

DUTCH LANKA ENGINEERING (PRIVATE) LIMITED

FINANCIAL STATEMENTS

31 MARCH 2021

WRHDS/NM/DM

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF DUTCH LANKA ENGINEERING (PRIVATE) LIMITED**

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Dutch Lanka Engineering (Private) Limited ("Company"), which comprise the statement of financial position as at 31 March 2021, and statement of comprehensive income, statements of changes in equity and statement of cash flow 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 2021 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

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

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

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 Standards, 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.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Report on other legal and regulatory requirements

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

07 June 2021
Colombo

STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

ASSETS	Note	2021 Rs.	2020 Rs.
Non-Current Assets			
Property, Plant and Equipment	3	69,872,668	73,606,589
Right of Use Assets	3.4	18,886,398	25,124,141
Refundable Deposit		2,628,657	2,156,772
Deferred Tax Asset	15.2	1,490,949	1,044,090
		<u>92,878,672</u>	<u>101,931,592</u>
Current Assets			
Inventories	4	105,527,206	87,153,933
Trade and Other Receivables	5	36,181,346	22,049,338
Tax Receivables		2,160,261	2,160,261
Other Current Financial Assets	6.1	71,354,785	66,073,122
Cash and Bank Balances	6	25,829	54,414
		<u>215,249,427</u>	<u>177,491,068</u>
Total Assets		<u>308,128,099</u>	<u>279,422,660</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	7	11,500,000	11,500,000
Retained Earnings		30,290,663	79,691,553
Total Equity		<u>41,790,663</u>	<u>91,191,553</u>
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	10	22,643,567	14,588,000
Lease Liabilities	10	15,775,061	20,885,255
Defined Benefit Obligations	8	6,894,244	5,674,332
		<u>45,312,872</u>	<u>41,147,587</u>
Current Liabilities			
Trade and Other Payables	9	127,692,671	53,458,365
Lease Liabilities	10	4,719,815	3,815,535
Interest Bearing Loans and Borrowings	10	88,612,078	89,809,621
		<u>221,024,564</u>	<u>147,083,520</u>
Total Equity and Liabilities		<u>308,128,099</u>	<u>279,422,660</u>

These Financial Statements are in compliance with the requirements of the Companies Act No.7 of 2007.


Financial Controller

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by:


Director


Director

The Accounting policies and notes on pages 07 to 31 form an integral part of these Financial Statements.



Dutch Lanka Engineering (Private) Limited
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2021

	Note	2021 Rs.	2020 Rs.
Revenue from contracts with customers	11	223,434,426	199,559,886
Cost of Sales		(223,362,711)	(187,604,409)
Gross Profit		71,715	11,955,477
Other Income	12	1,714,811	5,205,122
Selling and Distribution Expenses		(169,413)	(816,438)
Administrative Expenses		(42,856,034)	(35,520,582)
Finance Expenses	13.1	(14,412,693)	(17,076,732)
Finance Income	13.2	5,641,615	6,658,673
Loss before Tax		(50,010,000)	(29,594,478)
Tax Reversal	15	492,289	164,849
Loss for the year		(49,517,711)	(29,429,629)
Other Comprehensive Income			
<i>Other Comprehensive Income that will not to be reclassified to Profit or Loss in subsequent periods</i>			
Actuarial Gain on retirement Benefits	8	162,252	191,979
Income Tax Effect		(45,431)	(53,754)
Other Comprehensive Income for the Year		116,821	138,225
Total Comprehensive Income		(49,400,890)	(29,291,404)
Loss per Share		(43.06)	(25.59)

The Accounting policies and notes on pages 07 to 31 form an integral part of these Financial Statements.



Dutch Lanka Engineering (Private) Limited
STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2021

	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 April 2019	11,500,000	108,982,957	120,482,957
Loss for the year	-	(29,429,629)	(29,429,629)
Other Comprehensive Income	-	138,225	138,225
Total Comprehensive Income for the year	-	(29,291,404)	(29,291,404)
Balance as at 31 March 2020	11,500,000	79,691,553	91,191,553
Loss for the year	-	(49,517,711)	(49,517,711)
Other Comprehensive Income	-	116,821	116,821
Total Comprehensive Income for the year	-	(49,400,890)	(49,400,890)
Balance as at 31 March 2021	11,500,000	30,290,663	41,790,663

The Accounting policies and notes on pages 07 to 31 form an integral part of these Financial Statements.



Dutch Lanka Engineering (Private) Limited

STATEMENT OF CASH FLOW

Year ended 31 March 2021

Cash Flows from/(used in) Operating Activities	Note	2021 Rs.	2020 Rs.
Loss before Income Tax Expenses		(50,010,000)	(29,594,478)
Adjustments for			
Depreciation	3.2	5,084,090	3,844,403
Amortization of Right of Use Assets	3.4	5,884,393	4,363,040
Losses on fixed assets, CWIP and intangibles (write off)	3.1	56,000	4,533,428
Profit on sale of Property, Plant and Equipment		-	(3,825,000)
Finance Income	13.2	(5,641,615)	(6,658,673)
Finance Expenses	13.1	14,412,693	17,076,732
Provision of Defined Benefit Obligation	8	1,382,164	1,238,156
Provision for Bad and Doubtful Debts		13,045	230,195
Over Provision for Obsolete Inventories	4	2,543,072	835,328
Exchange Loss	12	(191,463)	52,171
Operating Loss before Working Capital Changes		(26,467,621)	(7,904,700)
(Increase) / Decrease in Inventories		(20,916,345)	17,359,628
(Increase) / Decrease in Trade and Other Receivables		(14,230,384)	20,221,436
Decrease in Trade and Other Payables		74,234,306	9,453,658
Cash Generated from Operations		12,619,956	39,130,022
Finance Expenses paid		(14,412,693)	(17,076,732)
Interest Received		5,641,615	6,658,673
Gratuity paid	8	-	(140,400)
Tax paid		-	(399,995)
Net Cash from Operating Activities		3,848,877	28,171,568
Cash Flows from/(used in) Investing Activities			
Acquisition of Property, Plant and Equipment	3.1 & 3.4	(1,052,820)	(48,468,682)
Proceeds from Sale of Property, Plant and Equipment		-	3,825,000
Investments in Short Term Fixed Deposits	6.1	(5,196,332)	(6,242,228)
Net Cash used in Investing Activities		(6,249,152)	(50,885,911)
Cash Flows from/(used in) Financing Activities			
Repayment of Bank Loans	10.1	(109,769,182)	(107,167,379)
Proceeds from Bank Loans	10.1	129,545,493	103,859,981
Refundable Deposit		(471,885)	(2,156,772)
Lease Granted	10.2	-	26,746,212
Principal Payment under Finance Lease Liabilities	10.2	(4,205,913)	(2,413,089)
Net Cash from Financing Activities		15,098,513	18,868,954
Effect of Exchange Rate changes on Cash and Cash Equivalent		191,463	(52,171)
Net Increase in Cash and Cash Equivalents		12,889,701	(3,897,560)
Cash and Cash Equivalents at the beginning of the year		(29,906,047)	(26,008,487)
Cash and Cash Equivalents at the end of the year	6	(17,016,346)	(29,906,047)

The Accounting policies and notes on pages 07 to 31 form an integral part of these Financial Statements.



1. CORPORATE INFORMATION

1.1 General

Dutch Lanka Engineering (Private) Limited, is a private limited liability company incorporated and domiciled in Sri Lanka. The registered office of the company is at No. 575, Orumix Building, Nawala Road, Rajagiriya, and the principal place of the business is situated at No. 17/D/1, LINDEL Industrial Estate, Pattiwila Road, Sapugaskanda.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were manufacturing, selling, providing repair, maintenance and service of trailers.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking and controlling party is Dutch Lanka Trailer Manufacturers Limited which is incorporated in Sri Lanka.

1.4 Date of Authorization for Issue

The financial statements of Dutch Lanka Engineering (Private) Limited, for the period ended 31 March 2021 were authorized for issue in accordance with a resolution of the Board of Directors on 07 June 2021.



2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements of the Company comprise the Statement of Financial Position, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and cash flow statement together with the Accounting Policies and Notes to the financial statements.

2.2 Statement of compliance

The financial statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLFRSs/LKAS) promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL), and also in compliance with the requirements of the Companies Act No. 7 of 2007.

2.3 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis unless stated otherwise and accounting policies are applied consistently.

2.4 Functional and Presentation Currency

The financial statements are presented in Sri Lanka Rupees (Rs), which is the Company's functional and presentation currency.

2.5 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

2.6 Comparative Information

Comparative information including quantitative, narrative and descriptive information as relevant is disclosed in respect of previous period in the Financial Statements.

2.7 Offsetting

Assets and liabilities or income and expenses, are not offset unless required or permitted by Sri Lanka Accounting Standards.

2.8 Use of Estimates and Judgements

The preparation of these financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of income, expenses, assets, liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

Judgments and estimates are based on historical experience and other factors, including expectations that are believed to be reasonable under the circumstances. Hence, actual experience and results may differ from these judgments and estimates.



Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period and any future periods.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are discussed below.

Depreciation of Property, Plant and Equipment

Management assigns useful lives and residual values to property, plant and equipment based on the intended use of assets and the economic lives of these assets. Subsequent changes in circumstances such as technological advances or utilization of the assets concerned could result in the actual useful lives or residual values differing from initial estimates. Management reviews annually the residual values and useful lives of major items of property, plant and equipment. Refer Note 2.12.2 for useful lives used in depreciating Property, Plant and Equipment in the Company.

Retirement Benefit Obligations

The cost of defined benefit plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about the assumptions used are provided in Note 08.

Deferred Tax

Deferred tax asset of Rs. 16,690,178/- (2020: Rs.7,050,802/-) as at 31 March 2021 has not been recognized on the carried forward tax losses as the Company is unable to assess with reasonable certainty that taxable profits would be available to recover the deferred tax asset in the foreseeable future. If the Company recognize deferred tax asset, profit and equity would have increased by Rs. 16,690,178/- (2020: Rs.7,050,802/-). Further details on deferred taxes are disclosed in Note 15.2. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

2.9 Going Concern

In determining the basis of preparing the financial statements for the year ended 31 March 2021, based on available information, the management has assessed the existing and anticipated effects of COVID-19 on the Company and the appropriateness of the use of the going concern basis. In March 2021, company evaluated the resilience of its businesses considering a wide range of factors under multiple stress tested scenarios, relating to expected revenue streams, cost management, profitability, the ability to defer non-essential capital expenditure, debt repayment schedules, if any, cash reserves and potential sources of financing facilities, if required, and the ability to continue providing goods and services to ensure businesses continue as least impacted as possible.

Having presented the outlook for company Board and after due consideration of the range and likelihood of outcomes, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future and continue to adopt the going concern basis in preparing and presenting these financial statements.



2.10 Foreign Currency Transactions

The financial statements are presented in Sri Lanka Rupees, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rate at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value in the item (i.e., the translation differences on items whose fair value gain or loss is recognised in Statement of Other Comprehensive Income).

2.11 Current versus Non-Current Classification

The Company presents assets and liabilities in the statement of financial position as current and non-current.

An asset is classified as current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

2.12 Property, Plant and Equipment

2.12.1 Basis of measurement

Property, Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Refer to Significant accounting judgments, estimates and assumptions and Provisions for further information about the recorded decommissioning Provision.

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.



2.12.2 Depreciation

Depreciation is calculated by using a straight-line method on the cost of all property, plant and equipment, other than freehold land, in order to write off such amounts over the estimated useful economic life of such assets.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

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

Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Company will have ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows;

Buildings	20 years
Plant and Machinery	4 years
Computer Equipment	5 years
Other Equipment	4 years
Furniture and Fitting	5 years
Electric Installations	5 years
Motor Vehicles	4 years

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognised.

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

2.12.3 Leases

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

2.12.3.1 Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

I) Right-of-use assets

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



Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land 05 years
- Plant and Machinery 04 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

II) Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

The Company's lease liabilities are included in Interest-bearing loans and borrowings (Note 10).

III) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.13 Inventories

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

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formulae:

- All inventory items, except finished goods and work-in-progress are measured at weighted average directly attributable cost.
- Finished goods and work-in-progress are measured at cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.



2.14 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand and demand deposits that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding bank overdrafts.

2.15 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and financial liability or equity instrument of another entity.

2.15.1 Financial Assets

2.15.1.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under SLFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

2.15.1.2 Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in four categories;

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon de-recognition (equity instruments)
- Financial assets at fair value through profit or loss

2.15.1.3 Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the Group has transferred substantially all the risks and rewards of the asset.



2.15.1.4 Impairment

Group adopts forward-looking expected credit loss (ECL) approach.

Trade receivables and prepayments

Company applied the simplified approach in calculating the expected credit loss of the trade receivables & prepayments. However, the adoption of the ECL requirements of SLFRS 9 did not result in any material increases in impairment allowances of the company's debt financial assets.

2.15.2 Financial liabilities

2.15.2.1 Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings and finance leases.

2.15.2.2 Subsequent measurement

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

2.15.2.3 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

2.15.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if,

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously



2.15.4 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

2.16 Employee benefits

Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

The Company contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The defined benefit is calculated by independent actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Key assumptions used in determining the defined retirement benefit obligations are given in Note 08. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. Actuarial gains or losses are recognised in full in the Other Comprehensive Income.

Provision has been made for retirement gratuities from the beginning of service for all employees, in conformity with LKAS 19 on employee benefit. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The gratuity liability is not externally funded.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.



2.17 Impairment of Non- Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset or cash-generating unit, unless the asset or cash-generating unit does not generate cash inflows that are largely independent of those from other assets or cash-generating units. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Company makes an estimate of recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot "exceed" the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

2.18 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

2.19 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

2.20 Revenue from Contracts with Customers

Revenue is recognised 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, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and sales taxes. The following specific recognition criteria are used for the purpose of recognition of revenue:



a) Sale of Goods

Revenue from sales of goods is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the goods which include one performance obligation. In determining the transaction price for the sale of goods, the Company considers the effects of variable consideration.

b) Interest Income

Interest income is accrued on a time basis with reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimates future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

c) Other Income

Net gains and losses of a revenue nature on the disposal of Property, Plant & Equipment has been accounted for in the Statement of Profit or Loss, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

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

2.21 Expenses

Expenses are recognized in the Statement of profit or loss on the basis of a direct association between the cost incurred and the earnings of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

Repairs and renewals are charged to the Statement of profit or loss in the year in which the expenditure is incurred.

2.22 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.23 Taxation

2.23.1 Current Taxes

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

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



2.23.2 Deferred Taxation

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

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

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

The carrying amount of deferred 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

2.24 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT THE REPORTING DATE

The following new accounting standards, amendments and interpretations that are issued, but not yet effective up to the date of issuance of the company's financial statements are disclosed below. The company intends to adopt these new accounting standards, amendments and interpretations, if applicable, when they become effective.

Amendments to SLFRS 3: Definition of a Business

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

SLFRS 17 - Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2023.



Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 – Interest Rate Benchmark Reform (Phase 1 & 2)

The amendments to SLFRS 9 & LKAS 39 provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. IBOR reforms Phase 2 include number of reliefs and additional disclosures.

Amendments supports companies in applying SLFRS when changes are made to contractual cashflows or hedging relationships because of the reform. These amendments to various standards are effective for the annual reporting periods beginning on or after 01 January 2021.

Amendments to SLFRS 16 - COVID – 19 Related Rent Concessions

The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 Pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from Covid-19 related rent concession the same way it would account for the change under SLFRS16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 01 June 2020.

Amendments to SLFRS 3

The amendments update SLFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to SLFRS 3 a requirement that, for obligations within the scope of LKAS 37, an acquirer applies LKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination. The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to LKAS 16

In March 2021, the ICASL adopted amendments to LKAS16-Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to LKAS 37

In March 2021, the ICASL adopted amendments to LKAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.



Amendments to LKAS 1: Classification of Liabilities as Current or Non-current

In March 2021, ICASL adopted amendments to paragraphs 69 to 76 of LKAS 1 which specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively.

None of the new or amended pronouncements are expected to have a material impact on the consolidated financial statements of the group in the foreseeable future.



3. PROPERTY, PLANT AND EQUIPMENT

3.1 Gross Carrying Amounts	Balance As at 01.04.2020 Rs.	Additions Rs.	Transfers Rs.	Disposals / Written off Rs.	Balance As at 31.03.2021 Rs.
At Cost					
Buildings	46,822,897	15,092,541	-	-	61,915,438
Plant and Machinery	7,053,055	972,584	-	-	8,025,639
Computer Equipments	1,911,812	-	-	-	1,911,812
Other Equipments	5,990,869	382,543	-	-	6,373,412
Furniture and Fittings	2,799,972	-	-	-	2,799,972
Electrical Installations	2,332,763	6,883,086	-	-	9,215,849
Motor Vehicles	2,061,264	-	-	-	2,061,264
Total Gross Carrying Amount	68,972,632	23,330,754	-	-	92,303,386
In the Course of Construction					
Capital Work in Progress	22,535,557	-	(21,924,585)	(56,000)	554,972
	22,535,557	-	(21,924,585)	(56,000)	554,972
Total Gross Carrying Amount	91,508,188	23,330,754	(21,924,585)	(56,000)	92,858,357
3.2 Depreciation	Balance As at 01.04.2020 Rs.	Charge for the year Rs.	Transfers Rs.	Disposal Rs.	Balance As at 31.03.2021 Rs.
At Cost					
Buildings	2,211,182	2,635,662	-	-	4,846,844
Plant and Machinery	5,189,891	665,354	-	-	5,855,245
Computer Equipments	1,447,733	212,536	-	-	1,660,269
Other Equipments	5,701,336	264,768	-	-	5,966,105
Furniture and Fittings	1,422,951	403,905	-	-	1,826,856
Electrical Installations	466,553	689,074	-	-	1,155,627
Motor Vehicles	1,461,954	212,790	-	-	1,674,744
	17,901,599	5,084,090	-	-	22,985,689
Total Depreciation	17,901,599	5,084,090	-	-	22,985,689



Dutch Lanka Engineering (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2021

3. PROPERTY, PLANT AND EQUIPMENT (Contd...)

3.3 Net Book Value	2021	2020
	Rs.	Rs.
At Cost		
Buildings	57,068,595	44,611,715
Plant and Machinery	2,170,394	1,863,165
Computer Equipments	251,543	464,079
Other Equipments	407,307	289,533
Furniture and Fittings	973,116	1,377,021
Electrical Installations	8,060,222	1,866,210
Motor Vehicles	386,520	599,310
	<u>69,317,697</u>	<u>51,071,032</u>
In the Course of Construction		
Capital Work in Progress - Factory re-location	554,972	22,535,557
	<u>554,972</u>	<u>22,535,557</u>
Total Net Carrying Amount	<u>69,872,668</u>	<u>73,606,589</u>

3.4 Rights of use Asset

	Balance As at 01.04.2020 Rs.	Additions Rs.	Reversals / Adjustments Rs.	Balance As at 31.03.2021 Rs.
Cost				
Land	29,436,071	(353,349)	-	29,082,722
Plant and Machinery	820,000	-	-	820,000
	<u>30,256,071</u>	<u>(353,349)</u>	<u>-</u>	<u>29,902,722</u>

Amortization

	Balance As at 01.04.2020 Rs.	Amortization Rs.	Disposals/ Write-off Rs.	Balance As at 31.03.2021 Rs.
Land	4,363,040	5,833,284	-	10,196,324
Plant and Machinery	768,890	51,110	-	820,000
	<u>5,131,930</u>	<u>5,884,394</u>	<u>-</u>	<u>11,016,324</u>

Net Book Value	2021	2020
	Rs.	Rs.
Land	18,886,398	25,073,031
Plant and Machinery	-	51,110
	<u>18,886,398</u>	<u>25,124,141</u>



Dutch Lanka Engineering (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2021

3. PROPERTY, PLANT AND EQUIPMENT (Contd...)

3.5 Property, plant and equipment includes fully depreciated assets having a gross carrying amounts of Rs. 14,555,348.62/- (2020 - Rs. 13,174,811/-) including the re-estimated assets.

3.6 During the Financial year, the company acquired property, Plant & Equipment to the aggregate value of Rs. 23,330,754/-. Acquisitions through Cash payments amounting to Rs. 1,406,169/- & transferred from capital WIP Rs.21,924,585/- (2020 - Rs.42,422,568/-).

4. INVENTORIES

	2021 Rs.	2020 Rs.
Raw Materials	86,990,134	81,102,156
Work in Progress	13,548,351	9,189,327
Less: Provision for Slow Moving and Non Moving Inventory	(11,292,680)	(8,749,608)
Goods in Transit	16,281,400	5,612,058
	<u>105,527,206</u>	<u>87,153,933</u>

5. TRADE AND OTHER RECEIVABLES

	2021 Rs.	2020 Rs.
Trade Receivables - Others	14,338,137	6,300,567
Less: Provision for Bad and Doubtful Debts (Note 5.1)	(26,848)	(13,805)
	<u>14,311,289</u>	<u>6,286,762</u>
Advances and Prepayments - Others	7,401,306	3,585,978
Other Receivables - Others	14,468,751	12,176,597
	<u>36,181,346</u>	<u>22,049,338</u>

Trade receivables are non interest bearing and generally 31-90 day terms. As at 31 March, the ageing analysis of trade receivables is as follows:

		Neither past due nor impaired	Past due but not impaired		
	Total Rs.	Rs.	31-90 days Rs.	91-180 days Rs.	>180 days Rs.
31 March 2021	14,338,137	12,907,573	634,664	520,606	275,294
31 March 2020	6,300,567	463,152	2,234,592	3,552,281	50,543

5.1 Provision for Bad and Doubtful Debts

	2021 Rs.	2020 Rs.
At beginning of the year	13,805	142,147
Written off / Written back	-	(358,536)
Provision for the year	13,043	230,195
At end of the year	<u>26,848</u>	<u>13,805</u>



Dutch Lanka Engineering (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2021

6. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT	2021	2020
Components of Cash and Cash Equivalents	Rs.	Rs.
Favourable Cash and Cash Equivalents Balance		
Cash at bank and in hand	25,829	54,414
	25,829	54,414
Unfavourable Cash and Cash Equivalents Balance		
Bank Overdraft	(17,042,175)	(29,960,461)
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement	(17,016,346)	(29,906,047)

6.1 OTHER CURRENT FINANCIAL ASSETS	2021	2020
	Rs.	Rs.
Short Term Fixed Deposits	71,354,785	66,073,122
	71,354,785	66,073,122

7. STATED CAPITAL	2021		2020	
	Number	Rs.	Number	Rs.
Fully paid Ordinary Shares	1,150,000	11,500,000	1,150,000	11,500,000
	1,150,000	11,500,000	1,150,000	11,500,000

8. DEFINED BENEFIT OBLIGATIONS	2021	2020
	Rs.	Rs.
Defined Benefit Plan - Gratuity		
At the beginning of the year	5,674,332	4,768,555
Interest Cost	567,433	524,541
Current Service Cost	814,731	713,615
Actuarial Gain	(162,252)	(191,979)
Benefit paid	-	(140,400)
At the end of the year	6,894,244	5,674,332

Messrs. Actuarial & Management Consultants (Pvt) Ltd, carried out an actuarial valuation of the defined benefit as at 31 March 2021. Appropriate compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used are as follows:

	2021	2020
Discount Rate	8.0%	10.0%
Salary Increase Rate	6.0%	7.0%
Retirement Age	55 Years	55 Years
(The employees who are over 55 years assumed to retire on their next birthday)		

Sensitivity of Assumptions Used in the Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Income Statement and Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

	1% Increase	1% Decrease
Discount rate assumed	(486,039)	554,421
Further salary increase	588,653	(523,415)

Assumption changed (while all other assumptions remain unchanged)	PV-DBO (Rs.)	PV-DBO (Rs.)
1% increase in discount rate (i.e. 9.00%)	6,408,205	6,894,244
1% decrease in discount rate (i.e. 7.00%)	7,448,665	6,894,244
1% increase in Salary Escalation rate (i.e. 7.00%)	7,482,897	6,894,244
1% decrease in Salary Escalation rate (i.e. 5.00%)	6,370,829	6,894,244



Dutch Lanka Engineering (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2021

9. TRADE AND OTHER PAYABLES	2021 Rs.	2020 Rs.
Trade Payables	67,562,944	31,460,312
Other Payables - Related Parties (Note 9.1)	28,848,758	7,953,900
Sundry Creditors including Accrued Expenses	31,280,969	14,044,153
	<u>127,692,671</u>	<u>53,458,365</u>

9.1 Other Payables - Related parties	Relationship	2021 Rs.	2020 Rs.
Dutch Lanka Trailer Manufacturers Ltd	Parent Company	28,848,758	7,953,900
		<u>28,848,758</u>	<u>7,953,900</u>

10. INTEREST BEARING LOANS AND BORROWINGS

	2021 Amount repayable within 1 year Rs.	2021 Amount repayable after 1 year Rs.	2021 Total Rs.	2020 Amount repayable within 1 year Rs.	2020 Amount repayable after 1 year Rs.	2020 Total Rs.
Bank Loans (Note 10.1)	71,569,904	22,643,567	94,213,471	59,849,160	14,588,000	74,437,160
Finance Lease (Note 10.2)	4,719,815	15,775,061	20,494,876	3,815,535	20,885,255	24,700,790
Bank Overdraft (Note 6)	17,042,175	-	17,042,175	29,960,461	-	29,960,461
	<u>93,331,893</u>	<u>38,418,628</u>	<u>131,750,521</u>	<u>93,625,156</u>	<u>35,473,255</u>	<u>129,098,411</u>

10.1 Bank Loans

	As at 01.04.2020 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2021 Rs.	Current As at 31.03.2021 Rs.	Non Current As at 31.03.2021 Rs.
Term Loans						
Hatton National Bank PLC	23,336,000	25,000,000	(3,298,110)	45,037,890	22,394,323	22,643,567
Import Loans						
Hatton National Bank PLC	32,267,531	101,051,531	(87,637,443)	45,681,619	45,681,619	-
Sampath Bank PLC	18,833,629	3,493,962	(18,833,629)	3,493,962	3,493,962	-
	<u>74,437,160</u>	<u>129,545,493</u>	<u>(109,769,182)</u>	<u>94,213,471</u>	<u>71,569,904</u>	<u>22,643,567</u>

10.2 Finance Leases

	As at 01.04.2020 Rs.	New Leases Obtained Rs.	Repayments Rs.	As at 31.03.2021 Rs.	Current As at 31.03.2021 Rs.	Non Current As at 31.03.2021 Rs.
Lease on Land	24,568,565	-	(4,073,689)	20,494,876	4,719,815	15,775,061
Hatton National Bank PLC	136,416	-	(136,416)	-	-	-
Gross Liability	24,704,981	-	(4,210,105)	20,494,876	4,719,815	15,775,061
Finance Charges allocated to Future Periods	(4,192)	-	4,192	-	-	-
Net Liability	<u>24,700,790</u>	<u>-</u>	<u>(4,205,913)</u>	<u>20,494,876</u>	<u>4,719,815</u>	<u>15,775,061</u>



Dutch Lanka Engineering (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2021

11. REVENUE FROM CONTRACTS WITH CUSTOMERS	2021	2020
	Rs.	Rs.
Trailer Sales	158,453,194	127,296,593
General Fabrication Income	21,095,348	13,190,953
Spare Parts Sales	17,491,085	22,348,215
Repair & General Service Income	26,394,798	36,724,127
	<u>223,434,426</u>	<u>199,559,886</u>
12. OTHER INCOME	2021	2020
	Rs.	Rs.
Sundry Income	1,523,348	1,380,122
Profit on Disposal of Fixed Assets	-	3,825,000
Exchange Gain	191,463	-
	<u>1,714,811</u>	<u>5,205,122</u>
13. FINANCE COSTS AND FINANCE INCOME	2021	2020
	Rs.	Rs.
13.1 Finance Costs		
Interest Expense on Overdrafts	2,549,384	3,266,004
Interest Expense on Loans and Borrowings	8,461,110	10,871,017
Interest Expense on Lease	3,402,199	2,939,710
	<u>14,412,693</u>	<u>17,076,732</u>
13.2 Finance Income		
Interest Income	5,281,663	6,430,531
Interest Income on Ref.Dep.Lanka Industrial Estate Ltd	359,952	228,142
	<u>5,641,615</u>	<u>6,658,673</u>
14. PROFIT FROM OPERATING ACTIVITIES	2021	2020
Stated after Charging/(Crediting)	Rs.	Rs.
<i>Included in Cost of Sales</i>		
Employees Benefits including the following	35,769,896	35,872,146
- Defined Benefit Plan Costs - Gratuity (included in Employee Benefits)	928,938	823,544
- Defined Contribution Plan Costs - EPF and ETF (included in Employee Benefits)	3,510,987	3,298,169
Depreciation	4,097,687	3,046,327
<i>Included in General and Administration Expenses</i>		
Employees Benefits including the following	15,684,495	15,419,317
- Defined Benefit Plan Costs - Gratuity (included in Employee Benefits)	372,671	343,026
- Defined Contribution Plan Costs - EPF and ETF (included in Employee Benefits)	1,711,797	1,697,567
Depreciation	986,403	798,076
Professional Fees	1,351,122	1,656,845
Donation	10,000	191,185
<i>Included in Selling and Distribution Costs</i>		
Provision for Bad and Doubtful Debts	-	(97,705)
Specific Provision for Bad and Doubtful Debts	-	327,900
Advertising	11,920	77,700



15. TAX EXPENSE

The major components of income tax expense for the years ended 31 March are as follows :

	2021 Rs.	2020 Rs.
Income Statement		
Current Income Tax		
Current Income Tax Charge (Note 15.1)	-	431,577
Deferred Income Tax		
Deferred Taxation Reversal on Actuarial Gain	(45,431)	(53,754)
Deferred Taxation Reversal on Re-assessment	(42,253)	(174,148)
Deferred Taxation Reversal (Note 15.2)	(404,606)	(368,524)
Income tax reversal reported in the Statement of Comprehensive Income	<u>(492,289)</u>	<u>(164,849)</u>

15.1 A reconciliation between income tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :

	2021 Rs.	2020 Rs.
Accounting Profit before Income Tax	(50,010,000)	(29,594,478)
Disallowed income	5,641,615	(10,483,673)
Allowed Expenses	(14,369,826)	(9,805,315)
Disallowed Expenses	18,670,253	18,866,895
Taxable Loss from Business	<u>(40,067,959)</u>	<u>(31,016,571)</u>
Income Tax @ 28% (2020 - 28%)	-	-
Tax relating to previous years	-	431,577
Current Income Tax Charge	<u>-</u>	<u>431,577</u>
Tax Losses Utilized		
Losses incurred during the year	40,067,959	31,016,571
Tax Losses Utilised during the year	(5,641,615)	-
Adjustments on Finalization of Liability	-	(5,835,133)
Tax Losses Carried Forward	<u>59,607,782</u>	<u>25,181,438</u>

15.2 Deferred Taxation

	Statement of Financial Position		Statement of Comprehensive Income	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Deferred Tax Liability				
Re-Estimation of Assets	-	(42,253)	42,253	174,148
Deferred Tax Assets				
Capital Allowances for Tax purpose	(826,699)	(830,693)	3,994	398,884
Warranty Provisions	387,260	328,223	59,037	(283,978)
Retirement Benefit Obligation	1,930,388	1,588,813	341,575	253,618
	<u>1,490,949</u>	<u>1,044,090</u>	<u>404,606</u>	<u>368,524</u>
Deferred Taxation Charge			446,859	542,672
Net Deferred Tax Liability	<u>1,490,949</u>	<u>1,044,090</u>		



16. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the basic earning per share computations.

16.1 Amount used as the Numerator :	2021 Rs.	2020 Rs.
Profit attributable to Ordinary Shareholders for Basic Earnings per Share	<u>(49,517,711)</u>	<u>(29,429,629)</u>
16.2 Number of Ordinary Shares used as Denominator :		
Weighted Average Number of Ordinary Shares applicable to Basic Earnings per Share	<u>1,150,000</u>	<u>1,150,000</u>

17. COMMITMENTS AND CONTINGENCIES

17.1 Capital Expenditure Commitments

The Company does not have significant capital expenditure commitments as at the Reporting date.

17.2 Contingent Liabilities

The Company does not have significant contingent liabilities as at the Reporting date.

18. ASSETS PLEDGED

The following assets have been pledged as securities as at Reporting date.

Bank	Nature	Purpose	Facility Amount	Interest	Grace Period	Repayment Terms	Collateral
Hatton National Bank	Import Loan	To retire the bills drawn under the LC	Rs. 24 Mn	AWPLR+ 2%	120 days	Settlement of Full Loan	Fixed Deposit No. 082300018039 and 082300014949
	Bank Overdraft	Meet working capital requirements	Rs. 15 Mn	AWPLR+ 2%	On Demand	-	
	Letter of Guarantee (LOG)	To issue Bid Bonds, Performance Bonds and Advance Payment Bonds	Rs. 2 Mn	1% commission	12 months	Renewed / Cancelled on Expiry	
	Short term Revolving Loan	To finance Local purchases of Steel, tyres and other spare parts	Rs. 50 Mn	AWPLR+ 2%	48 months	-	
	Term Loan	To meet relocation of DLE	Rs. 35 Mn	AWPLR+ 2.25%	48 months	-	
	Short term Loan (Covid)	Meet working capital requirements	Rs. 25 Mn	4%	18 months	-	
Sampath Bank	Import Loan	To retire the bills drawn under the LC	Rs. 25 Mn	AWPLR+ 1.5%	90 days	Settlement of Full Loan	Primary mortgage bond for Rs.35Mn over stock in trade.
	Bank Overdraft	Meet working capital requirements	Rs. 10 Mn	AWPLR+ 1.5%	On Demand	-	



19. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

19.1 Transaction with the Parent and Related Entities

Nature of Transactions	Parent Company	
	2021 Rs.	2020 Rs.
As at 1st April	(7,953,900)	(2,085,711)
Sale of Goods	5,889,987	8,248,449
Rendering Services	3,967,304	1,008,072
Purchase of Goods	(4,508,485)	(4,005,934)
Receipt of Services	(15,188)	(511,543)
Funds Transferred	28,171,277	45,338,630
Expenses incurred on behalf of the Company	(54,399,753)	(55,945,863)
As at 31 March	<u>(28,848,758)</u>	<u>(7,953,900)</u>
Included in		
Other Payables	<u>(28,848,758)</u>	<u>(7,953,900)</u>
	<u>(28,848,758)</u>	<u>(7,953,900)</u>

19.2 Transactions with Key Management Personnel of the Company

The Key Management Personnel of the Company are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly including the members of the Board of Directors of the Company and that of its parent.

a) Key Management Personnel Compensation

	2021 Rs.	2020 Rs.
Short-term Employee Benefits	-	-

b) Other Transactions

No material transactions have taken place during the year with the Key Management Personnel of the Company, which require disclosure in these Financial Statements other than those disclosed above.

19.3 Other Related Parties Disclosures

No material transactions have taken place during the year with the parties/entities in which Key Management Personnel or their Close Family Members have control, joint control or significant influence, which require disclosure in these Financial Statements.



20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial liabilities comprise Interest Bearing loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance the Company's operations and to provide guarantees to support its operations. The Company has loan and other receivables, trade and other receivables, and cash and short-term deposits that arrive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk, such as equity price risk. Financial instruments affected by market risk include loans and borrowings, deposits.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term debt obligations.

The Company's interest rate includes a fixed and variable element, which is AWPLR + 1.5% to 2.5%

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Company's operating activities.

Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an individual credit limit and are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored. As at 31 March 2021, the Company does not have any foreign currency debtors. The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. (Additionally, a large number of minor receivables are grouped into homogenous Companies and assessed for impairment collectively.) The calculation is based on actually incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 5. The Company does not hold collateral as security.

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's Finance department in accordance with the Company's policy. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure. The Company's maximum exposure to credit risk for the components of the statement of financial position at 31 March 2021 and 2020 is the carrying amounts as illustrated in Note 6.

Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans, and finance leases. The Company assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.



Dutch Lanka Engineering (Private) Limited
NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2021

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Contd....)

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

Year ended 31 March 2021	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	> 5 years Rs.	Total Rs.
Finance Lease (Note 10.2)	-	1,022,101	3,697,714	15,775,061	-	20,494,876
Interest-bearing loans and borrowings	17,042,175	33,933,467	19,594,832	40,685,172	-	111,255,645
Trade and other payables	-	62,629,647	3,121,956	1,450,450	360,891	67,562,944
	17,042,175	97,585,215	26,414,502	57,910,682	360,891	199,313,465
Year ended 31 March 2020	On demand Rs.	Less than 3 months Rs.	3 to 12 months Rs.	1 to 5 years Rs.	> 5 years Rs.	Total Rs.
Finance Lease (Note 10.2)	-	837,076	2,978,458	20,885,255	-	24,700,789
Interest-bearing loans and borrowings	29,960,461	52,085,621	7,763,539	14,588,000	-	104,397,621
Trade and other payables	-	17,795,013	11,705,217	1,630,198	329,884	31,460,312
	29,960,461	70,717,710	22,447,214	16,218,198	329,884	160,558,722

Capital management

Capital includes the equity attributable to the equity holders.

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2021 and 31 March 2020.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents, excluding discontinued operations.

	2021 Rs.	2020 Rs.
Interest-bearing loans and borrowings (Note 10)	93,331,893	93,625,156
Trade and other payables (Note 9)	127,692,671	53,458,365
Less: cash and short-term deposits (Note 6)	(71,380,614)	(66,127,536)
Net debt	149,643,951	80,955,984
Equity	11,500,000	11,500,000
Total capital	11,500,000	11,500,000
Capital and net debt	161,143,951	92,455,984
Gearing ratio	93%	88%

21. EVENT OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustment to or disclosure in the Financial Statements.

DUTCH LANKA ENGINEERING (PRIVATE) LIMITED

**DETAILED EXPENDITURE STATEMENT
YEAR ENDED 31 MARCH 2021**

DETAILED COST AND EXPENDITURE STATEMENTS

Year ended 31 March 2021

STATEMENT - I

	2021 Rs.	2020 Rs.
Cost of Sales		
Raw Materials	164,375,411	131,324,381
Direct Labour Charges	33,170,567	33,247,174
Factory Overheads	25,816,733	23,032,854
	<u>223,362,711</u>	<u>187,604,409</u>
Raw Materials		
Cost of Repairs & General Services	17,059,565	25,079,874
Cost of Trailers	120,548,786	83,376,342
Cost of General Fabrication	14,558,733	6,692,968
Cost of Spares Sold	12,208,327	16,175,197
	<u>164,375,411</u>	<u>131,324,381</u>
Direct Labour Charges		
Factory wages	20,924,915	19,706,346
Casual Wages	975,090	1,347,100
Factory - O/T	3,613,978	4,913,031
Factory Leave Encashment	490,459	270,902
EPF- Factory	2,568,856	2,401,069
ETF - Factory	641,781	600,265
Factory Ex-gratia	279,755	661,709
Bonus - Factory	2,746,794	2,523,209
Gratuity Expense Factory Workers	928,938	823,544
	<u>33,170,567</u>	<u>33,247,174</u>
Factory Overheads		
Building Maintenance	73,730	4,891
Electrical Charges	2,349,758	1,479,581
Fork Lift Hire & Running Expenses	379,080	408,532
Machine Maintenance	693,657	412,433
Transport	16,000	16,000
Factory Staff Wages	1,940,397	1,919,846
Factory Staff OT	224,262	239,098
Factory Staff Allowances	76,850	97,500
Factory Staff EPF	239,932	237,469
Factory Staff ETF	60,419	59,367
Factory Staff Leave Encash	57,470	71,692
Gratuity Expense Factory Staff	80,554	71,586
Compressor Hire & Running Charges	427,114	105,000
Generator hire & Running Expenses	46,204	17,680
Security Charges	5,161,600	4,797,550
Import / Export Expenses	327,962	313,829
Factory Maintenance	1,178,386	1,566,567
Factory Welfare	2,136,559	1,749,390
Depreciation - Factory	4,097,687	3,046,327
Depreciation Lease assets - Lanka Industrial Estate Ltd	5,884,393	4,363,040
Rent - Factory	-	1,785,476
House rent	364,720	270,000
	<u>25,816,733</u>	<u>23,032,854</u>



Dutch Lanka Engineering (Private) Limited
DETAILED COST AND EXPENDITURE STATEMENTS
Year ended 31 March 2021

STATEMENT - II

SELLING AND DISTRIBUTION EXPENSES

	2021 Rs.	2020 Rs.
Advertising	11,920	77,700
Sales & Collection Commissions	144,449	508,543
Specific Provision for Bad and Doubtful Debts	-	327,900
General Provision for Bad and Doubtful Debts	13,044	(97,705)
Bad debts written off	1	-
	<u>169,413</u>	<u>816,438</u>

STATEMENT - III

ADMINISTRATION EXPENSES

	2021 Rs.	2020 Rs.
Salaries and Wages	11,466,317	11,445,925
EPF and ETF	1,711,797	1,697,567
Gratuity	372,671	343,026
Overtime, Bonus and Rewards	2,133,710	1,932,799
Travelling Expenses	6,793,015	7,270,063
Postage, Telephone and Telecommunication	432,403	489,507
Repairs and Maintenance	179,300	196,590
Stationery and Other Office Expenses	390,978	346,737
Depreciation	986,403	798,076
losses on fixed assets, CWIP and intangibles (write off)	56,000	5,225,078
Training Courses	18,000	10,809
Various Expenses	15,714,781	2,978,087
Professional Fees	1,351,122	1,656,845
Energy Cost and Water	210,167	227,591
Insurance Expenses	140,208	154,995
Subscription Exp.	24,395	12,930
Donations	10,000	191,185
Bank Charges	861,941	486,551
Recruitment	2,825	4,050
Exchange Loss	-	52,171
	<u>42,856,034</u>	<u>35,520,582</u>

