

**LTL TRANSFORMERS (PRIVATE) LIMITED**

**FINANCIAL STATEMENTS**

**31 MARCH 2023**



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working world

Ernst & Young  
Chartered Accountants  
201, De Saram Place  
P.O. Box 101  
Colombo 10, Sri Lanka

Tel: +94 11 246 3500  
Fax (Gen): +94 11 269 7369  
Fax (Tax): +94 11 557 8180  
Email: eysl@lk.ey.com  
ey.com

SPF/MS/SRA/JJ

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LTL TRANSFORMERS (PRIVATE) LIMITED

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of LTL Transformers (Private) Limited ("Company"), which comprise the statement of financial position as at 31 March 2023, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### *Basis for opinion*

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

(Contd...2/)

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. K R M Fernando FCA ACMA, Ms. P V K N Sajeewani FCA, A A J R Perera ACA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva Bsc (Hons) - MIS Msc - IT, V Shakhthivel B.Com (Sp)

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As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on other legal and regulatory requirements**

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

17 July 2023  
Colombo

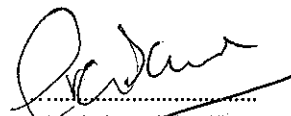
LTL Transformers (Private) Limited

STATEMENT OF FINANCIAL POSITION

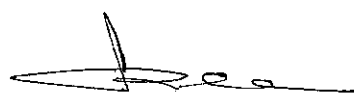
As at 31 March 2023

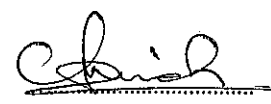
	Note	2023 Rs.	2022 Rs.
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, Plant and Equipment	7.3	507,486,346	620,975,611
Right To Use Asset	8	75,920,592	88,267,304
Intangible Assets	8.2	31,906,762	33,543,709
Other Non Current Financial Assets	12.1	1,647,801	3,824,082
		<u>616,961,501</u>	<u>746,610,706</u>
<b>Current Assets</b>			
Inventories	9	1,212,653,199	1,898,336,450
Trade and Other Receivables	10	2,191,417,548	1,037,384,917
Advances and Prepayments	11	146,548,813	49,185,395
Other Current Financial Assets	12.1	119,533,728	515,651,519
Cash and Bank	14.1	15,726,817	3,374,398
		<u>3,685,880,105</u>	<u>3,503,932,679</u>
<b>Total Assets</b>		<u>4,302,841,606</u>	<u>4,250,543,385</u>
<b>Equity</b>			
Stated Capital	15	500,000,000	500,000,000
Reserves	16.1	50,000,000	50,000,000
Retained Earnings		1,402,747,306	801,898,072
<b>Total Equity</b>		<u>1,952,747,306</u>	<u>1,351,898,072</u>
<b>Non-Current Liabilities</b>			
Defined Benefit Liability	17	10,385,599	6,222,306
Deferred Tax Liability	6.2	69,453,656	41,277,509
Interest Bearing Loans and Borrowings	19.1	267,771,988	561,457,739
Lease Liability	19.3	59,160,662	71,164,344
		<u>406,771,905</u>	<u>680,121,898</u>
<b>Current Liabilities</b>			
Trade and Other Payables	18	877,745,507	605,533,507
Interest Bearing Loans and Borrowings	19.1	883,615,279	1,527,693,585
Lease Liability	19.3	36,301,294	34,255,949
Dividend Payable		-	50,000,000
Income Tax Payable		145,660,315	1,040,374
		<u>1,943,322,395</u>	<u>2,218,523,415</u>
<b>Total Equity and Liabilities</b>		<u>4,302,841,606</u>	<u>4,250,543,385</u>

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 these financial statements. Signed for and on behalf of the Board by;

  
 Director

  
 Director

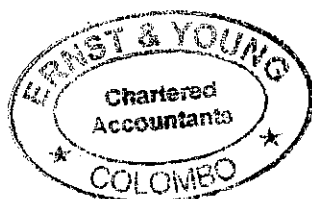
The accounting policies and notes on pages 08 through 35 form an integral part of the financial statements.



Year ended 31 March 2023

	Note	2023 Rs.	2022 Rs.
<b>Revenue</b>	03	4,797,216,632	3,990,182,321
Cost of Sales		(3,105,383,028)	(3,352,548,473)
<b>Gross Profit</b>		<u>1,691,833,604</u>	<u>637,633,848</u>
Selling and Distribution Costs		(234,121,698)	(276,175,669)
Administrative Expenses		<u>(327,742,017)</u>	<u>(373,136,649)</u>
<b>Operating Profit</b>		1,129,969,889	(11,678,470)
Other Income	3.2	144,504,469	262,746,338
Finance Cost	4.1	(523,355,345)	(156,051,726)
Finance Income	4.2	54,689,959	21,745,928
<b>Profit Before Tax</b>	5	<u>805,808,972</u>	<u>116,762,070</u>
Income Tax Expense	6.1	(195,080,376)	(18,643,686)
<b>Profit for the Year</b>		<u><u>610,728,596</u></u>	<u><u>98,118,385</u></u>
<b>Earnings/(loss) per ordinary share</b>		1.221	0.196

The accounting policies and notes on pages 08 through 35 form an integral part of the financial statements.



LTL Transformers (Private) Limited

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2023

	Notes	2023 Rs.	2022 Rs.
<b>Profit for the Year</b>		610,728,596	98,118,385
<b>Other comprehensive income</b>			
<b>Other Comprehensive Income to be reclassified to profit or loss in subsequent periods</b>			
Actuarial Gains / (Loss) on defined benefit plans	17	(3,118,355)	6,730,756
Deferred Tax (Charge) /Reversal impact on above	6.2	935,507	(1,211,536)
<b>Other Comprehensive Income for the Year, Net of Tax</b>		<u>(2,182,849)</u>	<u>5,519,220</u>
<b>Total Comprehensive Income for the Year, Net of Taxes</b>		<u>608,545,748</u>	<u>103,637,605</u>

The accounting policies and notes on pages 08 through 35 form an integral part of the financial statements.



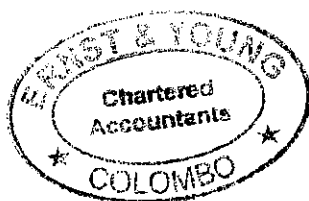
LTL Transformers (Private) Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

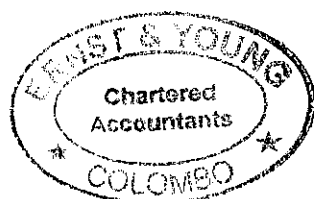
	Stated Capital Rs.	Retained Earnings Rs.	Development Reserve Rs.	Total Rs.
<b>Balance as at 01 April 2021</b>	500,000,000	758,260,467	40,000,000	1,298,260,467
Net Profit for the period	-	98,118,385	-	98,118,385
Other Comprehensive Income	-	5,519,220	-	5,519,220
Dividend (2018/19)	-	(50,000,000)	-	(50,000,000)
Transfer to Plant & Equipment Purchase Reserve	-	(10,000,000)	10,000,000	-
<b>Balance as at 01 April 2022</b>	<u>500,000,000</u>	<u>801,898,072</u>	<u>50,000,000</u>	<u>1,351,898,072</u>
Net Profit for the period	-	610,728,596	-	610,728,596
Other Comprehensive Income	-	(2,182,849)	-	(2,182,849)
Surcharge Tax	-	(7,696,514)	-	(7,696,514)
<b>Balance as at 31 March 2023</b>	<u>500,000,000</u>	<u>1,402,747,306</u>	<u>50,000,000</u>	<u>1,952,747,306</u>

The accounting policies and notes on pages 08 through 35 form an integral part of the financial statements.



	Note	2023 Rs.	2022 Rs.
<b>Cash Flows From / ( Used in ) Operating Activities</b>			
Profit before tax		805,808,972	117,552,823
<b>Adjustments for</b>			
Depreciation and Amortization	7.2,8.2	134,470,239	85,947,728
Defined Benefit Liability	17	2,153,438	3,392,677
Income from Investments	4.2	(54,689,959)	(21,745,928)
Lease rent interest	19.3.1	13,912,670	14,607,333
Finance Costs	4.1	509,442,675	141,444,393
Provision for debtors	10.2	98,892,841	34,440,129
Warranty Provision	18.4	35,175,583	
Amortisation Of Right to Used Asset	8	25,306,863	22,066,826
<b>Operating Profit before Working Capital Changes</b>		<u>1,570,473,322</u>	<u>397,705,980</u>
(Increase)/ Decrease in Inventories		685,683,250	(503,175,148)
(Increase)/ Decrease in Trade and Other Receivables		(1,348,112,609)	(355,882,582)
Increase/ (Decrease) in Trade and Other Payables		261,455,965	(24,856,563)
<b>Cash Generated from Operations</b>		<u>1,169,499,929</u>	<u>(486,208,311)</u>
Finance Cost paid	4.2	(523,355,345)	(156,051,726)
Income Tax Paid		(26,592,021)	(8,156,226)
Defined Benefit Plan Cost Paid	17	(1,108,500)	(2,135,900)
<b>Net Cash From/(Used in) Operating Activities</b>		<u>618,444,064</u>	<u>(652,552,163)</u>
<b>Cash Flows from / (Used in) Investing Activities</b>			
Acquisition of Property, Plant & Equipment	17.1	(29,011,280)	(143,176,467)
Acquisition of Intangible Assets	8.2	(3,292,899)	(2,648,078)
Interest Received	4.2	54,689,959	21,745,928
<b>Net Cash Flows from/(Used in) Investing Activities</b>		<u>22,385,781</u>	<u>(124,078,617)</u>
<b>Cash Flows from (Used in) Financing Activities</b>			
Proceeds From Interest Bearing Loans & Borrowings	19.2	120,045,558	404,700,485
Proceeds From Inter Company Borrowings	19.2	-	500,000,000
Repayment of Interest Bearing Loans & Borrowings	19.2	(530,101,510)	(87,986,474)
Repayment of Inter Company Borrowings	19.2	(187,200,000)	-
Dividend Paid		(50,000,000)	-
Payment For Lease Liability	19.3.1	(36,831,159)	(18,531,798)
<b>Net Cash Flows from/(Used in) Financing Activities</b>		<u>(684,087,111)</u>	<u>798,182,213</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<u>(43,257,267)</u>	<u>21,551,433</u>
<b>Cash and Cash Equivalents at the beginning of the year</b>	14.2	<u>(385,986,796)</u>	<u>(407,538,230)</u>
<b>Cash and Cash Equivalents at the end of the year</b>	14.2	<u>(429,244,063)</u>	<u>(385,986,796)</u>

The accounting policies and notes on pages 08 through 35 form an integral part of the financial statements.



**1. CORPORATE INFORMATION**

**1.1 General**

LTL Transformers (Private) Limited (“Company”) is a limited liability company incorporated and domiciled in Sri Lanka. The registered office is located at Park Street, Colombo 02 and the principal place of business of the Company is located at No.154/11, Railway Station Road, Angulana, Moratuwa.

**1.2 Principal Activities and Nature of Operations**

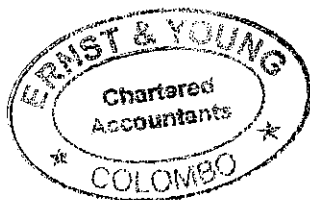
During the year, the principal activities of the Company were manufacturing and repair of transformers for local and export market, manufacturing of Feeder Pillars and providing of related services.

**1.3 Parent Enterprise and Ultimate Parent Entity**

The Company’s immediate parent undertaking is LTL Holdings (Private) Limited, whose majority shareholding is held by the Ceylon Electricity Board.

**1.4 Date of Authorization for Issue**

The financial statements of LTL Transformers (Private) Limited for the year ended 31 March 2023 were authorized for issue on 17 July 2023.



## 2. MATERIALITY AND AGGREGATION

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard – LKAS 1 on ‘Presentation of Financial Statements’ and amendments to the LKAS 1 which was effective from January 01, 2020. Notes to the Financial Statements are presented in a systematic manner which ensures the understandability and comparability of Financial Statements of the Group and the Company. Understandability of the Financial Statements is not compromised by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

### 2.0 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement, unless required or permitted by Sri Lanka Accounting Standards and as specifically disclosed in the Significant Accounting Policies of the Company.

### 2.1 BASIS OF PREPARATION

The Financial Statements have been prepared on a historical cost basis. The Financial Statements are presented in Sri Lankan Rupees.

#### 2.1.1 Statement of Compliance

The Financial Statements of the Company comprise of the statement of financial position, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows, together with accounting policies and notes to the financial statements.

The Financial Statements of the Company as at 31 March 2023 and for the year then ended, prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRSs and LKASs (hereafter “SLFRS”).

The Financial Statements presented in Sri Lankan Rupees have been prepared on a historical cost basis.

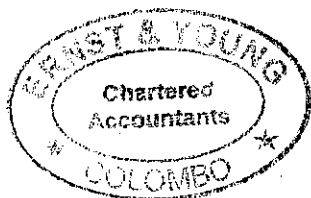
The preparation and presentation of these Financial Statements is in compliance with the Companies Act No.07 of 2007.

#### 2.1.2 Comparative Information

The Financial Statements of the Company provide comparative information in respect of the previous period. The comparative information is reclassified whenever necessary to confirm with the current year’s classification in order to provide a better presentation

#### 2.1.3 Going Concern

These financial statements are prepared on the assumption that the Company is a 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.



## 2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.2.1 Foreign Currency Translation

The Financial Statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

### 2.2.2 Taxation

#### Current Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### IFRIC 23 Uncertainty over income tax treatments

The IFRIC 23 interpretation on Uncertainty over income tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes specifically determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

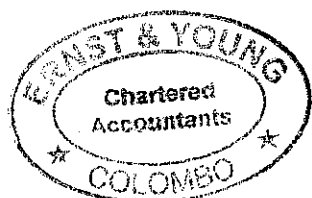
The Company applies significant judgement in identifying uncertainties over income tax treatments.

#### Deferred Taxation

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

Deferred income tax liabilities are recognized for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry-forward unused tax assets and unused tax losses can be utilized except, where the deferred income tax assets relating to the deductible temporary difference arisen 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



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

Deferred income tax assets and liabilities are measured at the 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 at the reporting date.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

### 2.2.3 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. 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.

### 2.2.4 Inventories

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

The cost incurred in bringing inventories to its present location and condition is accounted as follows: -

Raw Materials	- At Actual cost on first-in first-out basis.
Finished Goods & Work-in-progress	- At the cost of direct materials, direct labour and appropriate proportion of fixed production overhead on specific identification Basis.
Consumables & spares	- At Actual cost on first-in first-out basis.
Good in Transit	- At Actual cost

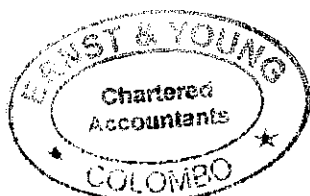
### 2.2.5 Financial instruments

#### i) Financial Assets

#### Recognition, Initial Measurement and derecognition

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.



### **Classification and Subsequent Measurement of Financial Assets**

The Company classifies its financial assets into the following measurement category:

- Financial Assets measured at amortised cost.

The classification depends on the Company's business model for managing financial assets and the contractual terms of the financial assets' cash flows.

The Company classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through profit or loss or is required to measure liabilities at fair value through profit or loss such as derivative liabilities.

At the Inception, the Financial Assets are Classified in One of the Following Categories:

- Financial assets measured at fair value through profit or loss
- Financial assets measured at amortised cost
- Financial assets measured at amortised cost - loans and advances
- Financial assets measured at amortised cost - debt instruments
- Financial assets measured at fair value through Other Comprehensive Income

At the Inception, the Financial Liabilities are Classified in One of the Following Categories:

- Financial liabilities at amortised cost
- Financial liabilities at amortised cost - other instruments

### **Initial Measurements of Financial Instruments**

Financial assets and liabilities are initially measured at their fair value plus transaction cost, except in the case of financial assets and liabilities recorded at fair value through profit or loss.

### **“Day One” Profit or Loss**

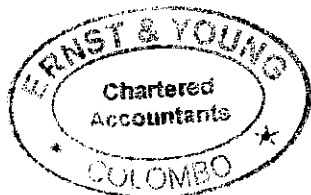
When the transaction price differs from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Company immediately recognises the difference between the transaction price and fair value (a “Day One” Profit or Loss) in the Statement of Profit or Loss. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the Statement of Profit or Loss over the life of the instrument.

### **Financial Assets measured at Amortised Cost Debt Instruments**

Investments in debt instruments are measured at amortised cost where they have:

- contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and interest on the principal amount outstanding; and
- are held within a business model whose objective is achieved by holding to collect contractual cash flows.

These debt instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using Effective Interest Rate (EIR). The measurement of credit impairment is based on the three-stage expected credit loss model described below.



### Reclassification of Financial Assets

The Company reclassifies its financial assets when, and only when, the Company changes its business model for managing financial assets. If the Company reclassifies financial assets which were measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss, the Company applies the reclassification prospectively from the reclassification date. The Company does not restate any previously recognized gains, losses (including impairment gains or losses) or interest.

If the Company reclassifies a financial asset out of the amortised cost measurement category and in to the fair value through profit or loss measurement category, its fair value is measure at the reclassification date. Any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognized in Profit or Loss.

If the Company reclassifies a financial asset out of the amortised cost measurement category and into the fair value through other comprehensive income measurement category, its fair value is measured at the reclassification date, any gain or loss arising from a difference between the previous amortised cost of the financial asset and fair value is recognized in Other Comprehensive Income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

### Impairment of financial assets

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## ii) Financial liabilities

### Initial recognition and measurement

Financial liabilities within the scope of SLFRS 9 are classified, at initial recognition, as financial liabilities at fair value through profit or loss and other financial liabilities. The Company determines the classification of its financial liabilities at initial recognition.

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

The Company's financial liabilities include trade, other payables and loans and borrowings.

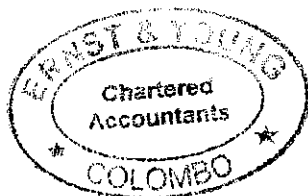
### Subsequent measurement

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

Financial liabilities classified as 'fair value through profit or loss' will be subsequently measured at fair value and financial liabilities classified as 'other liabilities' will be subsequently measured at amortized cost.

### Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.



iii) **Fair value measurement**

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

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

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

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

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

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

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

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable for the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.2.6 **Leases**

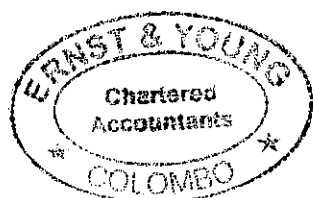
a) **Right-of-use assets**

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

**Right-of-use assets**

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

Category of Asset	Period of Depreciation	
	2023	2022
Lease Hold Land	Over 06 Years	Over 07 Years
Lease Hold Buildings	Over 06Years	Over 07 Years



### Changes in Estimates

The asset's useful lives and method of depreciation are reviewed and adjusted if appropriate at each financial year end. Due to extension of lease term of lease hold building (with effect from 01 April 2022) an increase of Rs. 58,508,850/- has resulted in the current year in comparison to the ROU Asset and Lease Liability based on previous estimate (as mentioned in Note No 8 & 19.3).

### b) Lease liabilities

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company lease liabilities are included in Note 19.3 to the Financial Statements

### 2.2.7 Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash on hand and deposits in banks net of outstanding bank overdrafts. Investments with short maturities i.e. three months or less from the date of acquisitions are also treated as cash equivalents.

### 2.2.8 Property, Plant and Equipment

#### Cost

Property, Plant and equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated on a straight-line basis over the useful life of the assets, when the asset is available for use. Buildings on leasehold land are depreciated over the shorter of the estimated useful life of the asset and the lease term.



The useful lives of the assets are estimated as follows:

Plant and Machinery	Over 4 Years
Factory Equipment	Over 4 Years
Intercom Equipment	Over 4 Years
Fire Fighting Equipment	Over 4 Years
Office Equipment	Over 4 Years
Furniture and Fittings	Over 4 Years
Motor Vehicle	Over 4 Years
Solar power System	Over 15 Years
Tools	Over 3 Years

An item of property plant and equipment any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss 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 derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

#### 2.2.8.1 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the Income Statement in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for intangible assets with finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the assets is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

The amortization expenses on intangible assets with finite lives are recognized in the Income Statement in the expense category consistent with the function of the intangible assets.

Computer Software	Over 10 years
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#### 2.2.9 Provisions

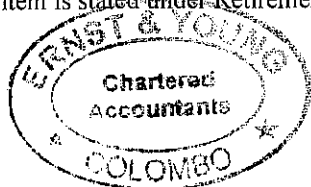
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### 2.2.10 Retirement Benefit Costs

##### a) Defined Benefit Plan – Gratuity

The Company annually measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan using Actuarial Valuation technique which is based on Projected Unit Credit Method (PUC).

The item is stated under Retirement Benefit Liability in the statement of financial position.



**Recognition of Actuarial Gain and Losses**

Actuarial gains and losses are recognized as income or expenses in Other Comprehensive Income in the year in which it arose itself.

**Recognition of Past Service Cost**

Past Service Costs are recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already been vested, immediately following the introduction of, or changes to the plan, past service costs are recognized immediately.

**Funding Arrangements**

The Gratuity liability is not externally funded.

**b) Defined Contribution Plans – Employees’ Provident Fund & Employees’ Trust Fund**

Employees are eligible for Employees’ Provident Fund Contributions and Employees’ Trust Fund Contributions in line with respective Statutes and Regulations. The Company contributes 12 % and 3% of gross emoluments of employees to Employees’ Provident Fund and Employees’ Trust Fund respectively. The expenses are recognized to the Income Statement.

**2.2.11 Revenue Recognition**

**Revenue from contracts with customers**

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

The Company has several operating segments which are described In Note 03 to these financial statements. In all operating segments, the Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

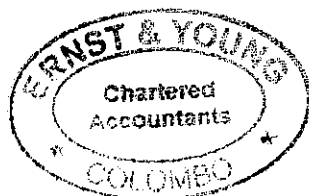
**2.2.11.1 Sales of Goods**

Revenue from Sales of goods is recognized at the point in time when control of the assets is transferred to the customer generally on delivery of Goods. The Company considers whether there are other promises in the contract that are separate performance obligations to which a portion the transaction price needs to be allocated (eg; Warranties). In determining the transaction price for the sales of goods, the Company considers the effects of variable consideration (if any).

**Other Income**

**a) Interest**

For all financial instruments measured at amortized cost 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.



**b) Others**

Other income is recognised on an accrual basis. Net Gains and losses of a revenue nature on the disposal of property, plant & equipment have been accounted for in the income statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

**2.3 SIGNIFICANT ACCOUNTING ASSUMPTIONS, JUDGEMENTS, AND ESTIMATES**

In the process of applying the Company accounting policies, management is required to make judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements. Further management is required to consider key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet 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 discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements. The key items as such are discussed below.

**Provision of Expected Credit Loss on Trade Receivable Other Receivables including Related Party Receivables**

The Company uses a provision matrix to calculate ECL's for trade receivables. The provision rates are based on days past due for grouping of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rate are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL's is a significant estimate. The amount of ECL's is sensitive to changes to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECL's on the Company's trade receivable is disclosed in note 10.

**Useful lives of Property, Plant & Equipment**

The company reviews the assets' residual values, useful lives and methods of depreciation at each reporting date. Judgment by the management is exercised in the estimation of these values, rates, methods.

**Defined Benefit Plans-Gratuity**

The cost of gratuity is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, staff withdrawals, and mortality rates. Due to the complexity of the valuation; the underlying assumptions and its long-term nature, the defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.



### **Warranty Provision**

The Costs of warranty include the cost of labor and materials and overhead to repair a transformer during the warranty period. The main term of the warranty period is two years. The Company accrues for the estimated cost of the warranty on its products sold in the provision for warranty, upon recognition of the sale of the product. The costs are estimated based on actual historical expenses incurred and on estimated future expenses related to current sales and are updated periodically. Actual warranty costs are charged against the provision for warranty.

### **2.3.1 Standards issued but not yet effective**

The new and amended standards that are issued, but not yet effective to the date of issuance of these financial statements are disclosed below.

#### **Definition of Accounting Estimates - Amendments to LKAS 8**

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates. The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

#### **Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to LKAS 12**

The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability

Also, under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

#### **Disclosure of Accounting Policies - Amendments to LKAS 1 and IFRS Practice Statement 2**

Amendments to LKAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies.
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

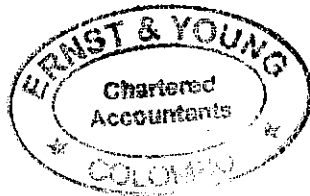


**Classification of Liabilities as Current or Noncurrent - Amendments to LKAS 1**

Amendments to LKAS 1 Presentation of Financial Statements specify the requirements for classifying liabilities as current or non-current. The amendments clarify –

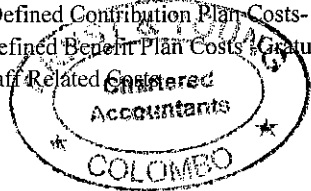
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.
- Disclosures

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.



LT L Transformers (Private) Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2023

3. REVENUE	2023 Rs.	2022 Rs.
Sales of Goods	4,797,216,632	3,990,182,321
	<u>4,797,216,632</u>	<u>3,990,182,321</u>
<b>3.1 Segment Information</b>		
<b>3.1.1 Revenue from contract with customers</b>		
<b>Disaggregated revenue information</b>	<b>2023</b>	<b>2022</b>
Set out below is the disaggregation of Company's revenue from contract's with customers:	<b>Rs.</b>	<b>Rs.</b>
Manufacture of Transformers & Switchgears	4,595,094,399	3,183,377,454
Export of Transformers	-	679,093,540
Other Operations	202,122,233	127,711,327
Total Revenue from Contracts with Customers	<u>4,797,216,632</u>	<u>3,990,182,321</u>
<b>Segment Profit</b>		
Manufacture of Transformers & Switchgears	1,646,688,002	344,227,772
Export of Transformers	-	208,834,250
Other Operations	45,145,602	85,361,731
Total Gross Profit from Contracts with Customers	<u>1,691,833,604</u>	<u>638,423,754</u>
<b>3.2 Other Income</b>	<b>2023 Rs.</b>	<b>2022 Rs.</b>
Other Income (Scrap)	42,724,262	28,751,530
Other Income (Exchange Gain and Miscelenous )	101,780,207	233,994,808
	<u>144,504,469</u>	<u>262,746,338</u>
<b>4. FINANCE COST AND INCOME</b>	<b>2023 Rs.</b>	<b>2022 Rs.</b>
<b>4.1 Finance Cost</b>		
Interest Expense on Overdrafts	230,047,052	52,181,898
Interest & Bank charges on Loans and borrowings	293,308,293	103,869,828
	<u>523,355,345</u>	<u>156,051,726</u>
<b>4.2 Finance Income</b>		
Interest Income - Fixed Deposit-(USD)	54,689,959	21,745,928
	<u>54,689,959</u>	<u>21,745,928</u>
<b>5. PROFIT FROM CONTINUING OPERATIONS</b>	<b>2023 Rs.</b>	<b>2022 Rs.</b>
Stated after Charging /((Crediting)		
<i>Included in Cost of Sales</i>		
Depreciation and Amortization	113,664,733	64,973,296
<i>Staff Costs includes</i>		
- Defined Contribution Plan Costs - EPF & ETF	2,748,895	2,897,087
<i>Included in Administrative Expenses</i>		
Depreciation and Amortization	20,805,508	20,974,433
Amotization Right to Use Asset	25,306,863	22,066,826
Auditors' Remuneration (Fees and Expenses)	803,807	803,807
<i>Staff Costs includes</i>		
- Defined Contribution Plan Costs- EPF & ETF	7,671,349	8,996,256
- Defined Benefit Plan Costs & Gratuity	2,153,438	3,392,677
- Staff Related Expenses	77,536,004	72,045,514



6. INCOME TAX EXPENSE	2023 Rs.	2022 Rs.
<b>Current Income Tax</b>		
Current Tax Expense on Ordinary Activities for the year	183,348,958	17,380,235
Under/(Over) provision of current taxes in respect of prior years	(17,380,235)	(14,534,373)
Deferred taxation Charge/(Reversal) (Note 6.2)	29,111,654	15,797,824
<b>Income tax Expense Reported in the Income Statement</b>	<u>195,080,376</u>	<u>18,643,687</u>
<b>Other Comprehensive Income</b>		
Actuarial gain/(loss) on post employment benefit liability	935,507	(1,211,536)
<b>Income tax expense/(reversal) reported in other comprehensive income</b>	<u>935,507</u>	<u>(1,211,536)</u>
<b>Total income tax expense reported in Comprehensive Income</b>	<u>196,015,883</u>	<u>17,432,150</u>

6.1 A reconciliation between tax expense and the product of accounting profit multiplied by domestic tax rate for the years ended 31 March 2023 is as follows:

	2023 Rs.	2022 Rs.
<b>Adjusted Accounting Profit before income taxes</b>	805,808,972	116,762,070
At the statutory income tax rate of 30%	241,742,692	21,017,173
Impact on Exempt Income	(16,406,988)	(3,914,267)
Non deductible expenses	93,119,613	30,846,927
Deductible expenses	(61,579,400)	(32,314,269)
Carriforward tax Loss	(14,157,118)	1,744,672
Impact on tax rate difference	(59,369,841)	-
Impact on Deferred taxation	29,111,654	15,797,824
Under/(Over) provision of current taxes in respect of prior years	(17,380,235)	(14,534,373)
At the effective income tax rate	<u>195,080,376</u>	<u>18,643,687</u>
<b>At the effective income tax rate</b>	<b>24.2%</b>	<b>16.0%</b>

6.1.2 Reconciliations of the accounting profits and current year Tax

Profit after adjustment	805,808,972	116,762,072
Income not liable for income tax	(54,689,959)	(21,745,928)
Adjusted Profit	<u>751,119,013</u>	<u>95,016,144</u>
Aggregate disallowed expense capital allowance	278,091,870	171,371,814
Aggregate allowed expenses utilisations of tax losses	(146,712,132)	(142,843,326)
Aggregate allowed expenses utilisations of tax losses	(58,552,536)	(36,680,390)
current year tax losses not utilised	(47,190,392)	(14,538,933)
Taxable income	<u>776,755,823</u>	<u>80,099,648</u>
<b>Income tax Charged at</b>		
standard rate @ 30%	109,434,815	-
standard rate @ 18%	73,070,587	14,417,937
standard rate @ 14%	843,556	-
Tax on current year profits	<u>183,348,958</u>	<u>14,417,937</u>

The income tax provision for the company is calculated in accordance with the Inland Revenue Act No.24 of 2017 and its amendments there to and circular issued by the Department of Inland Revenue on 09 May 2023.(No. SEC/2023/E/03) on the subject "Calculation of Income Tax Payable for the year of Assessment commencing on 01 April 2022.

As specialized in the Inland Revenue (Amendment) Act No 45 of 2022, certified on 19th December 2022 and aforementioned circular, the income tax payable for the year assessment 2022/23 is calculated separately for the two periods. The first six months (First period) from 01st April 2022 to 3rd September 2022 and the second 06 months (Second Period) from 01st October 2022 to 31 March 2023.

The separation of business income included under taxable income into two periods can be done either on a pro rata basis or actual basis.

Accordingly, income tax provision for the company have been computed based on the adjusted tax profits at the standard rate of rate of 24% until 30th September 2022 and 30% thereafter.

## 6. INCOME TAX EXPENSE (Contd...)

## 6.2 Deferred tax has been computed using future income tax rate of 30%

	Statement of Financial Position		Income Statement		Other Comprehensive Income	
	2023	2022	2023	2022	2023	2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Deferred Tax Liability</b>						
Capital Allowance for tax purpose	78,431,745	45,248,132	33,183,613	17,179,872	-	-
Total Deferred Tax Liability	<u>78,431,745</u>	<u>45,248,132</u>	<u>33,183,613</u>	<u>17,179,872</u>		
<b>Deferred Tax Assets</b>						
Defined Benefit Plans	3,115,680	1,120,015	1,060,158	226,220	935,507	(1,211,536)
Right Of use Assets	5,862,409	2,850,609	3,011,801	1,155,828	-	-
Total Deferred Tax Asset	<u>8,978,089</u>	<u>3,970,624</u>	<u>4,071,959</u>	<u>1,382,048</u>		
Deferred Tax Charge/(Reversal)			29,111,654	15,797,824	935,507	(1,211,536)
Net Deferred Tax Liability/(Asset)	<u>69,453,656</u>	<u>41,277,509</u>				

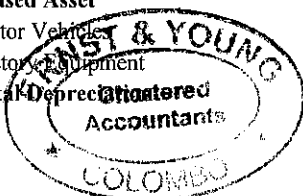
## 7. PROPERTY, PLANT AND EQUIPMENT

## 7.1 Gross Carrying Amounts

	Balance	Additions	Disposals/Cancelled	Balance
	As at			As at
	01.04.2022			31.03.2023
At Cost	Rs.	Rs.	Rs.	Rs.
Plant and Machinery	477,688,654	-	-	477,688,654
Factory Equipment	302,891,898	7,899,410	-	310,791,308
Intercom Equipment	19,418	-	-	19,418
Fire Fighting Equipment	15,902,726	525,000	-	16,427,726
Office Equipment	53,627,983	4,335,234	-	57,963,217
Furniture and Fittings	16,836,233	2,194,429	-	19,030,662
Motor Vehicles	5,214,196	-	-	5,214,196.18
Solar Power System	68,170,955	-	-	68,170,955
Tool	9,301,869	1,097,055	-	10,398,924
<b>Leased Asset</b>				
Motor Vehicles	5,434,710	-	-	5,434,710
Factory Equipment	8,280,000	-	-	8,280,000
	<u>963,368,642</u>	<u>16,051,129</u>	<u>-</u>	<u>979,419,770</u>

## 7.2 Depreciation

	Balance	Charge for the year	Disposals	Balance
	As at			As at
	01.04.2022	Rs.	Rs.	31.03.2023
At Cost	Rs.	Rs.	Rs.	Rs.
Plant and Machinery	169,752,033	73,283,294	-	243,035,327
Factory Equipment	92,889,289	29,935,216	-	122,824,505
Intercom Equipment	19,419	-	-	19,419
Fire Fighting Equipment	8,740,616	2,517,329	-	11,257,945
Office Equipment	26,566,414	10,943,183	-	37,509,597
Furniture and Fittings	5,784,574	4,210,333	-	9,994,907
Motor Vehicles	5,214,195	-	-	5,214,196
Solar Power System	22,342,872	4,547,003	-	26,889,875
Tool	3,603,488	2,553,890	-	6,157,379
<b>Leased Asset</b>				
Motor Vehicles	4,712,565	722,145	-	5,434,710
Factory Equipment	2,767,564	828,000	-	3,595,565
Total Depreciation	<u>342,393,029</u>	<u>129,540,394</u>	<u>-</u>	<u>471,933,425</u>



LTL Transformers (Private) Limited  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2023

**7. PROPERTY, PLANT & EQUIPMENT (Contd...)**

7.3 Net Book Values	2023	2022
	Rs.	Rs.
<b>At Cost</b>		
Plant and Machinery	234,653,327	307,936,622
Factory Equipment	187,966,803	210,002,608
Intercom Equipment	-	-
Fire Fighting Equipment	5,169,780	7,162,109
Office Equipment	20,453,620	27,061,569
Furniture and Fittings	9,035,756	11,051,659
Solar Power System	41,281,080	45,828,082
Tool	4,241,546	5,698,381
<b>Leased Asset</b>		
Motor Vehicles	-	722,145
Factory Equipment	4,684,435	5,512,436
<b>Total Carrying Amount of Property, Plant and Equipment</b>	<u>507,486,346</u>	<u>620,975,611</u>

7.4 During the period the Company acquired Property, Plant and Equipment to the aggregate value of Rs.16,051,129/- (2022 - Rs.310,350,971/-).

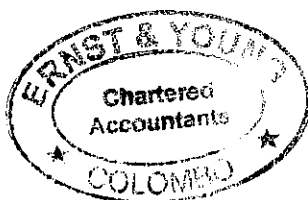
7.5 Property, Plant & Equipment includes fully depreciated assets having a gross carrying amount - Rs. 11,488,333.34/- (2022 - Rs.427,821/-).

**8. RIGHT-OF-USE ASSET**

Land And Buildings	Lease Hold Asset 2023 Rs.	Lease Hold Asset 2022 Rs.
<b>Cost</b>		
Balance as at 01 April 2022	144,884,315	144,884,314
Add: Impact on Extension of lease term	12,960,151	-
Balance as at 31 March 2023	<u>157,844,466</u>	<u>144,884,315</u>
<b>Amortisation</b>		
Balance as at 01 April 2022	56,617,011	34,550,185
Amortization for the period	25,306,863	22,066,826
Balance as at 31 March 2023	<u>81,923,874</u>	<u>56,617,011</u>
<b>Net book value</b>	<u>75,920,592</u>	<u>88,267,304</u>

**8.1 Sensitivity of Right-of-Use Assets / Lease Liability to Key Assumption**

Increase/(decrease) in incremental borrowing rate as at 31 March 2023 by 1% would have (decreased)/increased the lease liability by approximately Rs 1,538,211 /- and Rs 1,505,886/- respectively. Had the company increased/(decreased) the discount rate by 1%, the company profit before tax for the year would have (decreased)/increased by approximately Rs 858,009/- and Rs.891,722/- respectively.



8. RIGHT-OF-USE ASSET (Contd...)

8.2 INTANGIBLE ASSETS

	2023	2022
Computer Software	Rs.	Rs.
<b>Summary</b>		
<b>Cost</b>		
As at 1 April 2022	48,744,200	46,096,122
Acquired / Incurred during the period	3,292,899	2,648,078
As at 31 March 2023	52,037,099	48,744,200
<b>Amortisation</b>		
As at 1 April 2022	15,200,491	10,413,248
Amortisation for the year	4,929,846	4,787,243
As at 31 March 2023	20,130,337	15,200,491
Net book value	31,906,762	33,543,709

9. INVENTORIES

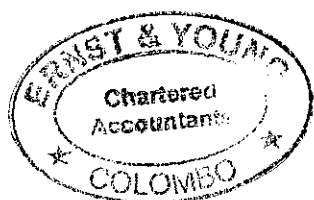
	2023	2022
	Rs.	Rs.
Raw Materials	727,861,949	1,307,351,526
Work in Progress	312,033,341	356,427,537
Finished Goods	152,307,404	224,892,463
	1,192,202,693	1,888,671,526
Goods in Transit	20,450,506	9,664,924
	1,212,653,199	1,898,336,450

10. TRADE AND OTHER RECEIVABLES

	2023	2022
	Rs.	Rs.
<b>Financial Assets</b>		
Trade Receivable - Related Parties (10.1)	2,056,627,106	690,010,943
Trade Receivable - Others	280,510,427	282,916,936
Impairment Provision (10.2)	(148,226,446)	(49,333,604)
Other Receivables - Related Parties (10.3)	-	66,819,599
	2,188,911,087	990,413,873
<b>Non Financial Assets</b>		
VAT Receivable	2,506,461	46,971,044
	2,191,417,548	1,037,384,917

10.1 Trade Receivables From Related Parties

Related Party	Relationship	2023	2022
		Rs.	Rs.
Ceylon Electricity Board	Ultimate Parent	2,051,261,117	687,003,143
Trade Debtors - Ceylax Engineering (Private) Limited	Fellow Subsidiary	5,365,989	3,007,800
		2,056,627,106	690,010,943



LTL Transformers (Private) Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

10. TRADE AND OTHER RECEIVABLES (Contd...)

	2023 Rs.	2022 Rs.
<b>10.2 The Movements in the Provision for Impairment of Trade Receivables</b>		
As At 01 April	49,333,604	14,893,475
Charge for the Year	98,892,841	37,951,382
Utilised		(3,511,253)
Reverse Provision	-	-
As at 31 March 2023	<u>148,226,446</u>	<u>49,333,604</u>

10.3 Non Trade Receivables From Related Parties

Related Party	Relationship	2023 Rs.	2022 Rs.
LTL Holding (Private) Limited	Fellow Subsidia	-	57,798,149
Asiatic Eletrical & Swithgear (Pvt)Ltd -Non Trade	Fellow Subsidia	-	9,021,450
		<u>-</u>	<u>66,819,599</u>

10.4 As at 31 March, the ageing analysis of trade receivables are as follows :

31.03.2023	Total Rs.	Neither past due nor impaired Rs.	Past due			
			30-60 days Rs.	61-90 days Rs.	91-120 days Rs.	Above 120 days Rs.
	2,337,137,533	1,216,095,172	403,284,713	382,512,015	71,430,628	263,815,005
	<u>2,337,137,533</u>	<u>1,216,095,172</u>	<u>403,284,713</u>	<u>382,512,015</u>	<u>71,430,628</u>	<u>263,815,005</u>

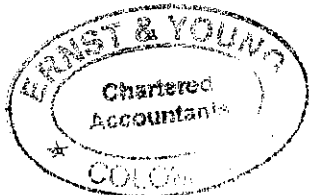
31.03.2022	Total Rs.	Neither past due nor impaired Rs.	Past due			
			30-60 days Rs.	61-90 days Rs.	91-120 days Rs.	Above 120 days Rs.
	972,927,879	517,550,796	116,495,128	252,665,234	23,969,638	62,247,082
	<u>972,927,879</u>	<u>517,550,796</u>	<u>116,495,128</u>	<u>252,665,234</u>	<u>23,969,638</u>	<u>62,247,082</u>

11. ADVANCES AND PREPAYMENTS

	2023 Rs.	2022 Rs.
Advance given to Suppliers	126,367,283	45,137,596
Related Parties (Note 11.1)	20,181,530	4,047,800
	<u>146,548,813</u>	<u>49,185,396</u>

11.1 Advances Paid to Related Parties

	2023 Rs.	2022 Rs.
Asiatic Electrical(Private)Ltd	20,181,530	3,196,384
LTL Galvanizers ( Pvt ) Ltd.	-	851,416.00
	<u>20,181,530</u>	<u>4,047,800</u>



12. OTHER FINANCIAL ASSETS	2023 Rs.	2022 Rs.
<b>12.1 Financial Assets at Amortised cost</b>		
Refundable Deposit	2,160,000	2,160,000
Refundable Deposit - More than 1 Year	1,647,801	3,824,082
Fixed Deposits - Less than three months	117,373,728	513,491,519
<b>Total Other Financial Assets</b>	<u>121,181,529</u>	<u>519,475,601</u>
<b>Total Other Current Financial Assets</b>	<u>119,533,728</u>	<u>515,651,519</u>
<b>Total Other Non-Current Financial Assets</b>	<u>1,647,801</u>	<u>3,824,082</u>

### 13. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial instruments of the company comprises of financial assets and financial liabilities. Fair value is the amount at which financial asset could be exchanged or financial liability could be settled, between knowledgeable and willing parties in an arms length transaction. The information presents herein represents the fair values as at the reporting date.

Due to the short term nature of Trade and Other Receivables, Other current financial assets. Cash and Bank, Trade and Other Payables, Interest bearing Loans and Borrowings and Related Party borrowings the carrying value closely approximates its fair value.

### 14. CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS

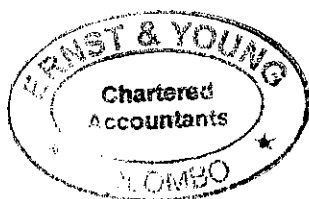
Components of Cash and Cash Equivalents	2023 Rs.	2022 Rs.
<b>14.1 Favorable Cash &amp; Cash Equivalents balance</b>		
<b>Cash and Bank</b>		
Cash at Bank	15,320,328	2,348,380
Cash in Hand	406,489	1,026,018
	<u>15,726,817</u>	<u>3,374,398</u>
Fixed Deposits - Less than three months (Note 12.1)	117,373,728	513,491,519
	<u>133,100,545</u>	<u>516,865,917</u>
<b>14.2 Unfavourable Cash &amp; Cash Equivalent Balances</b>		
Bank Overdraft	(562,344,607)	(902,852,713)
	<u>(562,344,607)</u>	<u>(902,852,713)</u>
<b>Total Cash and Cash Equivalents For the Purpose of Statement of Cash Flow</b>	<u>(429,244,063)</u>	<u>(385,986,796)</u>

### 15. STATED CAPITAL

	2023		2022	
	Number	Rs.	Number	Rs.
<b>15.1 Issued and fully paid</b>				
Ordinary Shares	50,000,000	500,000,000	50,000,000	500,000,000
	<u>50,000,000</u>	<u>500,000,000</u>	<u>50,000,000</u>	<u>500,000,000</u>

### 15.2 Rights, Preference and Restrictions of Classes of Capital

The holders of Ordinary Shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at a meeting of the company.



**LTL Transformers (Private) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 March 2023

**16. RESERVE**

	2023 Rs.	2022 Rs.
<b>16.1 Development Reserve</b>		
As at 01 April 2022	50,000,000	40,000,000
Transferred From Retained Earnings	-	10,000,000
As at 31 March 2023	<u>50,000,000</u>	<u>50,000,000</u>
<b>Total Reserve Balance</b>	<u>50,000,000</u>	<u>50,000,000</u>

M/s LTL Transformers (Private) Limited (LTLT) intends issuing a extended warranty from 2019 onwards for all transformer sales done within Sri Lanka. In this context, if a warranty claim is made it would be covered via a special Insurance cover to be obtained. Upon analysis of the root cause/s for the warranty claim, a reserve to be built from 2018 onwards which will in turn be used to address the issue identified. Management of LTLT identifies, a P&L Reserve to the tune of LKR 50 Million, which would be built from financial Year 2017/18 onwards with an annual accumulation of LKR 10 Million and would be completed at the end of 5 years. The reserve being built will be inter-alia used for R&D purposes, training and skill development, acquisition of advanced machinery etc.

**17. DEFINED BENEFIT LIABILITY**

	2023 Rs.	2022 Rs.
<b>Retirement Benefit Obligation - Gratuity</b>		
Balance as at 1 April 2022	6,222,306	11,696,285
Charge for the year (17.1)	2,153,438	3,392,677
Actuarial (Gain)/Loss Recognized (17.2)	3,118,355	(6,730,756)
Payment made during the year	(1,108,500)	(2,135,900)
Balance at the end of the year 31.03.2023	<u>10,385,599</u>	<u>6,222,306</u>
<b>17.1 Retirement Benefit Expense for the period ended 31.03.2023</b>		
Current Service Cost	1,192,714	2,433,582
Interest cost for the year	960,724	959,095
	<u>2,153,438</u>	<u>3,392,677</u>
<b>17.2 Recognized in Other Comprehensive Income</b>		
Experience Losses/(Gains) arising during the year	(547,785)	(1,460,981)
Losses/(Gains) due to change in assumptions	3,666,140	(5,269,775)
	<u>3,118,355</u>	<u>(6,730,756)</u>

The principal assumptions used are as follows :

	2023	2022
Discount rate assumed	17.7%	15.4%
Salary increase per annum	15%	7%
Turnover	5%	5%
Retirement age	60Year	60Year
Expected Maturity Life	11 years	8.5 years

Gratuity is assumed to be paid immediately provided the participant has 5 years of service credit at the time of departure.



**17. DEFINED BENEFIT LIABILITY (Contd...)**

A quantitative sensitivity analysis for significant assumption shown below:

Sensitivity Level		Discount Rate		Future Salary Increases	
		Rs.	Rs.	Rs.	Rs.
		1.00% Increase	1.00% Decrease	1.00% Increase	1.00% Decrease
Impact on Defined Benefit Obligation (Rs.)	2023	(975,692)	835,749	(961,300)	836,897
Impact on Defined Benefit Obligation (Rs.)	2022	(441,959)	389,604	410,088	(459,791)

The Sensitivity analyses above have been determined based on a method that extrapolates the impact on Defined Benefit Obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

**18. TRADE AND OTHER PAYABLES**

	2023	2022
	Rs.	Rs.
Trade Creditors	178,679,497	285,129,313
Trade Payables - Related Parties (18.1)	165,330,920	119,022,642
Other Payables - Related Parties (18.2)	103,179,940	127,214,591
Advances Received from Customers	148,833,375	115,539,740
Sundry Creditors including Accrued Expenses	266,340,324	4,001,804
Provision for Warranty	15,381,452	4,625,417
	<u>877,745,507</u>	<u>655,533,507</u>

**18.1 Trade Payable Due to Related Parties**

Company	Relationship	2023	2022
		Rs.	Rs.
Asiatic Electrical & Switchgear (Private) Limited	Fellow Subsidiary	128,547,618	110,611,534
LTL Galvanizers (Private) Limited	Fellow Subsidiary	16,179,462	8,411,108
Ceylex Engineering Pvt Ltd	Fellow Subsidiary	153,333	-
Bright International Power Pte Ltd	Fellow Subsidiary	20,450,506	-
		<u>165,330,920</u>	<u>119,022,642</u>

**18.2 Other Payable Due to Related Parties**

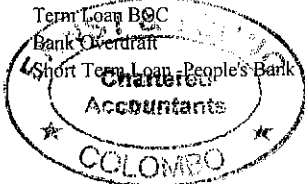
Company	Relationship	2023	2022
		Rs.	Rs.
LTL Holdings Limited	Parent Company	4,803,176	102,326,254
Lakdhanavi Limited	Fellow Subsidiary	98,376,763	24,888,337
		<u>103,179,940</u>	<u>127,214,591</u>

**18.4 Provision for Warranty**

	2023	2022
	Rs.	Rs.
Opening Balance 01.04.2022	4,625,417	2,517,800
Utilized	(24,419,548)	(1,405,359)
During year Provision	35,175,583	3,512,976
Closing Balance as at 31.03.2023	<u>15,381,452</u>	<u>4,625,417</u>

**19. INTEREST BEARING LOANS AND BORROWINGS**

19.1	2023			2022		
	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.	Amount Repayable Within 1 Year Rs.	Amount Repayable After 1 Year Rs.	Total Rs.
Sampath Bank Short Term Loan	5,004,000	14,972,000	19,976,000	5,004,000	19,976,000	24,980,000
Import Loans - HNB	-	-	-	73,995,411	-	73,995,411
Loan - Lakdhanavi Ltd	249,600,000	63,200,000	312,800,000	225,896,033	274,103,967	500,000,000
Term Loan BOC	66,666,672	189,599,988	256,266,660	50,000,004	267,377,772	317,377,776
Bank Overdraft	562,344,607	-	562,344,607	902,852,713	-	902,852,713
Short Term Loan - People's Bank	-	-	-	269,945,425	-	269,945,425
	<u>883,615,279</u>	<u>267,771,988</u>	<u>1,151,387,267</u>	<u>1,527,693,585</u>	<u>561,457,739</u>	<u>2,089,151,324</u>



## 19. INTEREST BEARING LOANS AND BORROWINGS (Contd...)

## 19.2 Other information of Bank Overdrafts, Bank and Inter Company Borrowings

	Interest rate	Facility	Security
<b>Bank overdrafts</b>			
Hatton National Bank	At prevailing market rates	Rs. 1000 Mn	Non
Sampath Bank	At prevailing market rates	Rs. 100 Mn	Non
Nations Trust Bank	At prevailing market rates	Rs. 100 Mn	Non
People's Bank	AWPLR + 1.1%	600Mn	Non
Standard Chartered Bank	At prevailing market rates	USD 12 Mn	Corporate Guarante
<b>Bank Loans</b>			
Sampath Bank	AWPLR + 1%	Rs. 50 Mn	Loan Agreement
Bank Of Ceylon	AWPLR + 1.1%	Rs.339,600,600	Loan Agreement
	<b>As at</b>	<b>Loans Obtained</b>	<b>Repayments</b>
	<b>01.04 2022</b>		<b>As at</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>31.3.2023</b>
			<b>Rs.</b>
Sampath Bank	24,980,000	-	5,004,000.00
Import Loans - HNB	73,995,410	120,045,558	194,040,969
Bank Of Ceylon	317,377,776	-	61,111,116
Loan - Lakdhanavi Ltd	500,000,000	-	187,200,000
Short Term Loan -People's Bank	269,945,425	-	269,945,425
	<u>1,186,298,611</u>	<u>120,045,558</u>	<u>717,301,510</u>
			<u>589,042,660</u>

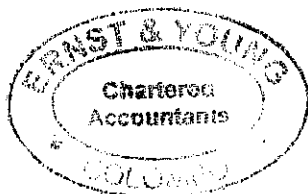
The interest for intercompany loans is charged based on AWPLR for loans granted to related entities.

## 19.3 Lease Liability

	2023		Total	2022		Total
	Amount Repayable Within 1 Year	Amount Repayable After 1 Year		Amount Repayable Within 1 Year	Amount Repayable After 1 Year	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Finance lease Payable	36,301,294	59,160,662	95,461,956	34,255,949	71,164,344	105,420,293
	<u>36,301,294</u>	<u>59,160,662</u>	<u>95,461,956</u>	<u>34,255,949</u>	<u>71,164,344</u>	<u>105,420,293</u>

## 19.3.1 Lease Payable

Movement of Lease Liabilities	Company	
	2023	2022
	Rs.	Rs.
Balance as at 01 April 2022	105,420,294	123,952,092
Add: Impact on Extension of lease term	12,960,151	
Accretion of Interest	13,912,670	14,607,333
Payment to lease creditor	(36,831,159)	(33,139,131)
Balance as at 31 March 2023	95,461,955	105,420,294
Current	27,483,166	21,373,314
Non-Current	67,978,790	84,046,979
<b>The followings are the amount recognized in Profit or Loss:</b>		
Depreciation expenses	26,857,009	24,253,504
Interest expense	13,912,670	14,607,333
<b>Maturity Analysis of Lease Liability</b>		
Less than 3 months	8,818,128	5,603,298
Between 3 to 12 months	18,665,038	15,770,016
Between 1 to 5 years	67,978,790	84,046,979
Balance as at 31 March 2023	<u>95,461,956</u>	<u>105,420,294</u>



LTL Transformers (Private) Limited  
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

20. DIVIDEND PAYABLE - LTL Holdings Limited

Dividends on Ordinary Shares

Balance at the beginning of the year  
Dividends declared during the year  
Dividends paid during the year  
Balance at the end of the year

	2023 Rs.	2022 Rs.
Balance at the beginning of the year	50,000,000	-
Dividends declared during the year	-	50,000,000
Dividends paid during the year	(50,000,000)	-
Balance at the end of the year	-	50,000,000

21. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

21.1 Transaction with the parent and related entities  
Terms and Conditions of Transactions with Related Parties

There have been no guarantees provided or received for any related party receivables or payables.

Nature of Transaction	Ceylon Electricity Board		LTL Holdings (Private) Limited		LTL Galvanizers (Private) Limited		Ceylax Engineering (Private) Limited		Lakdhanavi Ltd		Asiatic Electrical & Switchgear (Private) Limited		Bright International Power Pte Ltd		Total	
	Ultimate Parent Company		Parent Company		Fellow Subsidiary		Fellow Subsidiary		Fellow Subsidiary		Fellow Subsidiary		Fellow Subsidiary		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
As at 1 April 2022	687,003,143	348,971,374	(44,528,105)	15,978,019	(7,559,692)	(97,945,893)	(76,356,538)	5,826,598	(524,888,337)	-	(98,393,700)	3,196,384	-	-	(64,723,229)	276,026,482
Sale of Goods/Services	3,570,546,980	2,726,386,948	-	-	-	845,444	30,396,551	3,217,795	-	-	9,021,450	-	-	-	3,600,943,531	2,739,471,637
Purchase of Goods / Services	-	-	(37,243,021)	34,531,419	(44,330,793)	(146,512,520)	(15,932,055)	(262,444,780)	-	-	(517,613,154)	(152,529,904)	(81,789,150)	-	(696,908,173)	(529,455,985)
Dividend	-	-	-	(50,000,000)	-	-	-	-	-	-	-	-	-	-	-	(50,000,000)
Payments/(Receipts) made During the Year/(W	(2,206,289,006)	(2,388,355,179)	76,967,103	(45,037,542)	35,711,023	236,837,211	67,104,698	177,043,849	189,700,200	-	487,459,236	41,918,370	61,338,644	-	(1,288,008,103)	(1,977,593,291)
Balance As At 31 March 2023	2,051,261,117	687,003,143	(4,804,022)	(44,528,105)	(16,179,462)	(7,559,692)	5,212,656	(76,356,538)	(411,176,763)	(524,888,337)	(108,366,088)	(98,393,700)	(20,450,506)	-	1,497,181,120	64,723,229

Included in	Ceylon Electricity Board		LTL Holdings (Private) Limited		LTL Galvanizers (Private) Limited		Ceylax Engineering (Private) Limited		Lakdhanavi Ltd		Asiatic Electrical & Switchgear Private		Bright International Power Pte Ltd		Total	
	Ultimate Parent Company		Parent Company		Fellow Subsidiary		Fellow Subsidiary		Fellow Subsidiary		Fellow Subsidiary		Fellow Subsidiary		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Trade Receivables from Related Parties (10.1)	2,051,261,117	687,003,143	-	-	-	-	-	-	-	-	-	3,196,384	-	-	2,051,261,117	690,199,527
Non Trade Receivables from Related Parties (10.1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trade Payables to Related Parties (18.1)	-	-	-	-	(16,179,462)	(7,559,692)	5,212,656	(76,356,538)	-	-	(108,366,088)	(101,590,084)	(20,450,506)	-	(119,332,894)	(185,506,314)
Other Payables to Related Parties (18.2)	-	-	(4,804,022)	(44,528,105)	-	-	-	-	-	-	-	-	-	-	(4,804,022)	(44,528,105)
Loan & Borrowings (19)	-	-	-	-	-	-	-	-	(411,176,763)	(524,888,337)	-	-	-	-	(411,176,763)	(524,888,337)
	2,051,261,117	687,003,143	(4,804,022)	(44,528,105)	(16,179,462)	(7,559,692)	5,212,656	(76,356,538)	(411,176,763)	(524,888,337)	(108,366,088)	(98,393,700)	(20,450,506)	-	1,624,313,525	(64,723,229)



**LTL Transformers (Private) Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Year ended 31 March 2023

**21. RELATED PARTY DISCLOSURES (Contd...)**

**21.2 Other Related Entities**

Peradev Ltd., which owns 27% of LTL Holdings (Private ) Limited and it also owns the entirety of shares of Ceylex Engineering (Pvt) Ltd.

Transactions as detailed below, relating to the ordinary course of business, are entered into with the Ceylex Engineering (Pvt) Ltd and it's subsidiaries.

	<b>Ceylex Engineering (Private) Limited and Its Subsidiaries</b>	
	<b>2023</b>	<b>2022</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>As at 01 April 2022</b>	(76,356,538)	5,826,598
Sale of Goods/(Services)	30,396,551	3,217,795
Purchase of Goods/(Services)	(15,932,055)	(262,444,780)
Payments/(Receipts)	67,104,698	177,043,849
<b>As at 31 March 2023</b>	<u>5,212,656</u>	<u>(76,356,538)</u>

**21.3 Transactions with the Government of Sri Lanka and its related entities**

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

The Company enters into transactions, arrangements and agreements with the government of Sri Lanka and its related entities and significant transaction have been reported where applicable.

	<b>Nature of the transactions</b>	<b>2023</b>	<b>2022</b>
		<b>Rs.</b>	<b>Rs.</b>
People's Bank	Investments & Cash Balances	117,373,728	513,491,519
Lanka Electricity Company ( Pvt ) Ltd	Sale of Goods	774,201,634	191,125,872
Lanka Electricity Company ( Pvt ) Ltd	Receivables	128,337,723	65,395,184

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

- Payments of statutory rates, taxes and duties to Department of Inland Revenue & Sri Lankan Customs
- Payment for utilities mainly comprising of telephone, electricity and water.
- Investments, current accounts and borrowings with banks that have ownership interest to the government (HNB)

**21.4 Transactions with Key Management Personnel of the Company or parent**

Key Management Personnel (KMPs) are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Such key management personnel of the Company are the members of its Board of Directors, that of its parent, and Chief Executive Officer. Independent Transactions with Key Management Personnel and transactions with the Close Family Members(CFM)s of the KMPs, if any, also have been taken into consideration in the following disclosure.

	<b>2023</b>	<b>2022</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>Key Management Personnel Compensation</b>		
Director Fees	460,000	330,000
	<u>460,000</u>	<u>330,000</u>



**22. COMMITMENTS AND CONTINGENCIES**

Bank	Type	2023 Rs.	2022 Rs.
People's Bank	Letter of Credit	77,559,078	Nil
Hatton National Bank	Letter of Credit	205,885,355	189,382,142
Standard Chartered Bank	Letter of Credit	-	34,563,737
Hatton National Bank	Airway bill Endorsement		2,385,000
Hatton National Bank	Letter of Guarantees	25,000,000	10,000,000
Hatton National Bank	Performance Guarantees	62,511,437	158,373,644
Hatton National Bank	Bid Bonds	91,423,000	287,718,485
Hatton National Bank	Advance Bonds	27,929,899	89,999,000
		<u>490,308,769</u>	<u>772,422,008</u>

There are no any other significant commitment and or contingencies as at the reporting date except above.

**23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Company has exposure to the following risks from its use of financial instruments.

This note presents information about the Companies' exposure to each risks, the Company's objectives, procedures and processes for measuring and managing risk and the Company's management of capital.

**23.1 Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include investments in fixed and called deposits, investments in bonds and debentures and interest bearing borrowings. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

**23.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company manages interest rate risk on its borrowings by maintaining a mix of fixed rate and floating rate facilities as well as maintaining deposits, which would cover against market fluctuations.

**23.2.1 Interest Rate Sensitivity**

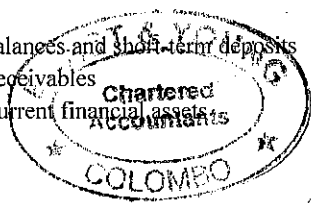
The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, of the Company's/Group Profit Before Tax (PBT).

		2023 Rs.	2022 Rs.
Increase in basis points of interest rate	+100	(5,726,419)	(6,436,523)
Decrease in basis points of interest rate	-100	5,726,419	6,436,523

**23.3 Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivables.

	Rs.	Rs.
Bank balances and short-term deposits	133,100,545	516,865,917
Trade receivables	2,188,911,087	990,413,873
Other current financial assets	119,533,728	515,651,519
	<u>2,441,545,360</u>	<u>2,022,931,309</u>



**23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd...)****23.3 Credit risk (Contd...)****23.3.1 The ageing of the trade receivable at the reporting date**

Ageing	Total	Neither past due nor impaired		Past due but not impaired		
		0-60 days	61-120 days	121-180 days	181-360 days	> 360 days
Trade Receivable 2023	2,337,137,533	1,619,379,216	453,943,310	67,556,170	147,308,992	48,949,843
Trade Receivable 2022	972,927,879	559,674,199	322,785,667	20,377,300	41,798,549	28,292,163

The company mainly invests its funds from operating activities in government securities such as Repurchase Agreements in which assumed that minimal credit risk exposure.

There are no financial assets that renegotiated terms of repayments.

**23.4 Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company has employed competent professionals who carry out the treasury operation which includes short term borrowings, investment in income generating instruments and the routine working capital management in a concurrent manner whereby liquidity risk is managed in an efficient and effective manner.

The table below summarises the maturity profile of the company's financial liabilities based on contractual undiscounted payments.

31 March 2023	Contractual maturities of financial liabilities				
	Total	Up to 3 Months	3-12 Months	1 - 5 Years	More than 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and other payables	877,745,507	877,745,507	-	-	-
Bank Loan	276,242,660	17,917,668	53,753,004	204,571,988	-
Bank Overdraft	562,344,607	562,344,607	-	-	-
	<u>1,716,332,774</u>	<u>1,458,007,782</u>	<u>53,753,004</u>	<u>204,571,988</u>	<u>-</u>

31 March 2022	Contractual maturities of financial liabilities				
	Total	Up to 3 Months	3-12 Months	1 - 5 Years	More than 5 Years
	Rs.	Rs.	Rs.	Rs.	Rs.
Trade and other payables	605,533,507	605,533,507	-	-	-
Bank Loan	342,357,776	17,917,668	53,753,004	270,687,104	-
Bank Overdraft	902,852,713	902,852,713	-	-	-
	<u>1,850,743,996</u>	<u>1,526,303,888</u>	<u>53,753,004</u>	<u>270,687,104</u>	<u>-</u>

**23.5 Foreign Currency risk**

The Company is exposed to currency risk on sales / purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency in which these transactions primarily are denominated in U.S. Dollars. The currency risk is minimized by the Group by natural hedging strategies, over time. Amount equivalent to future payments are placed in short term income generating instruments for appropriate currencies such that the same is utilized for payments as and when they fall due.

Foreign Currency Denominated Assets	Foreign Currency Exposure			
	2023		2022	
	Total carrying value USD	Total carrying value Rs	Total carrying value USD	Total carrying value Rs
Investment	358,941	117,373,728	1,717,363	513,491,519
Trade debtors	38,592	12,619,482	577,162	172,571,372
Foreign Currency Denominated Liability				
Investment Bearing Borrowings	-	-	-	-

**24. COMPARATIVE INFORMATION**

The comparative information of lease liability is reclassified whenever necessary to confirm with the current year's classification in order to provide a better presentation.

	2023 Rs.	2022 Rs.
Interest Bearing Loans and Borrowings	1,151,387,267	2,089,151,324
Lease Liability	95,461,956	105,420,293
	<u>1,246,849,223</u>	<u>2,194,571,617</u>

**25. EVENTS OCCURRING AFTER THE REPORTING DATE**

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the financial statements.

**26. CAPITAL MANAGEMENT**

Capital includes total equity attributable to the parent shareholder.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders.

No changes were made in the objective, policies or processes for managing capital during the year ended 31 March 2023 and 31 March 2022.

