V E C V LANKA (PVT) LTD

FINANCIAL STATEMENTS TOGETHER

WITH AUDITOR'S REPORT

FOR THE YEAR ENDED

31ST MARCH 2017

SJMS
ASSOCIATES
Independent Correspondent Firm to
Deloitte Touche Tohmatsu

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF V E C V LANKA (PVT) LTD

Report on the financial statements
We have audited the accompanying financial statements of V E C V Lanka (Pvt) Ltd ("the Company"), which comprise the statement of financial position as at 31st March 2017, and the statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory information.

Board's responsibility for the financial statements
The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standard for Small & Medium sized Entities (SLFRS for SMEs) and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, so far as appears from our examination, the financial statements give a true and fair view of the financial position of the Company as at 31st March 2017, and of its financial performance and cash flows for the year ended in accordance with Sri Lanka Accounting Standard for Small & Medium sized Entities (SLFRS for SMEs).

Report on other legal and regulatory requirements
As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.
b) In our opinion:
- 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,
- the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

SJMS ASSOCIATES
Chartered Accountants
27th April 2017

V E C V LANKA (PVT) LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST MARCH 2017

	Note	Year ended 31.03.2017 Rs.	Fifteen Months period ended 31.03.2016 Rs.
Income			
Revenue from operations	5	1,557,822,540	1,330,393,440
Other income	6	7,628,566	4,313,501
Total revenue		1,565,451,106	1,334,706,941
Expenses			
Cost of finished goods sold		1,432,954,634	1,237,227,437
Employee benefit expense		14,748,676	12,917,559
Finance costs	7	6,565,121	17,235,595
Depreciation expense		443,621	296,521
Other expenses		62,340,921	75,945,415
Foreign exchange loss		5,945,766	19,925,704
Total expenses		1,522,998,739	1,363,548,229
Profit/(loss) before taxation	8	42,452,367	(28,841,288)
Taxation	9	(13,919,119)	3,919,493
Profit/(loss) for the period		28,533,249	(24,921,796)

The accounting policies and notes from 1 to 22 form an integral part of these financial statements.

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V E C V LANKA (PVT) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2017

	Note	31.03.2017 Rs.	31.03.2016 Rs.	01.01.2015 Rs.
Assets				
Non current assets				
Property, plant & equipment	10	3,085,346	2,142,343	2,189,863
Deferred tax assets	11	8,707,281	13,239,051	9,319,559
		11,792,627	15,381,394	11,509,422
Current assets				
Inventories	12	380,744,741	278,413,192	246,185,407
Trade and other receivable	13	50,899,283	6,294,926	45,716,370
Amounts due from parent company	14	654,358	19,792,795	15,320,306
Current tax assets	15	3,898,108	5,496,343	2,170,240
Cash & cash equivalent	16	27,291,016	42,998,052	-
		463,487,506	352,995,308	309,392,323
Total assets		475,280,134	368,376,701	320,901,745
Equity & liabilities				
Shareholders equity				
Stated capital	17	126,816,970	126,816,970	126,816,970
Accumulated losses		(28,927,463)	(57,460,712)	(32,538,917)
Total equity		97,889,507	69,356,258	94,278,053
Current liabilities				
Amounts due to parent company	18	363,696,193	173,890,244	175,874,620
Other payables	19	13,694,434	10,130,200	4,655,124
Short term loans - ICICI Bank		-	115,000,000	-
Bank overdraft		-	-	46,093,948
Total current liabilities		377,390,627	299,020,444	226,623,692
Total equity & liabilities		475,280,134	368,376,701	320,901,745

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
27th April 2017

....
Director
27th April 2017

The accounting policies and notes from 1 to 22 form an integral part of these financial statements.

V E C V LANKA (PVT) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2017

	Stated capital Rs.	Accumulated losses Rs.	Total Rs.
Balance as at 01.01.2014	126,816,970	(17,284,254)	109,532,716
Loss for the year	-	(15,254,663)	(15,254,663)
Balance as at 31.12.2014	126,816,970	(32,538,917)	94,278,053
Loss for the fifteen months period	-	(24,921,796)	(24,921,796)
Balance as at 31.03.2016	126,816,970	(57,460,712)	69,356,258
Profit for the year	-	28,533,249	28,533,249
Balance as at 31.03.2017	126,816,970	(28,927,463)	97,889,507

The accounting policies and notes from 1 to 22 form an integral part of these financial statements.

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V E C V LANKA (PVT) LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST MARCH 2017

	Year ended 31.03.2017 Rs.	Fifteen Months period ended 31.03.2016 Rs.
Cash flows from operating activities		
Profit/(loss) before taxation	42,452,367	(28,841,288)
Adjustment for;		
Depreciation	443,621	296,521
Operating loss before working capital changes	42,895,988	(28,544,767)
(Increase)/decrease in inventories	(102,331,549)	(32,227,785)
(Increase)/decrease in trade and other receivables	(44,604,358)	39,421,445
(Increase)/decrease in amounts due from parent company	19,138,437	(4,472,489)
Increase/(decrease) in amounts due to parent company	189,805,949	(1,984,376)
Increase/(decrease) in other payable	3,564,234	5,475,076
Cash generated from operations	108,468,702	(22,332,897)
Income taxes paid	(7,789,114)	(3,326,103)
Net cash flows used in operating activities	100,679,588	(25,659,000)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,386,624)	(249,000)
Net cash from investing activities	(1,386,624)	(249,000)
Cash flows from financing activities		
Short term loan obtained	-	300,000,000
Short term loan settled	(115,000,000)	(185,000,000)
Net cash from financing activities	(115,000,000)	115,000,000
Decrease in cash and cash equivalents	(15,707,036)	89,092,001
Cash and cash equivalents at the beginning of the year	42,998,052	(46,093,949)
Cash and cash equivalents at the end of the year	27,291,016	42,998,052
Cash and cash equivalent comprises		
Cheque in hand	15,704,200	36,320,500
Bank balance	11,586,816	6,677,552
	27,291,016	42,998,052

The accounting policies and notes from 1 to 22 form an integral part of these financial statements.

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V E C V LANKA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

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 No 385, Level 1, The Landmark Building, Galle Road, Colombo 03, Sri Lanka.

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 27th April 2017.

1.5 Comparative financial information

The company has consistently applied the accounting policies in the preparation of its financial statements throughout all periods presented.

1.5.1 Change in financial year

During the previous period the Company changed its financial year from December to March to be in compliant with it's Parent Company's financial year end. Hence, previous year's financial statements were prepared for the fifteen months period ending 31st March 2016.

1.5.2 Presentation of statement of financial position as at 01st January 2015

The parent company which is incorporated and domiciled in India, had adopted certain new accounting standards. The adoption of these new standards did not have any impact on the financial statements of VECV Lanka (Pvt) Limited due to changes in the group accounting policies. However, comparative information for the statement of financial position as at 01st January 2015 is presented for the group's consolidation purpose.

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.

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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 settlement 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:

a) 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.

b) 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.

c) Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the board is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the Company. Therefore, the financial statements continue to be prepared on the going concern basis.

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 Taxation

Income Tax expense comprises current and deferred tax. Income tax expense is recognized in the statement of comprehensive income.

4.2.1 Current tax

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current period and any adjustment to tax payable in respect of prior periods. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

4.2.2 Deferred tax

Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current liabilities and when they relate to income taxes levied by the same taxation authority and intends to settle them on a net basis.

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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	6.33%-16.21%
Furniture & Fittings	6.33%
Computer Equipment	16.21%

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 realisable 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.

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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.

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		Year ended 31.03.2017 Rs.	Fifteen months period ended 31.03.2016 Rs.
5.	**Revenue from operations**		
	Sale of goods	1,557,822,540	1,330,393,440
		1,557,822,540	1,330,393,440
6.	**Other income**		
	Commission	7,628,566	4,313,501
		7,628,566	4,313,501
7.	**Finance expense**		
	Bank charges	3,627,363	4,284,138
	Overdraft interest	247,940	3,547,011
	Loan interest	2,689,817	9,404,446
		6,565,121	17,235,595

8. Profit/(loss) before taxation

The profit/(loss) before taxation is stated after charging all expenses including the following:

	31.03.2017 Rs.	31.03.2016 Rs.
Salaries	3,354,642	2,954,009
Employees provident fund	333,768	336,437
Employees trust fund	83,448	84,303
Cost of living & other allowance	5,981,122	8,380,048
Pay as you earn taxes	3,730,696	1,162,762
Auditors remuneration	458,570	401,222
Depreciation	443,621	296,521
Legal & professional charges	1,012,548	1,457,204

9. Taxation

	31.03.2017 Rs.	31.03.2016 Rs.
Provision for the period *(Note 9.1)*	9,387,349	-
Deferred tax *(Note 11)*	4,531,770	(3,919,493)
	13,919,119	(3,919,493)

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

	31.03.2017 Rs.	31.03.2016 Rs.
Accounting profit / (loss) as per income tax computation	42,452,367	(28,841,288)
Tax at the applicable tax rate of 28%	11,886,663	(8,075,561)
Tax effect on expenses that are not deductible in determining taxable profits	2,801,599	3,594,165
Tax effect on expenses that are deductible in determining taxable profits	(246,186)	(168,206)
Tax effect on losses claimed during the year	(5,054,726)	-
Tax effect on taxable losses carried forward to the next year	-	4,649,601
Income tax expenses at the effective income tax rate	9,387,349	-
Statutory tax rate	28%	28%
Effective tax rate	22.11%	0%

The tax losses carried forward at the end of the period amounts to Rs.32,586,133/- (31st March 2016 - Rs..50,638,727/-)

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10. Property, Plant & Equipment

	Computer equipment Rs.	Office equipment Rs.	Furniture & fixtures Rs.	Total Rs.
Cost				
Balance as at 01.01.2015	608,108	234,095	1,604,377	2,446,580
Additions during the period	-	-	249,000	249,000
Balance as at 31.03.2016	608,108	234,095	1,853,377	2,695,580
Additions during the period	1,386,624	-	-	1,386,624
Balance as at 31.03.2017	1,994,732	234,095	1,853,377	4,082,204
Accumulated depreciation				
Balance as at 01.01.2015	68,118	36,263	152,336	256,717
Charges for the period	123,218	32,041	141,262	296,521
Balance as at 31.03.2016	191,336	68,304	293,597	553,237
Charges for the period	300,669	25,633	117,319	443,621
Balance as at 31.03.2017	492,005	93,937	410,916	996,858
Net book value				
Written down value as at 31.03.2017	1,502,727	140,158	1,442,461	3,085,346
Written down value as at 31.03.2016	416,772	165,791	1,559,780	2,142,343
Written down value as at 01.01.2015	539,990	197,832	1,452,041	2,189,863

	31.03.2017 Rs.	31.03.2016 Rs.	01.01.2015 Rs.
11. Deferred tax			
The gross movement on the deferred income tax account is as follows:			
Balance at the beginning of the period	13,239,051	9,319,559	6,596,657
Origination/(reversal) of temporary differences	(4,531,770)	3,919,493	2,722,902
Balance at the end of the period	8,707,281	13,239,051	9,319,559
Deferred tax asset comprises of :			
Accelerated depreciation for tax purpose	(416,836)	(294,863)	(209,684)
Carried forward tax losses	9,124,117	13,533,915	9,529,243
Net deferred tax assets	8,707,281	13,239,051	9,319,559
Tax rate used	28%	28%	28%
12. Inventories			
Vehicles	335,895,792	215,972,980	188,222,153
Goods in transit	44,848,949	62,440,212	57,963,254
	380,744,741	278,413,192	246,185,407

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	31.03.2017 Rs.	31.03.2016 Rs.	01.01.2015 Rs.
13. Trade and other receivable			
Trade debtor - Senok Commercial Vehicles (Pvt) Ltd	39,321,200	-	44,742,691
Refundable deposits	1,287,980	1,387,980	409,500
Advance to employees	121,872	120,871	202,867
Prepayments	672,045	627,954	361,312
Rent advances	2,740,371	4,158,121	-
Receivable from Sri Lanka Customs due to excess payments	6,755,815	-	-
	50,899,283	6,294,926	45,716,370
14. Amounts due from parent company			
VE Commercial Vehicles Ltd	654,358	19,792,795	15,320,306
	654,358	19,792,795	15,320,306

The above balance is receivable on demand.

	31.03.2017 Rs.	31.03.2016 Rs.	01.01.2015 Rs.
15. Current tax assets			
Balance at the beginning of the period	5,496,343	2,170,240	326,386
Provision for the period	(9,387,349)	-	(136,126)
Tax credits : Economic service charges	7,789,114	3,326,103	1,799,135
With holding tax	-	-	180,845
Balance at the end of the period	3,898,108	5,496,343	2,170,240
16. Cash & cash equivalent			
Cheques in hand	15,704,200	36,320,500	-
Bank balance	11,586,816	6,677,552	-
	27,291,016	42,998,052	-
17. Stated capital			
Issued & fully paid-			
12,681,697 number of ordinary shares fully paid	126,816,970	126,816,970	126,816,970
18. Amounts due to parent company			
VE Commercial Vehicles Ltd	363,696,193	173,890,244	175,874,620
	363,696,193	173,890,244	175,874,620

The above balance is repayable on demand.

	31.03.2017 Rs.	31.03.2016 Rs.	01.01.2015 Rs.
19. Other payables			
Senok Commercial Vehicles (Pvt) Ltd	-	2,387,273	-
Nations building tax	776,023	453,235	1,402,775
Pay as you earn taxes	350,000	180,000	332,682
Economic service charges	2,661,014	648,433	779,014
Sundry creditors	4,810,767	1,639,612	137,632
Accrued expenses	5,096,630	4,821,646	2,003,021
	13,694,434	10,130,200	4,655,124

SJMS ASSOCIATES # 11, Castle Lane, Colombo - 04. Tel:0115 444 400 CHARTERED ACCOUNTANTS

VECV LANKA PRIVATE LIMITED COLOMBO

20. Capital commitments and contingent liabilities

There were no capital commitments or contingent liabilities as at the end of the period.

21. Events after the reporting period

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

22. Related party disclosures

22.1 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.

During the year there were no remunerations paid to key management personnel.

22.2 Amounts due to and due from parent company

Related party	Nature of relationship	Nature of transaction	Transaction value (Rs.)	Outstanding balance as at 31.03.2017 Rs.
VE Commercial Vehicles Ltd.	Parent Company	Purchase of finished goods	(1,138,510,875)	(363,696,193)
		Warranty claims - receivable	19,113,294	
		Sharing of expenses	23,329,903	654,358
		Incentive or commission received on sale of vehicles	4,005,083	

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VECV LANKA PRIVATE LIMITED COLOMBO

V E C V LANKA (PVT) LTD

DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

V E C V LANKA (PVT) LTD
DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

		Year ended 31.03.2017	Fifteen months period ended 31.03.2016
1.	**Cost of finished goods sold**		
	Inventories at the beginning of the period	267,985,079	246,185,407
	Add: purchases during the year	1,545,714,296	1,269,455,222
	Less: inventories at the end of the period	(380,744,741)	(278,413,192)
		1,432,954,634	1,237,227,437
2.	**Employee benefits expense**		
	Salaries	3,354,642	2,954,009
	Employees Provident Fund	333,768	336,437
	Employees Trust Fund	83,448	84,303
	Pay as you earn taxes	3,730,696	1,162,762
	Cost of living & other allowance	5,981,122	8,380,048
	Conveyance allowance	1,265,000	-
		14,748,676	12,917,559
3.	**Other expenses**		
	Staff welfare	2,091,910	1,615,813
	Car rental	2,680,000	2,786,500
	Boarding & lodging	70,145	195,823
	Cleaning expenses	242,700	270,951
	Water charges	31,132	30,303
	Rates & taxes	66,249	99,298
	Computer accessories	183,550	116,700
	Courier charges	121,132	111,314
	Electricity	405,273	512,168
	Printing & stationery	151,333	157,651
	Data communication	197,042	199,540
	Conveyance expenses	1,789,077	2,256,231
	Telephone charges	83,885	84,021
	Mobile phone charges	470,258	536,206
	Rent	12,679,240	14,687,645
	Legal & professional charges	1,012,548	1,457,204
	Recruitment expenses	-	4,890
	Insurance	1,028,456	1,244,673
	Books & periodicals	26,550	42,375
	Nations building tax expenses	6,398,517	6,271,688
	Auditors remuneration	458,570	401,222
	Sales promotion	18,454,939	32,695,982
	Business promotion	117,228	907,972
	Depot handling charges	4,638,524	3,579,906
	Foreign travelling	923,529	2,689,157
	Transit damage expenses	1,730,535	425,523
	Dealer incentives	4,340,515	264,342
	Warranty claims	1,948,084	2,300,318
		62,340,921	75,945,416

SJMS ASSOCIATES # 11, Castle Lane, Colombo - 04. Tel:0115 444 400 CHARTERED ACCOUNTANTS

VECV LANKA PRIVATE LIMITED COLOMBO

	31.03.2017 Rs.	31.03.2016 Rs.	01.01.2015 Rs.
4. Accrued expenses			
Employees Provident Fund	46,356	38,420	29,163
Employees Trust Fund	6,954	5,763	4,374
Cleaning expenses	-	18,000	18,000
Telephone	15,000	10,000	15,000
Data communication	15,000	14,000	5,500
Sales promotion	1,556,806	3,147,790	572,560
Professional fees	76,000	105,000	45,000
Auditors remuneration	326,607	286,587	279,512
Depot handling charges	418,446	266,768	351,448
Cellular phone expenses	40,000	40,000	75,000
Incentives-vehicle	1,781,326	-	316,250
Other payable	-	288,213	288,213
Pantry expenses	3,000	4,000	3,000
Warranty claims	622,000	389,456	-
Conveyance expenses	10,000	20,000	-
Staff welfare	10,000	15,000	-
Car rental	-	60,000	-
Fuel charges	10,000	10,000	-
Cola allowance	-	45,091	-
Board and loading	-	57,558	-
Value added tax payable	76,060	-	-
Stamp duty	6,075	-	-
Transit expenses	77,000	-	-
	5,096,630	4,821,646	2,003,020

S J M S ASSOCIATES
11, Castle Lane,
Colombo - 04.
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CHARTERED ACCOUNTANTS

VECVLANKA PRIVATE LIMITED
COLOMBO