

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF V E C V LANKA (PRIVATE) LIMITED****Report on the Audit of the Financial Statements****Opinion**

We have audited the financial statements of V E C V Lanka (Private) Limited (“the Company”), which comprise the statement of financial position as of 31 March 2023, 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 2023, 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 (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 ethical requirements of the Code of Ethics issued by CA Sri Lanka (Code of Ethics) that are relevant to our audit of the financial statements, 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.

Other Information

Management is responsible for the other information. The other information comprises the Director's report for the year ended 31 March 2023 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 the 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.

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

Management is responsible for the preparation and fair presentation of financial statements 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 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 identified 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
19 April 2023



V E C V LANKA (PVT) LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2022/2023 Rs.	2021/2022 Rs.
Income			
Revenue from operations	5	-	27,108,656
Other income	6	527,345	7,370,827
Total revenue		527,345	34,479,483
Expenses			
Cost of finished goods sold		-	4,316,967
Employee benefit expense		5,385,114	2,594,821
Finance costs	7	46,777	4,832,233
Depreciation expense		207,844	376,799
Other expenses		6,292,742	13,486,991
Foreign exchange loss		(2,269,069)	(2,452,437)
Total expenses		9,663,408	23,155,374
Profit / loss before taxation	8	(9,136,063)	11,324,109
Taxation	9	-	-
Profit / loss for the year		(9,136,063)	11,324,109

The accounting policies and notes from 1 to 20 form an integral part of these financial statements.



V E C V LANKA (PVT) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

Assets	Note	31.03.2023	31.03.2022
		Rs.	Rs.
Non current assets			
Property, plant and equipment	10	652,681	860,524
		<u>652,681</u>	<u>860,524</u>
Current assets			
Trade and other receivable	11	1,489,037	3,789,686
Amounts due from parent company	12	940,234	17,873,001
Current tax assets	13	-	180,845
Cash and cash equivalent	14	7,544,047	-
		<u>9,973,318</u>	<u>21,843,531</u>
Total assets		<u><u>10,625,998</u></u>	<u><u>22,704,056</u></u>
Equity and liabilities			
Shareholders equity			
Stated capital	15	126,816,970	126,816,970
Accumulated profits / losses		(118,069,636)	(108,933,573)
Total equity		<u>8,747,334</u>	<u>17,883,397</u>
Current liabilities			
Other payables	16	1,878,665	853,917
Bank overdrafts	14	-	3,966,742
Total current liabilities		<u>1,878,665</u>	<u>4,820,659</u>
Total equity and liabilities		<u><u>10,625,998</u></u>	<u><u>22,704,056</u></u>

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

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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 on 19 April 2023.

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Director

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Director

The accounting policies and notes from 1 to 20 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 2023

	Stated capital Rs.	Accumulated loss Rs.	Total Rs.
Balance as at 31.03.2021	126,816,970	(120,257,683)	6,559,287
Profit for the year	-	11,324,109	11,324,109
Balance as at 31.03.2022	<u>126,816,970</u>	<u>(108,933,573)</u>	<u>17,883,397</u>
Loss for the year	-	(9,136,063)	(9,136,063)
Balance as at 31.03.2023	<u><u>126,816,970</u></u>	<u><u>(118,069,636)</u></u>	<u><u>8,747,334</u></u>

The accounting policies and notes from 1 to 20 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 2023

	Note No	31.03.2023 Rs.	31.03.2022 Rs.
Cash flows from operating activities			
Profit / (loss) before taxation		(9,136,063)	11,324,110
Adjustment for;			
Interest	7	13,387	406,170
Loss on sale of fixed assets		-	32,695
Depreciation	10	207,844	376,799
Impairment provision		653,102	-
Operating profit / (loss) before working capital changes		(8,261,730)	12,139,772
Increase in inventories		-	3,322,507
Decrease in trade and other receivables		1,828,393	1,218,070
Decrease / (increase) in amounts due from parent company		16,932,766	(7,825,984)
Increase / (decrease) in other payable		1,024,748	(3,380,771)
Cash generated from operations		11,524,177	5,473,595
Income taxes adjustment		-	237
Interest expenses	7	(13,387)	(406,170)
Net cash flows from operating activities		11,510,790	5,067,662
Cash flows from investing activities			
Sale of property, plant and equipment		-	200,000
Net cash from investing activities		-	200,000
Cash flows from financing activities			
Net cash flows from financing activities		-	-
Increase in cash and cash equivalents		11,510,789	5,267,662
Cash and cash equivalents at the beginning of the year		(3,966,742)	(9,234,404)
Cash and cash equivalents at the end of the year		7,544,047	(3,966,742)
Cash and cash equivalent comprises			
Cash at bank		7,544,047	(3,966,742)
		7,544,047	(3,966,742)

The accounting policies and notes from 1 to 20 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 2023

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 31 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 authorization for issue

The financial statements were authorized for issue by the Board of Directors on 19 April 2023.

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.

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 recognized in profit or loss.



V E C V LANKA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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 recognises 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

The company made a loss of Rs.9,136,063 during the year and has accumulated loss amounting to Rs. 118,069,636 as at the reporting date. Due import restrictions on vehicles the company doesn't have any inventory in market for selling purpose.

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. After considering various factors like the current and potential demand for commercial vehicles which is the backbone for any economic development and present enquiries in hand the board feel confident to continue operations in Sri Lanka and remain ready for future opportunities in the market. Further, parent company has confirmed that it will provide required financial assistance to continue the business therefore these financial statements have been prepared on going concern basis.



V E C V LANKA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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. associated with the transaction will flow to the entity; and

4.1.2 Interest income

Interest income is recognized 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 on taxable profit for the year.

4.2.2 Current tax

Current tax for current and prior periods, is to the extent unpaid, recognized as liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those period, the excess is recognized 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.



V E C V LANKA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

4.2.3 Deferred tax

Deferred tax is recognized 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 assets are recognized for all temporary differences that are expected to reduce 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 recognized in profit or loss.

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 and 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 recognized 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 recognized 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 recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.



V E C V LANKA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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.

4.5 Financial assets

Receivables are initially recognized 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 recognized 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 amortized 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 Stated capital

Ordinary shares are classified as equity.

4.9 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.

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 recognized 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 recognized immediately in profit or loss.

V E C V LANKA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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 recognized 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 assets are possible assets that arise 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 statements.

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.



V E C V LANKA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

	31.03.2023 Rs.	31.03.2022 Rs.
5. Revenue from operations		
Sale of goods	-	3,100,000
Incentives from VE Commercial Vehicles Ltd	-	24,008,656
	<u>-</u>	<u>27,108,656</u>
6. Other income		
Exchange gain	-	-
Reimbursement of expenses	-	5,832,500
Write back of sales promotion	-	390,515
Reversal of provision for vehicle repair charges	-	926,460
Reversal of provision for warranty claims	-	221,352
Other miscellaneous income	527,345	-
	<u>527,345</u>	<u>7,370,827</u>
7. Finance expense		
Bank charges	33,390	4,426,063
Loan interest	13,387	406,170
	<u>46,777</u>	<u>4,832,233</u>
8. Profit before taxation		
The profit before taxation is stated after charging all expenses including the following:		
Salaries	704,052	664,201
Employees provident fund	84,491	79,703
Employees trust fund	22,588	19,929
Cost of living & other allowance	1,128,552	1,590,988
Auditors remuneration	200,000	243,000
Depreciation	207,844	376,799
Legal and professional charges	739,480	1,276,363
9. Taxation		
Provision for the period (Note 9.1)	-	-
Deferred tax (Note 9.2)	-	-
	<u>-</u>	<u>-</u>



V E C V LANKA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

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

	31.03.2023	31.03.2022
	Rs.	Rs.
Accounting profit / (loss) as per income tax computation	<u>(9,136,063)</u>	<u>11,324,109</u>
Tax at the applicable tax rate of 30% (2021/22 -24%)	(2,740,819)	2,717,786
Tax effect on expenses that are not deductible in determining taxable profits	1,040,783	443,853
Tax effect on expenses that are deductible in determining taxable profits	(731,602)	(10,406)
Tax effect on adjusted taxable losses carried forward to the next year	(2,431,639)	-
Tax effect on taxes claimed during the year	-	(3,151,233)
Income tax expenses at the effective income tax rate	<u>-</u>	<u>-</u>
Statutory tax rate	30%	24%

9.2 Deferred tax

The gross movement on the deferred income tax account is as follows:

Balance at the beginning of the period	-	-
Origination / (reversal) of temporary differences	-	-
Balance at the end of the period	-	-

Deferred tax asset comprises of :

Accelerated depreciation for tax purposes	(195,804)	(198,942)
Adjusted carried forward tax losses as per tax computation	20,798,739	14,693,680
Net deferred tax assets	20,602,935	14,494,739
Net unrecognised deferred tax assets	(20,602,935)	(14,494,739)
Net recognised deferred tax assets	-	-
Tax rate used	30%	24%



V E C V LANKA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

	Computer equipment Rs.	Office equipment Rs.	Furniture & fixtures Rs.	Total Rs.
10. Property, plant and equipment				
Cost				
Balance as at 31.03.2021	2,262,192	124,635	1,988,077	4,374,904
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
Additions during the year	-	-	-	-
Balance as at 31.03.2023	2,262,192	124,635	1,494,097	3,880,924
Accumulated depreciation				
Balance as at 31.03.2021	1,865,805	107,323	931,752	2,904,880
Depreciation during the year	246,953	1,872	127,974	376,799
Disposals during the year	-	-	(261,279)	(261,279)
Balance as at 31.03.2022	2,112,758	109,195	798,447	3,020,400
Depreciation during the year	107,763	1,872	98,209	207,844
Balance as at 31.03.2023	2,220,521	111,066	896,656	3,228,243
Net book value				
Written down value as at 31.03.2023	41,671	13,569	597,441	652,681
Written down value as at 31.03.2022	149,434	15,440	695,650	860,524



V E C V LANKA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

	31.03.2023	31.03.2022
	Rs.	Rs.
11. Trade and other receivable		
Refundable deposits	-	1,324,480
Prepayments	189,037	193,097
Rent advances & deposit	1,300,000	570,000
Other receivables	472,257	1,702,108
Impairment provision	(472,257)	-
	<u>1,489,037</u>	<u>3,789,686</u>
12. Amounts due from parent company		
VE Commercial Vehicles Ltd	940,234	17,873,001
	<u>940,234</u>	<u>17,873,001</u>
The above balance is receivable on demand and free of interest.		
13. Current tax assets		
Balance at the beginning of the period	-	181,082
Provision for the period	-	-
Tax credits : Economic service charges	180,845	(237)
Impairment provision	(180,845)	-
Balance at the end of the period	<u>-</u>	<u>180,845</u>
14. Cash and cash equivalent		
Bank balance	7,544,047	-
	<u>7,544,047</u>	<u>-</u>
Bank overdrafts	-	3,966,742
	<u>-</u>	<u>3,966,742</u>
15. Stated capital		
Issued & fully paid-		
12,681,697 number of ordinary shares fully paid	<u>126,816,970</u>	<u>126,816,970</u>
16. Other payables		
Pay as you earn taxes	1,399,735	217,543
Sundry creditors	21,864	332,478
Accrued expenses	457,065	303,896
	<u>1,878,665</u>	<u>853,917</u>



V E C V LANKA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

17. Capital commitments and contingent liabilities

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 :

	31.03.2023	31.03.2022
- Maturity profile of operating lease:		
within 1 year	1,560,000	1,811,160
11 to 5 years	390,000	473,850

18. Events after the reporting period

There were no significant events after the reporting period that require adjustments to or disclosure in the financial statements.

19. Disclosure on current economic crisis

The Monetary Board of the Central Bank of Sri Lanka (CBSL) has decided to increase the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR). The depletion of foreign reserves has put restrictions on imports and affected supplies. Company had to cease its operations due to government restrictions on import of vehicles however management has continued the company in dormant state with the expectation of reviving its vehicle selling business once import restrictions are lifted by government. Further parent company has confirmed that it will provide required financial assistance to continue company.

20. Related party disclosures

20.1 Transactions with key management personnel

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:

	2022/2023	2021/2022
	Rs.	Rs.
Short term employee	-	Nil



V E C V LANKA (PVT) LTD
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20.2 During the period company had following transactions with related parties at agreed commercial terms

Related Party	Nature of Relationship	Nature of Transaction	Transaction Value (Rs.) 2022/23	Transaction Value(Rs.) 2021/22
VE Commercial Vehicles Ltd.	Parent Company	Reimbursement of warranty claims incurred on behalf of parent	2,623,876	6,791,885
		Sharing of expenses	6,924,764	8,230,847
		Reimbursement of TDS expenses	2,408,765	1,570,200
		Receipt of incentive/ commission on sales of vehicles	-	45,870,837



V E C V LANKA (PVT) LTD

**DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023**

V E C V LANKA (PVT) LTD
DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2023

	31.03.2023 Rs.	31.03.2022 Rs.
1. Cost of finished goods sold		
Inventories at the beginning of the period	-	4,316,967
Add: purchases during the year / period	-	-
Less: inventories at the end of the period	-	-
	<u>-</u>	<u>4,316,967</u>
2. Employee benefits expense		
Salaries	704,052	664,201
Employees' Provident Fund	84,491	79,703
Employees' Trust Fund	22,588	19,929
Pay as you earn taxes	3,205,431	1,023,047
Cost of living and other allowance	1,128,552	567,941
Conveyance allowance	240,000	240,000
	<u>5,385,114</u>	<u>2,594,821</u>
3. Other expenses		
Staff welfare	451,770	910,467
Car rental	-	1,960,350
Cleaning expenses	-	489,960
Water charges	30,754	16,333
Rates and taxes	873,288	115,437
Computer accessories	125,250	93,100
Courier charges	19,504	16,914
Electricity	318,795	206,807
Printing and stationery	4,125	26,477
Data communication	64,058	65,206
Conveyance expenses	336,801	249,317
Telephone charges	35,683	29,736
Mobile phone charges	96,971	125,105
Rent	2,049,640	7,057,505
Legal and professional charges	739,480	1,276,363
Insurance	340,886	444,575
Books and periodicals	200	560
Auditors remuneration	200,000	243,000
Sales promotion	23,500	-
Business promotion	21,654	53,590
Depot handling charges	234,400	-
Warranty claims	325,986	-
Loss on sale of fixed assets	-	32,703
Furniture repairs	-	73,485
	<u>6,292,742</u>	<u>13,486,991</u>



V E C V LANKA (PVT) LTD
DETAILED NOTES TO THE FINANCIAL STATEMENTS
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	31.03.2023	31.03.2022
	Rs.	Rs.
4. Accrued expenses		
Employees' Provident Fund	11,734	11,070
Employees' Trust Fund	1,760	1,661
Water and sewage	2,398	-
Telephone	2,768	11,452
Data communication	4,742	3,637
Professional fees	102,199	32,076
Auditors remuneration	200,000	243,000
Cellular phone expenses	8,000	-
Conveyance expenses	950	-
Staff welfare	10,487	-
Fuel charges	32,000	-
Stamp fee	900	1,000
Electricity payable	79,128	-
	<u>457,065</u>	<u>303,896</u>

