

**VECV South Africa (Pty) Ltd  
(Registration number 2016/007012/07)  
Annual financial statements  
for the year ended 31 March 2018**

**The preparation of these annual financial statements were supervised by:  
The Directors**

**Venter De Jager (Pretoria) Incorporated  
Chartered Accountants (SA)  
Registered Auditor**

**These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act  
71 of 2008.  
Issued 30 April 2018**

## **VECV South Africa (Pty) Ltd**

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

### **General Information**

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Sale of commercial vehicles
<b>Directors</b>	Simmerdeep Singh Gill Surender Singh Rajpurohit Manoj Kumar
<b>Registered office</b>	Unit 15 Ground Floor Left 5 Bauhinia Street Highveld Technopark Centurion Gauteng 0157
<b>Business address</b>	Unit 15 Ground Floor Left 5 Bauhinia Street Highveld Technopark Centurion Gauteng 0157
<b>Postal address</b>	Unit 15 Ground Floor Left 5 Bauhinia Street Highveld Technopark Centurion Gauteng 0157
<b>Holding company</b>	VE Commercial Vehicles Ltd incorporated in India
<b>Bankers</b>	Standard Chartered Bank
<b>Auditors</b>	Venter De Jager (Pretoria) Incorporated Chartered Accountants (SA) Registered Auditor
<b>Company registration number</b>	2016/007012/07
<b>Tax reference number</b>	9000986258
<b>Level of assurance</b>	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
<b>Issued</b>	30 April 2018

## **VECV South Africa (Pty) Ltd**

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

### **Directors' Responsibilities and Approval**

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The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the preparation, content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2019 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 6 to 8.

The annual financial statements set out on pages 9 to 24, which have been prepared on the going concern basis, were approved by the board of directors on 30 April 2018 and were signed on their behalf by:

#### **Approval of financial statements**

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Director

## **Independent Auditor's Report**

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**To the shareholder of VECV South Africa (Pty) Ltd**

**Report on the Audit of the Annual Financial Statements**

### **Opinion**

We have audited the annual financial statements of VECV South Africa (Pty) Ltd set out on pages 9 to 22, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of significant accounting policies.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of VECV South Africa (Pty) Ltd as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual financial statements section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of annual financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming Our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

### **Other information**

The directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act 71 of 2008 of South Africa, which we obtained prior to the date of this report. Other information does not include the annual financial statements and our auditor's report thereon.

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

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 regard.

## **Independent Auditor's Report**

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### **Responsibilities of the directors for the Annual Financial Statements**

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the directors are 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the Annual Financial Statements**

Our objectives are to obtain reasonable assurance about whether the annual 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 International Standards on Auditing 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 annual financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual 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 the directors.
- Conclude on the appropriateness of the directors' 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 annual 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 annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors 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.

## **Independent Auditor's Report**

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

In terms of the Auditing Professions Act, Section 44(4), we report that another member of Venter De Jager (Pretoria) Incorporated was responsible for assisting with the statutory documentation and tax compliance records of the entity

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**Venter De Jager (Pretoria) Incorporated**  
**GM van der Berg**  
**Director**  
**Chartered Accountants (SA)**  
**Registered Auditor**

**30 April 2018**

**VECV South Africa (Pty) Ltd**

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

**Statement of Financial Position as at 31 March 2018**

	Note(s)	2018 R	2017 R
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	2	774,353	1,271,360
Deferred tax	3	4,089,030	1,183,780
		<b>4,863,383</b>	<b>2,455,140</b>
<b>Current Assets</b>			
Inventories	4	6,929,828	1,546,678
Trade and other receivables	5	3,378,229	2,168,392
Cash and cash equivalents	6	6,764,014	1,483,604
		<b>17,072,071</b>	<b>5,198,674</b>
<b>Total Assets</b>		<b>21,935,454</b>	<b>7,653,814</b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Share capital	7	13,639,037	7,880,945
Accumulated loss		(10,514,649)	(3,044,005)
		<b>3,124,388</b>	<b>4,836,940</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	18,811,066	2,816,874
<b>Total Equity and Liabilities</b>		<b>21,935,454</b>	<b>7,653,814</b>

## VECV South Africa (Pty) Ltd

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Annual Financial Statements for the year ended 31 March 2018

### Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	2018 R	2017 R
Revenue	9	17,525,788	1,326,644
Cost of sales	10	(15,859,825)	(1,235,978)
<b>Gross profit</b>		<b>1,665,963</b>	<b>90,666</b>
Other operating gains (losses)		1,330,713	-
Other operating expenses		(13,287,457)	(4,567,885)
<b>Operating loss</b>		<b>(10,290,781)</b>	<b>(4,477,219)</b>
Investment income	11	25,844	249,434
Finance costs	12	110,957	-
<b>Loss before taxation</b>		<b>(10,375,894)</b>	<b>(4,227,785)</b>
Taxation	13	2,905,250	1,183,780
<b>Loss for the year</b>		<b>(7,470,644)</b>	<b>(3,044,005)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(7,470,644)</b>	<b>(3,044,005)</b>

## VECV South Africa (Pty) Ltd

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### Statement of Changes in Equity

	Share capital	Accumulated loss	Total equity
	R	R	R
Loss for the year	-	(3,044,005)	(3,044,005)
Other comprehensive income	-	-	-
<b>Total comprehensive Loss for the year</b>	<b>-</b>	<b>(3,044,005)</b>	<b>(3,044,005)</b>
Issue of shares	7,880,945	-	7,880,945
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>7,880,945</b>	<b>-</b>	<b>7,880,945</b>
<b>Balance at 01 April 2017</b>	<b>7,880,945</b>	<b>(3,044,005)</b>	<b>4,836,940</b>
Loss for the year	-	(7,470,644)	(7,470,644)
Other comprehensive income	-	-	-
<b>Total comprehensive Loss for the year</b>	<b>-</b>	<b>(7,470,644)</b>	<b>(7,470,644)</b>
Issue of shares	5,758,092	-	5,758,092
<b>Total contributions by and distributions to owners of company recognised directly in equity</b>	<b>5,758,092</b>	<b>-</b>	<b>5,758,092</b>
<b>Balance at 31 March 2018</b>	<b>13,639,037</b>	<b>(10,514,649)</b>	<b>3,124,388</b>
Note(s)	7		

## VECV South Africa (Pty) Ltd

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

### Statement of Cash Flows

	Note(s)	2018 R	2017 R
<b>Cash flows from operating activities</b>			
Cash used in operations	14	(353,179)	(4,989,605)
Interest income		25,844	249,434
Finance costs		(110,957)	-
<b>Net cash from operating activities</b>		<b>(438,292)</b>	<b>(4,740,171)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	2	(39,390)	(1,657,170)
<b>Cash flows from financing activities</b>			
Proceeds on share issue	7	5,758,092	7,880,945
<b>Total cash movement for the year</b>		<b>5,280,410</b>	<b>1,483,604</b>
Cash at the beginning of the year		1,483,604	-
<b>Total cash at end of the year</b>	6	<b>6,764,014</b>	<b>1,483,604</b>

# VECV South Africa (Pty) Ltd

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

## Note 1: Accounting Policies

### 1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act 71 of 2008 of South Africa, as amended.

These annual financial statements comply with the requirements of the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Rands, which is the company's functional currency.

These accounting policies are consistent with the previous period.

#### 1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	6 Years
Motor vehicles	Straight line	3 Years
Office equipment	Straight line	3 Years
IT equipment	Straight line	3 Years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

# VECV South Africa (Pty) Ltd

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Annual Financial Statements for the year ended 31 March 2018

## Note 1: Accounting Policies

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### 1.2 Property, plant and equipment (continued)

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

### 1.3 Financial instruments

#### Classification

The company classifies financial assets and financial liabilities into the following categories:

- Loans and receivables

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

#### Initial recognition and measurement

Financial instruments are recognised initially when the company becomes a party to the contractual provisions of the instruments.

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial Instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Regular way purchases of financial assets are accounted for at .

#### Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

#### Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

## **VECV South Africa (Pty) Ltd**

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

### **Note 1: Accounting Policies**

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#### **1.3 Financial instruments (continued)**

##### **Trade and other payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

##### **Bank overdraft and borrowings**

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the company's accounting policy for borrowing costs.

#### **1.4 Tax**

##### **Current tax assets and liabilities**

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

##### **Deferred tax assets and liabilities**

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

##### **Tax expenses**

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

## **VECV South Africa (Pty) Ltd**

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

### **Note 1: Accounting Policies**

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#### **1.5 Leases**

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

##### **Operating leases – lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

#### **1.6 Inventories**

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### **1.7 Share capital and equity**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the year in which they are declared.

#### **1.8 Employee benefits**

##### **Short-term employee benefits**

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

## **VECV South Africa (Pty) Ltd**

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

### **Note 1: Accounting Policies**

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#### **1.9 Provisions and contingencies**

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

#### **1.10 Revenue**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

## **VECV South Africa (Pty) Ltd**

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

### **Note 1: Accounting Policies**

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#### **1.11 Cost of sales**

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

#### **1.12 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

#### **1.13 Translation of foreign currencies**

##### **Foreign currency transactions**

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

## VECV South Africa (Pty) Ltd

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

### Notes to the Annual Financial Statements

	2018			2017		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	148,239	(41,500)	106,739	148,239	(16,793)	131,446
Motor vehicles	1,409,936	(822,463)	587,473	1,409,936	(352,484)	1,057,452
Office equipment	62,024	(36,181)	25,843	62,024	(15,506)	46,518
IT equipment	76,362	(22,064)	54,298	36,971	(1,027)	35,944
<b>Total</b>	<b>1,696,561</b>	<b>(922,208)</b>	<b>774,353</b>	<b>1,657,170</b>	<b>(385,810)</b>	<b>1,271,360</b>

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	131,446	-	(24,707)	106,739
Motor vehicles	1,057,452	-	(469,979)	587,473
Office equipment	46,518	-	(20,675)	25,843
IT equipment	35,944	39,390	(21,036)	54,298
	<b>1,271,360</b>	<b>39,390</b>	<b>(536,397)</b>	<b>774,353</b>

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	-	148,239	(16,793)	131,446
Motor vehicles	-	1,409,936	(352,484)	1,057,452
Office equipment	-	62,024	(15,506)	46,518
IT equipment	-	36,971	(1,027)	35,944
	-	<b>1,657,170</b>	<b>(385,810)</b>	<b>1,271,360</b>

## VECV South Africa (Pty) Ltd

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

### Notes to the Annual Financial Statements

	2018 R	2017 R
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#### 3. Deferred tax

##### Deferred tax asset

Tax losses available for set off against future taxable income	4,089,030	1,183,780
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The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Deferred tax asset	4,089,030	1,183,780
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##### Reconciliation of deferred tax asset / (liability)

At beginning of year	1,183,780	-
Increases (decrease) in tax loss available for set off against future taxable income	2,905,250	1,183,780
	<b>4,089,030</b>	<b>1,183,780</b>

#### Use and sales rate

The deferred tax rate applied to the fair value adjustments of investment properties/ financial assets is determined by the expected manner of recovery. Where the expected recovery of the investment property/financial assets is through sale the capital gains tax rate of 22.40% (2017: 22.40%) is used. If the expected manner of recovery is through indefinite use the normal tax rate of 28% (2017: 28%) is applied.

If the manner of recovery is partly through use and partly through sale, a combination of capital gains rate and normal tax rate is used.

R 4,089,030 (2017: R 1,183,780) at the normal tax rate.

#### 4. Inventories

Stock-in-trade	6,929,828	1,546,678
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#### 5. Trade and other receivables

Trade receivables	1,343,933	1,482,955
Prepayments	1,877,190	46,314
Deposits	136,935	81,100
VAT	-	558,023
Advances and warranty	20,171	-
	<b>3,378,229</b>	<b>2,168,392</b>

#### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	6,764,014	1,483,604
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## VECV South Africa (Pty) Ltd

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

### Notes to the Annual Financial Statements

	2018 R	2017 R
<b>7. Share capital</b>		
<b>Authorised</b>		
Ordinary shares	1,000	1,000
820 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.		
<b>Issued</b>		
180 Ordinary shares	13,639,037	7,880,945
<b>8. Trade and other payables</b>		
Trade payables	17,741,296	2,719,037
VAT	370,843	-
PAYE, UIF and SDL	251,778	97,837
Other payables	6,471	-
Employee cost	440,678	-
	<b>18,811,066</b>	<b>2,816,874</b>
<b>9. Revenue</b>		
Sale of goods	17,525,788	1,326,644
<b>10. Cost of sales</b>		
Sale of goods	15,859,825	1,235,978
<b>11. Investment income</b>		
<b>Interest income</b>		
<b>From investments in financial assets:</b>		
Bank and other cash	25,844	249,434
<b>12. Finance costs</b>		
Interest paid 1	110,957	-
<b>13. Taxation</b>		
<b>Major components of the tax income</b>		
<b>Deferred</b>		
Arising from previously unrecognised tax loss	(2,905,250)	(1,183,780)

## VECV South Africa (Pty) Ltd

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

### Notes to the Annual Financial Statements

	2018 R	2017 R
<b>14. Cash used in operations</b>		
Loss before taxation	(10,375,894)	(4,227,785)
<b>Adjustments for:</b>		
Depreciation and amortisation	536,397	385,810
Gains on foreign exchange	(1,330,713)	-
Interest income	(25,844)	(249,434)
Finance costs	110,957	-
<b>Changes in working capital:</b>		
Inventories	(5,383,150)	(1,546,678)
Trade and other receivables	(1,209,837)	(2,168,392)
Trade and other payables	17,324,905	2,816,874
	<b>(353,179)</b>	<b>(4,989,605)</b>

### 15. Related parties

Relationships

Holding company

VE Commercial Vehicles Ltd

#### Related party balances

##### Amounts included in Trade and other receivable regarding related parties

VE Commercial Vehicles Ltd

1,362,738

-

##### Amounts included in Trade and other payable regarding related parties

VE Commercial Vehicles Ltd

15,156,245

-

### 16. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

## VECV South Africa (Pty) Ltd

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

### Detailed Income Statement

	Note(s)	2018 R	2017 R
<b>Revenue</b>			
Sale of goods		17,525,788	1,326,644
<b>Cost of sales</b>			
Opening stock		(1,546,678)	-
Purchases		(21,242,975)	(2,782,656)
Closing stock		6,929,828	1,546,678
	10	<b>(15,859,825)</b>	<b>(1,235,978)</b>
<b>Gross profit</b>		<b>1,665,963</b>	<b>90,666</b>
<b>Other operating gains (losses)</b>			
Foreign exchange gains		1,330,713	-
<b>Other operating expenses</b>			
Advertising		366,145	-
Auditors remuneration - external auditors		38,300	-
Bank charges		51,306	5,701
Call center cost		59,576	-
Cleaning		24,731	-
Computer expenses		22,836	-
Consulting and professional fees		102,453	401,533
Depreciation		536,397	385,810
Employee costs		8,135,588	2,133,847
Exhibition cost		194,001	-
Insurance		139,990	906
Lease rentals on operating lease		1,691,470	820,690
Motor vehicle expenses		43,674	249,861
Miscellaneous other expense		6,279	23,080
Postage		16,136	-
Printing and stationery		22,696	15,035
Promotions		364,263	187,519
Recruitment cost		50,400	-
Relocation cost		30,965	-
Repairs and maintenance		8,378	-
Secretarial fees		1,020	-
Staff welfare		103,651	9,422
Subscriptions		166,835	104,093
Telephone and internet		180,623	131,232
Training		551,451	30,580
Travel - local		378,293	68,576
		<b>13,287,457</b>	<b>4,567,885</b>
<b>Operating loss</b>		<b>(10,290,781)</b>	<b>(4,477,219)</b>
Investment income	11	25,844	249,434
Finance costs	12	(110,957)	-
<b>Loss before taxation</b>		<b>(10,375,894)</b>	<b>(4,227,785)</b>
Taxation	13	2,905,250	1,183,780
<b>Loss for the year</b>		<b>(7,470,644)</b>	<b>(3,044,005)</b>

## VECV South Africa (Pty) Ltd

(Taxpayer reference number 9000986258)

(Registration number 2016/007012/07)

Annual Financial Statements for the year ended 31 March 2018

### Tax Computation

	2018 R
Net loss per Income statement	(10,375,894)
Imputed net income from CFC	-
<b>Calculated tax loss for the year</b>	<b>(10,375,894)</b>
Assessed loss brought forward	(4,227,785)
<b>Assessed loss for 2018 - carried forward</b>	<b>(14,603,679)</b>
<b>Tax thereon @ 28% in the Rand</b>	<b>-</b>