000
Trade Payables - Related Parties (15.1)			5,033,631	1,832,731
Others			2,120	2,185
Other Payables - Related Party (15.2)			40,689	80,992
Others			43,920	45,102
Sundry Creditors including Accrued Expenses			679,720	593,949
			5,800,080	2,554,959
15.1 Trade Dues Payable to Related Parties	Relationship			
Ceylon Electricity Board	Parent Entity		5,027,202	1,788,390
Lanka Transformers (Private) Ltd	Other Related Party		6,429	44,341
Ante Leco Metering Company (Pvt) Ltd	Subsidiary Company		-	6
LECO Projects (Private) Ltd	Subsidiary Company		-	1,445
			5,033,631	1,832,731
15.2 Other Payables - Related Party	Relationship			
Ceylon Electricity Board	Parent Entity		40,689	80,992
			40,689	80,992



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
16. REVENUE				
Industrial & Hotels	4,423,868	3,737,157	4,423,868	3,737,157
Domestic	8,342,059	7,094,437	8,342,059	7,094,437
Commercial	8,809,225	8,011,866	8,809,225	8,011,866
Street Light	1,922	16,581	1,922	16,581
Religious	67,321	65,070	67,321	65,070
Temporary Connections	16,055	16,329	16,055	16,329
	21,660,450	18,941,440	21,660,450	18,941,440
Contract Revenue	1,704	33,401	-	-
Sale of Goods	710,966	786,328	-	-
	22,373,120	19,761,169	21,660,450	18,941,440
	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
17. OTHER OPERATING INCOME				
Amortization of Consumer Contribution	266,804	135,297	266,804	135,297
Recoveries from Consumers	259,520	246,591	259,520	246,591
Interest on Staff Loans & Concessionary Loans to Consumers	16,257	49,094	16,257	49,022
Profit on Sales of Property, Plant and Equipment	20,760	17,342	20,760	10,118
Sundry Income	17,153	13,930	7,002	13,930
	580,494	462,254	570,343	454,958
	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
18. FINANCE INCOME				
Interest on Other Deposits	281,175	626,867	280,383	626,867
Interest on Administrative Borrowings by Treasury	39,900	39,900	39,900	39,900
Interest on Borrowings by Ceylon Electricity Board	438,276	-	438,276	-
Interest on Government Securities	116,136	46,821	105,147	46,821
Dividend Income	575,828	490,909	575,828	497,223
Interest Income from Investments	-	8,688	-	-
	1,451,314	1,213,185	1,439,533	1,210,811
	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
19. FINANCE COST				
Interest Expense on Loans & Borrowings	17,028	26,062	16,981	26,062
	17,028	26,062	16,981	26,062



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

20. PROFIT BEFORE TAX Stated after Charging /(Crediting) following;	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
Included under Other Operating Expenses				
Depreciation	765,710	763,180	755,174	747,501
Staff Costs	562,578	502,893	551,327	488,383
Included under Administration Expenses				
Depreciation	82,548	74,597	80,884	72,933
Donation & Contribution	233	78	175	21
Public Relations and Advertising	17,893	11,299	17,893	11,299
Entertainment	99	150	99	150
Directors' Fees	1,535	593	1,361	419
Staff Costs include:				
- Defined Benefit Plan Costs - Gratuity (included in staff cost)	69,751	66,126	69,732	66,107
- Defined Contribution Plan Costs - EPF & ETF (included in staff cost)	151,069	133,614	150,344	132,889
Allowances for Doubtful Debtors	551,280	527,424	549,939	527,418
Audit Fees: Charge for the year	2,946	4,059	2,568	3,682
Last year underprovision	18	18	-	-
Profit on sale of Property, Plant & Equipment	20,760	-	20,760	-
21. INCOME TAX EXPENSE				
21.1 Current Income Tax				
Current tax expense on ordinary activities for the year (21.3)	229,916	656,126	223,525	653,921
Overprovision of current taxes in respect of prior years	(380,615)	(28,807)	(379,253)	(28,801)
	(150,699)	627,319	(155,728)	625,120
21.2 Deferred Income Tax				
Deferred Taxation Charge (14)	(215,396)	(215,949)	(215,782)	(170,300)
Income Tax Expense reported in the Income Statement	(366,095)	411,370	(371,510)	454,820
21.3 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:				
Accounting Profit Before Tax	(57,542)	2,415,351	(89,347)	2,399,174
SLFRS Transition Impact	-	-	-	-
Aggregate Disallowed Items	2,602,734	876,932	2,578,771	834,345
Aggregate Allowable Expenses	(1,272,940)	(924,306)	(1,271,304)	(898,085)
Adjusted Taxable Profit	1,272,252	2,367,977	1,218,120	2,335,434
Taxed @ 28%	483,917	2,337,943	483,442	2,335,434
Taxed @ 12%	734,678	-	734,678	-
Taxed @ 10%	62,580	30,034	-	-
Current Tax Expense @28%	135,497	654,624	135,364	653,921
Current Tax Expense @12%	88,161	-	88,161	-
Current Tax Expense @10%	6,258	1,502	-	-
Total Current Tax Expense	229,916	656,126	223,525	653,921



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

21. INCOME TAX EXPENSE (Contd.)

21.4 The Department of Inland Revenue had raised an income tax assessment in respect of the year 1995/1996 recognising the full amount of income arising from new service connection for tax purposes in the same period that such income was derived, whereas the accounting policy is to recognise such income on a deferred basis over a 20 years period.

The matter was under appeal before the Board of Review and the Board of Review on conclusion of the inquiry has determined that there is no additional assessment of income and the income tax assessment raised in respect of year of assessment 1995/96 was not valid. Hence the provision made in respect of this liability of Rs.407. 703 Mn has been reversed in the year 2008.

In 2010, at the meeting held with the Department of Inland Revenue in order to settle the petition of appeal made against the Notice of Assessment issued for the Year of Assessment 2007/2008, the Department of Inland Revenue agreed to treat the consumer contribution on the following basis:

- From the year of assessment 2007/2008, the receipts will be taxed over eight years to be compatible with the rate of capital allowances.
- The remaining of the consumer contributions as at the beginning of the year of assessment 2007/2008, i.e. brought forward amount to be taxed on the same as accounting amortization basis, i.e. over twenty years.

Accordingly consumer contributions received from new service connections during the year 2011 has been taxed over three years in line with the capital allowances rate.

22. BASIC EARNINGS/(LOSS) PER SHARE

22.1 Basic Earnings/(Loss) per share is calculated by dividing the net profit / (loss) for the year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding without a corresponding change in the resources such as a bonus issue.

22.2 The following reflects the income and share data used in the basic loss per share computation:

Amounts used as the numerator	2013 Rs.'000	2012 Rs.'000
Profit for the year	243,146	1,944,355
Profit attributable to ordinary shareholders for basic Earnings Per Share	243,146	1,944,355
Number of ordinary shares used as the denominator	2013 Number '000	2012 Number '000
Weighted average number of ordinary shares in issue	114,507	114,507
	114,507	114,507



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

23. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Components of Cash and Cash Equivalents	Group		Company	
	2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
23.1 Favourable Cash and Cash Equivalents balance				
Cash & Bank Balances	451,789	599,497	434,432	578,381
Current Portion of Other Investments	3,218,901	1,996,187	3,075,056	1,970,679
	3,670,689	2,595,684	3,509,488	2,549,060
23.2 Unfavourable Cash and Cash Equivalent Balances				
Bank Overdraft	(15,431)	(46,013)	(15,431)	(45,376)
Total Cash and Cash Equivalents for the purpose of Cash Flow Statement	3,655,258	2,549,671	3,494,057	2,503,684

24. COMMITMENTS AND CONTINGENCIES

24.1 Capital Expenditure Commitments

The Company does not have material purchase commitments for acquisition of property, plant and equipment incidental to the ordinary course of business as at 31 December 2013 (2012 - Nil).

24.2 Contingent Liabilities

- a) The Company suspended paying turnover tax with effect from 1st of July 2008. The turnover tax unpaid for the period 01 July 2008 to 31 December 2011 amounts to Rs. 273.7 Mn (2010 - Rs. 273.7 Mn). However, the written clearance has not yet been received by the Company from the relevant tax authorities. No provision has been made in the financial statements in this regard.
- b) The Company is a defendant or defendant respondent in 13 (2012 - 16) lawsuits for which the maximum liability is estimated by the Company at Rs. 33.61 Mn (2012 - Rs. 77.82 Mn) at the year end. 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 regard.

25. ASSETS PLEDGED

Following assets have been pledged as security for liabilities:

Nature of Assets	Nature of Liabilities	Carrying Amount of Pledged		Included Under
		2013	2012	
Fixed Deposits	Bank overdraft facilities of People's Bank	45,500	45,500	Current & Non-Current other Investments
Fixed Deposits	SMI loan schemes of People's Bank	94,143	94,143	
Fixed Deposits	Staff loan Schemes of SMIB Bank and HDFC Bank Facilities	631,762	598,278	



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

26. RELATED PARTY DISCLOSURE

Details of significant related party disclosures are as follows:

26.1 The Company carried out following transactions with following related companies:

	Parent Company		Other Major Shareholders/Treasury		Subsidiaries & Other Related Companies	
	Ceylon Electricity Board		2013 Rs.'000	2012 Rs.'000	2013 Rs.'000	2012 Rs.'000
	2013 Rs.'000	2012 Rs.'000				
Balance as at 01 January	1,909,314	(1,728,338)	132,593	210,015	121,296	85,975
Purchase of Electricity	(20,520,953)	(15,148,014)	-	-	-	-
Payments for Electricity	17,695,919	15,684,723	-	-	-	-
ADB Loan Repayments	(575,000)	-	(76,566)	(77,422)	-	-
Interest on Borrowings	-	-	15,329	24,229	-	-
Accrued Expenses	(1,011,606)	515	-	-	-	-
Interest Payment	-	-	(15,329)	(24,229)	-	-
Material Transfer	-	428	-	-	-	-
Receipt of Material	-	-	-	-	-	-
Purchase of Goods	-	-	-	-	189,184	-
Payments	-	-	-	-	(211,170)	(266,474)
Loans given to CEB	1,300,000	3,100,000	-	-	-	251,185
Balance as at 31 December	(1,202,326)	1,909,314	56,027	132,593	99,310	70,686

26.2 Transactions with Government Related Entities

For the purpose of this disclosure, the management has decided to disclose transactions with the entities relating to the line ministry to which the Company belongs to, in addition to the transactions with the Government, Treasury and there were no such transactions during the year (2012 - Nil).

26.3 Transactions with the Key Management Personnel of the Company or its Parent

The Company has defined, the Key Management Personnel of the Company are the members of its Board of Directors and that of its Parent and the Divisional Heads including General Manager.

Key Management Personnel Compensation	2013 Rs.'000	2012 Rs.'000
Directors' Fees and Short-Term Benefits	536	419
Remuneration of other Key Management Personnel	19,759	19,948
Total Compensation paid to Key Management Personnel	20,295	20,367

27. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that required adjustment or disclosure in these Financial Statements.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

28. RISK MANAGEMENT POLICIES AND OBJECTIVES

The Company's principal financial liabilities, comprise trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

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

The Company's senior management oversees the management of these risks. The Company's senior management is supported by the Board of Directors (BOD) that advises on financial risks and the appropriate financial risk governance framework for the Company. BOD provides assurance to the Company's senior management that the Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with Group policies and Group risk appetite. It is the Group's policy that all derivative activities for risk management purposes are required to be approved by Board of Directors of Lanka Electricity Company (Pvt) Ltd.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

Market Risk

Lanka Electricity Company's customer end tariff is decided by the regulator (Public Utilities Commission of Sri Lanka (PUCSL), so far the regulator has decided the end consumer tariff in favour of LECO which creates a profit margin sufficient to cover Operations Cost, Capital Expenditure and a margin. We hope this policy will continue and enable the Company to generate surplus cash in the future.

Credit Risk

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

For bulk consumers 15 days credit period is allowed to settle the bills and thereafter a disconnection notice will be issued, if not acceded to this supply will be disconnected.

Ordinary consumers will be given 14 days credit period to settle the bill. Thereafter red notice will be issued. After 40 days if not acceded to this a disconnection notice will be issued for disconnection of supply.

Based on past experience Company is able to achieve 98% of collection of the sales. For doubtful and bad debts sufficient provision has been made in the financial statements. Companies management is satisfied with the credit management.

Financial Instruments and Cash Deposits

Majority of fund collected is invested in short-term deposits such as REPO, Treasury Bills. 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 to reputed institution registered with Central Bank.

The Group has granted Loan to Ceylon Electricity Board and this loan is pledged against the Electricity Purchase Bill.

Liquidity Risk

As we are collecting 98% of sales the liquidity risk will not arise.

The Company monitors its risk to a shortage of funds by setting up a minimum liquidity level. Since the Company collects 98% of funds there would be no liquidity risk.



PERFORMANCE HIGHLIGHTS

For the Year ended 31 st Dec.	2,013 Rs. ' 000	2,012 Rs. ' 000	2,011 Rs. ' 000	2,010 Rs. ' 000	2009 Rs. ' 000	2008 Rs. ' 000	2007 Rs. ' 000	2006 Rs. ' 000	2005 Rs. ' 000	2004 Rs. ' 000
Operating Results										
Revenue from Sale of Electricity	22,373,120	19,761,169	19,079,629	14,354,489	13,657,688	13,163,160	11,395,941	9,713,653	8,175,259	7,587,016
Operating Profit	184,139	1,202,166	1,599,323	(424,361)	(318,188)	233,135	487,212	635,685	500,120	373,950
Interest and Dividend Earned	1,451,314	1,213,185	626,342	186,842	218,253	300,411	451,153	329,649	260,650	209,626
Interest Incurred	17,028	26,062	33,276	41,793	51,335	60,289	69,142	80,850	101,905	105,861
Profit Before Tax	1,635,453	2,415,351	2,225,665	(237,519)	(99,935)	533,546	938,364	965,334	760,770	583,576
Taxation	(150,699)	627,319	685,169	(361,065)	298,102	747,981	535,328	370,184	274,526	268,984
Profit/Loss after Tax and Deferred Tax	308,553	2,003,981	1,739,201	(598,584)	(398,037)	(214,435)	403,036	595,150	486,244	314,592
Equity & Liabilities										
Share Capital	1,145,067	1,145,067	1,145,067	1,145,067	1,145,067	1,145,067	1,145,067	1,145,067	1,145,067	1,145,067
Capital Reserves	1,127,974	1,127,974	1,127,974	6,045,146	6,053,357	4,982,731	4,473,981	3,331,032	3,176,836	2,953,821
Revenue Reserves	449,900	449,900	449,900	449,900	449,900	449,968	450,127	341,539	363,189	1,221,469
Deemed Cost Adjustment to Supply Infrastructure	-	8,206,310	8,206,310	-	-	-	-	-	-	-
Non-Current Liabilities	3,928,575	3,946,042	3,898,889	4,011,931	3,609,811	3,430,497	2,973,040	3,045,153	2,805,387	3,314,405
Current Liabilities	6,086,694	3,700,401	3,552,294	2,804,542	2,453,201	2,436,836	2,535,429	2,471,970	1,955,196	1,832,223
	12,738,210	18,575,694	18,380,434	14,456,586	13,711,336	12,445,099	11,577,644	10,334,761	9,445,675	10,466,985
Assets										
Non-Current Assets	14,617,839	16,187,421	13,434,912	11,115,557	11,519,212	10,386,277	9,536,369	6,336,746	5,926,066	5,625,300
Current Assets	10,819,131	6,759,421	7,487,458	4,757,920	4,194,177	4,488,221	4,685,110	6,148,733	5,304,190	4,841,685
	25,436,970	22,946,842	20,922,370	15,873,477	15,713,389	14,874,498	14,221,479	12,485,479	11,230,256	10,466,985
Share Information										
Earnings Per Share (Rs.) Company	2.12	16.98	20.93	0	0	0	3.66	5.20	4.25	2.75
Net Assets Per Share (Rs.)	134.19	133	117	78.89	84.20	78.66	76.09	60.85	56.5	46.46
Dividend Per Share (Rs.)	0.50	1.50	1.50	0	0	0	1.50	1.50	2.00	1.50
Employee Information LECO										
No. of Employees	1,462	1,463	1,451	1,338	1,326	1,358	1,283	1,270	1,284	1,302
Consumer/ Employee Ratio	347	342	338	354	354	338	347	338	320	302
Ratios & Other Information										
Return on Average Net Fixed Assets (%)	2.54%	15.67%	19.98%	-7%	-6%	5%	13%	11%	9%	7%
Long-Term Debt to Equity	0.03	0.03	0.04	0.06	0.06	0.07	0.08	0.11	0.13	0.16
Current Ratio	2	2	2	1.70	1.71	1.84	1.85	2.49	2.71	2.60
Dividend Paid (Rs. Mn) LECO	57.25	171.80	171.8	0	0	0	172	172	229	172
Sales (GWh) Purchases from CEB (GWh) LECO	1,221	1,216	1,184	1,123.02	1,051.62	1,071.25	1,099.03	1,045.30	974.38	914.78
Purchases from CEB (GWh) LECO	1,308	1,301	1,275	1,228.02	1,120.23	1,124.48	1,144.22	1,110.75	1,036.77	969.17
Distribution System Losses (11 Kv) % LECO	4.69	4.56	5.43	5.36	5.57	5.03	4.74	5.80	5.32	5.61
No. of Consumers LECO	507,986	500,783	491,042	473,079	469,323	459,548	445,386	429,387	411,157	392,782



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Lanka Electricity Company (Private) Limited will be held at the Registered Office at No. 411, E.H. Cooray Building, Galle Road, Colombo 3, on Wednesday, 11th June 2014 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 2013 with the Report of the Auditors thereon.
2. To reappoint Messrs Ernst & Young, Chartered Accountants, as the Auditors of the Company and to authorise the Directors to fix their remuneration.
3. To authorise the Directors to determine donations for the year ending 31st December 2014 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) Limited

Director / Secretaries

At Colombo

May 16, 2014

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 Office of the Secretaries, No. 3/17, Kynsey Road, Colombo 8, not less than forty-seven (47) hours.



I/We* (NIC No.....)
of
being a shareholder/shareholders* of LANKA ELECTRICITY COMPANY (PRIVATE) LIMITED hereby appoint
..... (NIC No.....) of (or failing him)

Mr. H. G. Sagara Kariyawasam	or failing him*
Mr. W. B. Ganegala	or failing him*
Mr. W. J. L. S. Fernando	or failing him*
Mrs. P. K. A. D. De Silva	or failing her*
Mr. Rohan Seneviratne	or failing him*
Mr. P. Kodituwakku	or failing him*
Mr. S. De Costa	

as my/our* proxy to represent and speak and vote for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on Wednesday, 11th June 2014 and at any adjournment thereof and every poll which may be taken in consequence of the aforesaid meeting.

I/We,* the undersigned, hereby authorise my/our proxy to speak and vote for me/us* and on my /our* behalf in accordance with the preference as indicated below:

	For	Against
1. To receive and consider the Annual Report of the Board of Directors and the Statements of Accounts for the year ended 31st December 2013 with the Report of the Auditors thereon	<input type="checkbox"/>	<input type="checkbox"/>
2. To reappoint Messrs. Ernst & Young, Chartered Accountants as Auditors of the Company and to authorise the Directors to fix their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
3. To authorise the Directors to determine donations for the year ending 31st December 2014 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our* hands this

day of.....Two Thousand and
Fourteen.

*Please delete as appropriate

Notes:

1. A proxy need not be a shareholder of the Company.
2. Instructions as to completion appear overleaf.

.....
Signature of Shareholder/s



INSTRUCTIONS FOR COMPLETION

1. Kindly perfect the Form of Proxy by filling in legibly your full name address and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Office of the Secretaries, P W Corporate Secretarial (Pvt) Limited, No. 3/17, Kynsey Road, Colombo 8, Sri Lanka not less than forty-seven (47) hours.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the Form of Proxy for registration if such Power of Attorney has not already been registered with the Company.
5. If the appointer is a company / incorporated body this Form must be executed in accordance with the Articles of Association / Statute.





KELANIYA BRANCH

(L-R) Mr. J.A.D.C.T. Jayakody | *Branch Accountant* | Mr. B.N.R. Fernando | *Branch Engineer*
 Mr. G.H.C. Hewage | *Electrical Engineer* | Mr. M.M. P. Bandara | *Administrative Officer*
 Mrs. N.R. Fernando | *Branch Manager*



KALUTARA BRANCH

(L-R) Mr. L.U.M. de Silva | *Branch Accountant* | Mr. M.A.D.A.K. Samaraweera | *Branch Manager*
 Mr. D.M.S. Bandara | *Branch Engineer* | Mr. W.N.P. Dhanapala | *Electrical Engineer*





KOTTE BRANCH

(L-R) Mr. R.S. Dharmasena | *Branch Accountant* | Mr. D.M. Samaradiwakara | *Branch Manager*
 Mr. P.A. Kumara | *Electrical Engineer* | Mr. Anura K. Gunasekara | *Administrative Officer*
 Mr. S.K. S. Pushpakumara | *Branch Engineer*



NUGEGODA BRANCH

(L-R) Mr. C.N. Gunathilaka | *Electrical Engineer* | Mr. G.R. S. Wijayawardhana | *Branch Engineer*
 Mr. G.P. Senevirathne | *Branch Manager* | Mr. N. Kattipearachchi | *Branch Accountant*





GALLE BRANCH

(L-R) Mr. K.S. de Silva | *Branch Accountant* | Mrs. E.A.C. Wijesinghe | *Administrative Officer*
 Mr. A.L.D. Suranjith | *Electrical Engineer* | Mr. R. Hettiarachchi | *Branch Engineer*
 Mr. D.A.P. Amarasena | *Branch Manager*



MORATUWA BRANCH

(L-R) Mr. P.G.A.C. Amarasinghe | *Electrical Engineer* | Mr. D.G.D.S.N. Weerapperuma | *Branch Engineer*
 Mr. M.A.S. Kumara | *Branch Manager* | Mr. M.A.N. Cooray | *Branch Accountant*
 Mr. P.H. Sumanasiri | *Administrative Officer*





NEGOMBO BRANCH

(L-R) Mr. K.G.F.M. Fernando | *Administrative Officer* | Mr. Ranil P. Amarasinghe | *Branch Accountant*
Mr. R.N. Amarasinghe | *Electrical Engineer* | Mr. S.S. Jayasundara | *Branch Engineer*
Mr. W.M.C.J. Wijesuriya | *Branch Manager*





LECO

LANKA ELECTRICITY COMPANY (PVT) LIMITED

No. 411, E.H. Cooray Building, Galle Road, Colombo 03.