Annexure - II

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF VECV LANKA (PVT) LTD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of VECV Lanka (Pvt) Ltd ("the Company") which comprise the statement of financial position as at 31 March 2022, and the 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 2022, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs).

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards. 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 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 3.3 in the financial statements, which explains the ability of the Company to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the Director's report for the year ended 31 March 2022 but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements do not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this fact.

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 Standard for Small and Medium-sized Entities (SLFRS for SMEs), 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 Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We are 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.

SJMS ASSOCIATES
Chartered Accountants
Colombo

April 20, 2022

V E C V LANKA (PVT) LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2022

	Note	2021/2022 Rs.	2020/2021 Rs.
Income			
Revenue from operations	**5**	27,108,656	280,371,047
Other income	**6**	7,370,827	624,904
Total revenue		34,479,483	280,995,951
Expenses			
Cost of finished goods sold		4,316,967	261,603,372
Employee benefit expenses		2,594,821	11,533,351
Finance costs	**7**	4,832,233	14,901,490
Depreciation expense		376,799	413,505
Other expenses		13,486,991	22,575,922
Foreign exchange loss		(2,452,437)	(16,845)
Total expenses		23,155,373	311,010,795
Profit/(loss) before taxation	**8**	11,324,110	(30,014,844)
Taxation	**9**	-	(13,861,046)
Profit/(loss) for the year		11,324,110	(43,875,890)

The accounting policies and notes from 1 to 21 form an integral part of these financial statements.

V E C V LANKA (PVT) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Note	31.03.2022 Rs.	31.03.2021 Rs.
Assets			
Non current assets			
Property, plant and equipment	**10**	860,524	1,470,017
Deferred tax assets	**11**	-	-
		860,524	1,470,017
Current assets			
Inventories		-	3,322,507
Trade and other receivables	**12**	3,789,686	5,007,756
Amounts due from parent company	**13**	17,873,001	10,047,017
Current tax assets	**14**	180,845	181,082
		21,843,531	18,558,362
Total assets		22,704,055	20,028,379
Equity & liabilities			
Shareholders equity			
Stated capital	**15**	126,816,970	126,816,970
Accumulated losses		(108,933,574)	(120,257,683)
Total equity		17,883,396	6,559,287
Current liabilities			
Other payables	**16**	853,917	4,234,688
Bank overdrafts	**17**	3,966,742	9,234,404
Total current liabilities		4,820,659	13,469,092
Total equity & liabilities		22,704,055	20,028,379

I certify that these financial statements have been prepared in accordance with the requirements of the Companies Act No. 7 of 2007.

…………………………
Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved for and signed for on behalf of the Board.

…………………………. …………………………..
Director **Director**

The accounting policies and notes from 1 to 21 form an integral part of these financial statements.

V E C V LANKA (PVT) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2022

	Stated capital Rs.	Accumulated profit/(loss) Rs.	Total Rs.
Balance as at 01.04.2020	126,816,970	(76,381,792)	50,435,177
Loss for the year	-	(43,875,891)	(43,875,890)
Balance as at 31.03.2021	126,816,970	(120,257,683)	6,559,287
Profit for the year	-	11,324,110	11,324,110
Balance as at 31.03.2022	126,816,970	(108,933,574)	17,883,396

The accounting policies and notes from 1 to 21 form an integral part of these financial statements.

V E C V LANKA (PVT) LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021

	31.03.2022 Rs.	31.03.2021 Rs.
Cash flows from operating activities		
Profit/(loss) before taxation	11,324,110	(30,014,844)
Adjustment for;		
Interest	406,170	-
Loss on sale of fixed assets	32,695	-
Depreciation	376,799	413,505
Operating loss before working capital changes	12,139,772	(29,601,339)
Decrease in inventories	3,322,507	224,803,244
Increase in trade and other receivables	1,218,070	89,581,942
(Increase)/ decrease in amounts due from parent company	(7,825,984)	36,300,137
Decrease in other payables	(3,380,771)	(10,946,103)
Cash generated from operations	5,473,595	310,137,881
Income taxes adjustment	237	-
Interest expenses	(406,170)	-
Net cash flows used in operating activities	5,067,662	310,137,881
Cash flows from investing activities		
Sales proceeds on property, plant and equipment	200,000	-
Net cash from investing activities	200,000	-
Cash flows from financing activities		
Short term loan obtained during the year	-	199,000,000
Short term settlements during the year	-	(459,000,000)
Net cash from financing activities	-	(260,000,000)
Increase/ (decrease) in cash and cash equivalents	5,267,662	50,130,610
Cash and cash equivalents at the beginning of the year	(9,234,404)	(59,365,014)
Cash and cash equivalents at the end of the year	(3,966,742)	(9,234,404)
Cash and cash equivalents comprise		
Bank balance	(3,966,742)	(9,234,404)
	(3,966,742)	(9,234,404)

The accounting policies and notes from 1 to 21 form an integral part of these financial statements.

V E C V LANKA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

1. Corporate information

1.1 Domicile and legal form

VECV Lanka (Pvt) Ltd is a private limited liability company, incorporated and domiciled in Sri Lanka on 9th April 2013. The registered office of the company is located at 385, Level 1, The Landmark Building, Galle Road, Colombo 03.

1.2 Principal activity and nature of operations

The principal activity of the company is to carry on the business of import and sale its range of commercial vehicles and spare parts for the local market. The company commenced commercial operations on 31st May 2013.

1.3 Parent company

The company's parent undertaking is VE Commercial Vehicles Ltd, which is incorporated and domiciled in India.

1.4 Date of authorisation for issue

The financial statements were authorised for issue by the Board of Directors on …......

1.5 Comparative financial information

The accounting policies have been consistently applied by the company with those of the previous financial year in accordance with Section 3 of SLFRS for SMEs - Financial statement presentation. Further, comparative information is reclassified wherever necessary to comply with the current presentation.

2. Basis of preparation

2.1 Statement of compliance

The financial statements of the company (statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows together with accounting policies and notes) are prepared in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs) as issued by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise stated in the financial statements. The financial statements are presented in Sri Lanka Rupees (Rs.) rounded to the nearest rupee.

2.3 Translation of foreign currency transactions

The functional currency of the company is Sri Lankan Rupees (Rs.). Transactions in foreign currencies are initially recorded in the functional currency using the spot rate at the date of the transaction. Foreign currency monetary items at the reporting date are translated using the closing rate. All exchange differences arising on settlements are recognised in profit or loss.

3. Significant accounting judgements estimates and assumptions

The preparation of financial statements of the company requires the application of certain critical accounting assumptions relating to the future. Further, it requires the management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods. Hence, actual experience and results may differ from these judgments and estimates.

In the process of applying the company's accounting policies, management has made the following judgments, estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements:

3.1 Taxation

The company is subject to income taxes and other taxes. Significant judgment is required to determine the total provision for current, deferred and other taxes.

The company recognized assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made.

3.2 Useful life-time of the property, plant and equipment

The company reviews the residual values, useful lives and methods of depreciation of assets as at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

3.3 Going concern *(Pending information)*

The company made a profit of Rs. 11,324,110 during the year and has accumulated loss amounting to Rs. 108,933,574 as at the reporting date. The company doesn't have any inventory in market for selling purpose. These conditions indicate the existence of material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

However the Directors have made an assessment and are confident of the company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations, as the significance of the below indications and have been mitigated by the financial assistance provided by the Parent company:

The Government of Sri Lanka has decided to stop import of Completely Built Unit (CBU) and instead allow import of Semi Knocked-down (SKD) assemblies to promote the local industry and employment. In view of the above development, VECV Lanka (Pvt) Ltd is in the process of evaluating various options of SKD import and assembly. The proposal once firmed up shall be placed before VECV Lanka (Pvt) Ltd's Board and the Board of Holding company for approval. Further, that VECV Lanka (Pvt) Ltd, intends to continue business in Sri Lanka in form and manner approved by the Board of two companies.

Further, with the support from parent company in India on the new products, support on marketing activities and technical expertise; VECV Lanka (Pvt) Ltd will be able to achieve its desired goals in the coming year and bounce back with new heights in the market.

4. Summary of significant accounting policies

4.1 Revenue and expenditure recognition

4.1.1 Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of return, trade discounts and sales taxes.

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The company has transferred significant risks and rewards of ownership of the goods to the buyer.
- The company retaining, neither a continuing managerial involvement to the degree usually associated with ownership nor an effective control over the goods sold.
- The amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

4.1.2 Interest income

Interest income is recognised on an accrual basis.

4.1.3 Expenditure recognition

Expenses are recognized in the statement of comprehensive income on the basis at a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to revenue in arriving at the profit/(loss) for the period.

For the purpose of presentation of statement of comprehensive income, the Directors are of the opinion that the nature of expenses method present fairly the elements of the company's performance, hence such presentation method is adopted.

4.2 Current tax assets and liabilities

4.2.1 Tax expenses

Income tax expense represents the sum of the tax currently payable and deferred tax movement for the current period. The tax currently payable profit for the year.

4.2.2 Current tax

Current tax for current and prior periods, is to the extent unpaid, recognised as liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those period, the excess is recognised as an asset, limited to the extent that it is probable that taxable profit will be available against which those deductible temporary differences can be utilized.

4.2.3 Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to reduced taxable profit in the future, and any unused tax losses or unused tax credits, limited to the extent that is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss.

4.2.3 Deferred tax *(Contd ...)*

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be released or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

4.3 Non financial assets

4.3.1 Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The following useful lives are used for the depreciation of property, plant and equipment:

Category of asset	Depreciation rate %
Office equipment	17.39%-37.5%
Furniture & fittings	8.28%
Computer equipment	7.5% - 41.38%

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

On disposal, the difference between the net disposal proceeds and the carrying amount of the item sold is recognised in profit or loss, and included in “other income” or “other operating expenses”.

Impairment of non-financial assets

At each reporting date, property, plant and equipment, is reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss for a non-financial asset other than goodwill subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4.4 Inventories

Stock-in-trade is valued at the lower of cost and net realizable value. Cost of inventories are determined based on actual cost and inventory handling charges.

4.4.1 Goods in transit

Inventory items shipped, but not received by the company as at the reporting date are treated as goods-in-transit. In such situation estimates are made for unpaid bills in order to value goods-in-transit.

4.5 Financial assets

Receivables are initially recognised at the transaction price. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

4.6 Financial liabilities

Financial liabilities are initially recognized at the transaction price (including transaction costs). Interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

4.7 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand, and deposits in bank net of outstanding bank overdrafts.

4.8 Investments in fixed deposits

Deposits with banks are initially recognised at the transacted price and these assets are subsequently measured at amortised cost using the effective interest rate (EIR) method.

At the end of each reporting period, the carrying amounts of financial assets are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

4.9 Stated capital

Ordinary shares are classified as equity.

4.10 Liabilities and provisions

All known liabilities as at the reporting date have been provided in the preparation of the financial statements.

4.10.1 Defined Contribution Plan – Employees' Provident Fund and Employees' Trust Fund

All employees (excluding expatriate employees) are eligible to Employees' Provident Fund Contributions and Employees' Trust Fund Contribution in line with respective statutes and regulations. The company contributes 12% of gross emoluments of employees to an approved Provident Fund and 3% of gross emoluments of employees to the Employees' Trust Fund.

4.10.2 Provisions

Provisions are recognized when the company has a present obligation as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4.11 Impairment of assets

At each reporting date, the company assesses whether there is any indication that any asset (property, plant and equipment) may be impaired. If there is an indications of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory with its selling price less costs to complete and sell. If an item of inventory is impaired, its carrying amount is reduced to its selling price less cost to complete and sell, and an impairment loss is recognised immediately in profit or loss.

4.11 Impairment of assets *(Contd ...)*

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount (selling price less cost to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment losses allocated to goodwill, the reversal of which is prohibited by the standard.

4.12 Commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The contingencies and capital commitments for which the company is liable severally or otherwise is also included with appropriate disclosures.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the statement of financial position but are disclosed unless they are remote.

Contingent asset are possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized in the statement of financial position but are disclosed in the financial statement.

4.13 Events after the reporting period

All material events after the reporting date are considered and where necessary adjustments are made in the financial statements.

		2021/2022 Rs.	2020/2021 Rs.
5.	**Revenue from operations**		
	Sale of goods	3,100,000	279,166,968
	Incentives from VE Commercial Vehicles Ltd	24,008,656	1,204,079
		27,108,656	280,371,047
6.	**Other income**		
	Sales of scrap	-	100,000
	Reimbursement of expenses	5,832,500	519,404
	Write back of sales promotion	390,515	-
	Reversal of provision for vehicle repair charges	926,460	-
	Reversal of provision for warranty claims	221,352	-
	Boarding and lodging	-	5,500
		7,370,827	624,904
7.	**Finance costs**		
	Bank charges	4,426,063	152,187
	Loan interest	406,170	14,749,303
		4,832,233	14,901,490
8.	**Profit/loss before taxation**		
	The profit/losses before taxation is stated after charging all expenses including the following:		
	Salaries	664,201	607,630
	Employees provident fund	79,703	72,912
	Employees trust fund	19,929	18,227
	Other staff related cost	1,590,988	10,594,582
	Auditor's remuneration	243,000	489,802
	Depreciation	376,799	413,505
	Legal and professional charges	1,276,363	1,071,606
9.	**Taxation**		
	Provision for the period *(Note 9.1)*	-	-
	Deferred tax *(Note 11)*	-	13,861,046
		-	13,861,046

9.1 A reconciliation between tax expenses and the product of accounting loss multiplied by the applicable tax rate:

	2021/2022 Rs.	2020/2021 Rs.
Accounting profit/(loss) as per income tax computation	11,324,110	(30,014,844)
Tax at the applicable tax rate of 24%	2,717,786	(7,203,563)
Tax effect on expenses that are not deductible in determining taxable profits	443,853	505,209
Tax effect on expenses that are deductible in determining taxable profits	(10,406)	(14,050)
Tax effect on adjusted taxable losses carried forward to the next year	(3,151,233)	6,683,916
Income tax expenses at the effective income tax rate	-	-
Statutory tax rate	24%	24%

The adjusted tax losses carried forward at the end of the period amounts to Rs. 61,223,668/- (31st March 2021 (adjusted) - Rs. 74,353,806/-)

10. Property, plant and equipment

	Computer equipment Rs.	Office equipment Rs.	Furniture & fixtures Rs.	Total Rs.
Cost				
Balance as at 01.04.2020	2,262,192	124,635	1,988,077	4,374,904
Additions during the year		-	-	-
Balance as at 31.03.2021	2,262,192	124,635	1,988,077	4,374,904
Additions / (Disposals) during the year	-	-	(493,980)	(493,980)
Balance as at 31.03.2022	2,262,192	124,635	1,494,097	3,880,924
Accumulated depreciation				
Balance as at 01.04.2020	1,584,858	105,452	801,071	2,491,382
Depreciation for the year	280,953	1,872	130,680	413,505
Balance as at 31.03.2021	1,865,805	107,324	931,751	2,904,887
Depreciation for the year	246,953	1,872	127,974	376,799
Disposals during the year	-	-	(261,277)	(261,277)
Balance as at 31.03.2022	2,112,758	109,195	798,447	3,020,400
Net book value				
Written down value as at 31.03.2022	149,434	15,440	695,650	860,524
Written down value as at 31.03.2021	396,387	17,311	1,056,326	1,470,017

		31.03.2022	31.03.2021
		Rs.	Rs.
11.	**Deferred tax**		
	The gross movement on the deferred income tax account is as follows:		
	Balance at the beginning of the period	-	13,861,046
	Origination/ (reversal) of temporary differences	-	(13,861,046)
	Balance at the end of the period	-	-
	Deferred tax asset comprises of :		
	Accelerated depreciation for tax purposes	(198,942)	(331,170)
	Adjusted carried forward tax losses as per tax computation	14,693,680	20,938,734
	Net deferred tax assets	14,494,739	20,607,564
	Net unrecognised deferred tax assets	(14,494,739)	(20,607,564)
	Net recognised deferred tax assets	-	-
	Tax rate used	24%	24%
12.	**Trade and other receivables**		
	Refundable deposits	1,324,480	1,759,480
	Prepayments	193,097	280,209
	Rent advances	570,000	1,195,000
	Other receivables	1,702,108	1,702,108
	Receivable from employees	-	70,959
		3,789,686	5,007,756
13.	**Amounts due from parent company**		
	VE Commercial Vehicles Ltd	17,873,001	10,047,017
		17,873,001	10,047,017
	The above balance is receivable on demand.		
14.	**Current tax assets/ (liabilities)**		
	Balance at the beginning of the period	181,082	181,082
	Provision for the period	-	-
	Write off of Economic Service charges	(1,966,680)	-
	Write back of Economic Service charges	1,966,443	-
	Balance at the end of the period	180,845	181,082
15.	**Stated capital**		
	Issued & fully paid-		
	12,681,697 number of ordinary shares fully paid	126,816,970	126,816,970

		31.03.2022	31.03.2021
		Rs.	Rs.
16.	**Other payables**		
	Pay as you earn taxes	217,543	278,219
	Sundry creditors	332,478	3,082,542
	Accrued expenses	303,896	873,927
		853,917	4,234,688
17.	**Bank overdrafts**		
	Standard Chartered Bank	3,966,742	9,234,404

Terms and conditions of facility

Bank	Limit	Security
Standard Chartered Bank Account number - 01-5008903-01	Rs. 250 Mn	A stand by letter of credit (SLBC) for USD 2,000,000/-, obligator Kotak Mahindra Bank (VE Commercial Vehicle Ltd' bank), valid till 11th December 2022

18. Contingent liabilities and capital commitments *(Pending information)*

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be readily measured as defined in Section 21 on 'Provisions, contingent liabilities and contingent assets'. Contingent liabilities are not recognized in the statement of financial position but are disclosed unless its occurrence is remote.

There were no material capital commitments and/or contingent liabilities as at the reporting date, which required adjustments to or disclosures in the financial statements except the following :

- Maturity profile of operating lease:

within 1 year	1,811,160
1 to 5 years	473,850

19. Events after the reporting period *(Pending information)*

There have been no material events occurring after the reporting date that require adjustments to or disclosures in the financial statements, except for following:

Considering the severity of the external turmoil due to the Russian – Ukrainian war and recent developments in the domestic market, the Central Bank of Sri Lanka announced several policy changes in March 2022 and as a result, the Sri Lankan rupee witnessed a sharp depreciation against the US Dollar. The company's exposure to foreign currency denominated receipts and payments is not significant.

20. Covid impact (Pending information)

The COVID-19 pandemic has had a direct impact on economic activities both locally and globally, while pandemic- related uncertainties have affected the overall business landscape of the country.

20. Covid impact (Pending information) (*Contd …)*

The wider economic impacts of these events include:

- Disruption to business operations and economic activity in Sri Lanka, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in a number of sectors, both within Sri Lankan and in the rest of the world.
- Significant decrease in demand for non-essential goods and services;

In view of the above developments, VECV Lanka has taken various measures to optimise the cost and sustain its operations till the time economic situation is improved. Further that VECV Lanka intends to continue business in Sri Lanka in form and manner approved by the Board of two companies.

21. Related party disclosures

21.1 Transactions with key management personnel *(Pending information)*

Related parties include key managerial personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company and its related companies. Such key managerial persons include the Board of Directors of the company.

Compensation to key management personnel are as follows:

	2021/2022 Rs.	2020/2021 Rs.
Short term employee benefits	Nil	11,672,614

21.2 Amounts due to and due from parent company

Related party	Nature of relationship	Nature of transaction	Transaction value 2021/2022 (Rs.)	Outstanding balance as at 31.03.2022 (Rs.)
VE Commercial Vehicles Ltd.	Parent Company	Purchase of finished goods	-	17,873,001
		Reimbursement of warranty claims incurred on behalf of parent	6,791,885	
		Sharing of Expenses	8,230,847	
		Reimbursement of TDS expenses	1,570,200	
		Incentive / commission on sales of vehicles	45,870,837	
		Reimbursement of other expenses incurred on behalf of the parent	-	

V E C V LANKA (PVT) LTD
DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

		31.03.2022 Rs.	31.03.2021 Rs.
1.	**Cost of finished goods sold**		
	Inventories at the beginning of the year	4,316,967	212,670,554
	Add: purchases during the year	-	53,249,785
	Less: inventories at the end of the year	-	(4,316,967)
		4,316,967	261,603,372
2.	**Employee benefits expenses**		
	Salaries	664,201	607,630
	Cost of living & other allowance	567,941	8,810,770
	Conveyance allowance	240,000	240,000
	Employees' Provident Fund	79,703	72,912
	Employees' Trust Fund	19,929	18,227
	Other taxes	1,023,047	1,783,812
		2,594,821	11,533,351
3.	**Other expenses**		
	Staff welfare	910,467	1,357,191
	Car rental	1,960,350	2,230,200
	Cleaning expenses	489,960	626,245
	Water charges	16,333	26,978
	Rates, taxes and license fee	115,437	89,991
	Computer accessories	93,100	98,000
	Courier charges	16,914	11,217
	Electricity	206,807	303,425
	Printing and stationery	26,477	52,001
	Data communication	65,206	77,804
	Conveyance expenses	249,317	354,611
	Telephone charges	29,736	28,876
	Mobile phone charges	125,105	245,499
	Rent	7,057,505	13,825,170
	Legal and professional charges	1,276,363	1,071,606
	Insurance	444,575	1,089,669
	Books and periodicals	560	19,520
	Auditor's remuneration	243,000	489,802
	Business promotion	53,590	150,275
	Foreign travelling	-	50,500
	Vehicle repair charges	-	377,342
	Loss on sale of fixed assets	32,703	-
	Furniture repairs	73,485	-
		13,486,991	22,575,922

		31.03.2022 Rs.	31.03.2021 Rs.
4.	**Accrued expenses**		
	Employees' Provident Fund	11,070	10,127
	Employees' Trust Fund	1,661	1,519
	Telephone	11,452	2,452
	Data communication	3,637	7,603
	Sales promotion	-	90,000
	Professional fees	32,076	147,179
	Auditor's remuneration	243,000	334,125
	Cellular phone expenses	-	18,000
	Warranty claims	-	259,522
	Stamp duty	1,000	1,900
	Water and sewage		1,500
		303,896	873,927