



**AUDITED FINANCIAL STATEMENTS OF SUBSIDIARIES OF VARUN
BEVERAGES LIMITED AS AT DECEMBER 31, 2019**

- VARUN BEVERAGES (NEPAL) PRIVATE LIMITED
- VARUN BEVERAGES LANKA (PRIVATE) LIMITED
- OLE SPRING BOTTLERS PRIVATE LIMITED (STEP-DOWN SUBSIDIARY)
- VARUN BEVERAGES MOROCCO S.A.
- VARUN BEVERAGES (ZAMBIA) LIMITED
- VARUN BEVERAGES (BOTSWANA) (PROPRIETARY) LIMITED (STEP-DOWN SUBSIDIARY)
- VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED
- ANGELICA TECHNOLOGIES PRIVATE LIMITED
- LUNARMECH TECHNOLOGIES PRIVATE LIMITED

Varun Beverages (Nepal) Pvt. Ltd.
Balance sheet As At 31st December, 2019

| | Note | Final Post Ind AS | |
|---|------|-------------------------|-------------------------|
| | | NPR 31 December 2019 | NPR 31 December 2018 |
| Assets | | | |
| 1) Non - Current Assets | | | |
| (a) Property, Plant and Equipment | 1A | 4,021,514,856 | 3,911,452,440 |
| (b) Capital Work In Progress | 1B | 70,544,266 | 32,241,936 |
| (c) Deferred Tax Assets | 2 | 68,902,595 | 101,155,083 |
| (d) Other Non - Current Assets | 3 | 176,451,790 | 349,907,004 |
| Total Non - Current Assets | | 4,337,413,507 | 4,394,756,463 |
| 2) Current Assets | | | |
| (a) Inventories | 4 | 504,945,319 | 652,991,393 |
| (b) Financial Assets | | | |
| (i) Trade Receivables | 5 | 96,809,938 | 70,037,987 |
| (ii) Cash and Cash Equivalents | 6 | 779,100,434 | 26,771,044 |
| (iii) Bank Balances Other Than (ii) above | 7 | 96,790,728 | 222,666,109 |
| (iv) Others | 8 | 27,094,649 | 20,823,104 |
| (c) Current Tax Assets (Net) | 9 | 16,375,468 | 6,568,929 |
| (d) Other Current Assets | 10 | 91,799,196 | 73,824,563 |
| Total Current Assets | | 1,612,915,733 | 1,073,683,130 |
| Total Assets | | 5,950,329,240 | 5,468,439,593 |
| Equity & Liabilities | | | |
| Equity | | | |
| (a) Equity Share Capital | 11 | 1,080,000,000 | 1,080,000,000 |
| (b) Other Equity | 12 | 2,361,394,959 | 1,791,813,539 |
| Total Equity | | 3,441,394,959 | 2,871,813,539 |
| Liabilities | | | |
| 1) Non - Current Liabilities | | | |
| (a) Financial liabilities | | | |
| (i) Borrowings | | 0 | 211,802,937 |
| (b) Provisions | 13 | 81,764,955 | 76,337,380 |
| (c) Other Non - Current Liabilities | 14 | - | 37,510,641 |
| Total Non - Current Liabilities | | 81,764,955 | 325,650,958 |
| 2) Current Liabilities | | | |
| (a) Financial Liabilities | | | |
| (i) Borrowings | 15 | 167,883,729 | 36,591,239 |
| (ii) Trade Payables | 16 | 1,103,609,760 | 974,824,511 |
| (iii) Other financial Liabilities | 17 | 1,066,614,262 | 1,188,612,748 |
| (b) Other Current Liabilities | 18 | 85,933,423 | 68,840,080 |
| (c) Provisions | 13 | 3,128,153 | 2,106,519 |
| (d) Current Tax Liability (Net) | 19 | - | - |
| Total Current Liabilities | | 2,427,169,326 | 2,270,975,096 |
| Total Liabilities | | 2,508,934,281 | 2,596,626,054 |
| Total Equity & Liabilities | | 5,950,329,240 | 5,468,439,593 |

In Terms of Our Report of Even Date Annexed
SUBHASH & CO.
CHARTERED ACCOUNTANTS

CA. S. K. Jhunjunwala
Partner
Place: Kathmandu
Dated: 24/01/2020



Signature

Varun Beverages (Nepal) Pvt. Ltd.
Profit & Loss For The Period Ended 31st December, 2019

| | Note | Final Post Ind AS | |
|--|------|-------------------------|-------------------------|
| | | NPR 31 December 2019 | NPR 31 December 2018 |
| Income | | | |
| I Revenue From Operations | 20 | 7,614,625,414 | 7,021,422,340 |
| II Other Income | 21 | 53,336,675 | 116,156,505 |
| Branch Transfer | | | |
| III Total Income (I + II) | | 7,667,962,089 | 7,137,578,845 |
| IV Expenses | | | |
| (a) Cost of Materials Consumed | 22 | 2,456,269,387 | 2,505,705,630 |
| (b) Excise Duty | | 1,094,012,574 | 884,159,453 |
| (c) Purchase of Stock in Trade | 23 | 829,457 | 876,321 |
| (d) Changes in inventories of finished goods, stock-in-trade & WIP | 24 | 34,113,579 | (23,411,608) |
| (e) Employee Benefits Expense | 25 | 429,494,396 | 364,092,192 |
| (f) Finance Costs | 26 | 34,840,821 | 109,776,996 |
| (g) Depreciation & Amortisation Expenses | 27 | 302,224,118 | 222,009,161 |
| (h) Other Expenses | 28 | 2,274,408,928 | 2,303,188,454 |
| IV Total Expenses (IV) | | 6,626,193,261 | 6,366,396,599 |
| V Profit/(loss) Before Prior Period Items (III-IV) | | 1,041,768,828 | 771,182,246 |
| VI Prior Period Items | 29 | - | - |
| VII Profit/(loss) Before Tax (V-VI) | | 1,041,768,828 | 771,182,246 |
| Earnings Before Interest, Tax, Depn & Amortization (EBITDA) | | 1,325,497,092 | 986,811,898 |
| VIII Tax Expense: | | | |
| (1) Current Tax | | 115,934,920 | 178,261,032 |
| (2) Deferred Tax | | 32,252,488 | (27,854,972) |
| Total Tax Expenses | | 148,187,408 | 150,406,060 |
| IX Profit (Loss) For the Year (VII-VIII) | | 893,581,420 | 620,776,186 |
| X OTHER COMPREHENSIVE INCOME | 30 | | |
| A <u>Items That Will Not to be Reclassified to Profit or Loss</u> | | | |
| (i) Remeasurement of the Defined Benefit Plans | | - | - |
| Income tax relating to items that will not be reclassified to P & L | | - | - |
| B <u>Items that will be reclassified to Profit or Loss</u> | | | |
| Other Comprehensive Income for the Year, Net of Tax | | - | - |
| XI Total Comprehensive Income For The Year, Net of Tax (IX+X) | | 893,581,420 | 620,776,186 |

In Terms of Our Report of Even Date Annexed
SUBHASH & CO.
CHARTERED ACCOUNTANTS

CA. S. K. Jhunjunwala
Partner
Place: Kathmandu
Dated: 24/01/2020



Varun Beverages (Nepal) Pvt. Ltd.
Summary of Significant Accounting Policies and Other Explanatory Information For The Year Ended 31st December, 2019

VBL Nepal in NFR
1A Property, Plant & Equipment

| Gross Block | Land Freehold | Land Leasehold | Buildings | Plant and Equipment | Furniture And Fixtures | Vehicles | Office Equipment | Computers | Containers | FM Vending Machines & Refrig (Visi Cooler) | Total |
|--|---------------|----------------|---------------|---------------------|------------------------|--------------|------------------|-------------|---------------|--|---------------|
| Balance as at 1st January, 2018 | 94,871,275 | - | 200,327,551 | 752,353,482 | 9,224,778 | 190,493,890 | 5,952,022 | 7,598,595 | 349,189,612 | 218,736,830 | 1,828,748,035 |
| Additions | 127,478,243 | - | 749,884,142 | 1,370,448,897 | 5,295,909 | 160,108 | 5,744,592 | 2,089,745 | 184,909,923 | 185,286,133 | 2,631,297,691 |
| Disposals | - | - | - | (2,156,831) | (2,061,573) | (12,683,282) | (2,831,892) | (6,354,433) | - | - | (26,088,011) |
| Acquisitions through business combinations | - | - | - | - | - | - | - | - | - | - | - |
| Other adjustments | - | - | - | - | - | - | - | - | - | - | - |
| - Foreign exchange fluctuation | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at 31st December, 2018 | 222,349,518 | - | 950,211,693 | 2,120,645,548 | 12,459,114 | 177,970,716 | 8,864,722 | 3,333,907 | 534,099,535 | 404,022,962 | 4,433,957,715 |
| Additions | - | - | 97,727,129 | 65,839,819 | 3,775,684 | 7,894,204 | 3,321,830 | 2,035,191 | 120,580,132 | 116,830,188 | 418,004,177 |
| Disposals & Reversals | - | - | - | (6,639,106) | - | (10,651,371) | - | - | - | - | (17,290,477) |
| Acquisitions through business combinations | - | - | - | - | - | - | - | - | - | - | - |
| Other adjustments | - | - | - | - | - | - | - | - | - | - | - |
| - Foreign exchange fluctuation | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at 31st December, 2019 | 222,349,518 | - | 1,047,938,822 | 2,179,846,262 | 16,234,797 | 175,213,548 | 12,186,552 | 5,369,099 | 654,679,666 | 520,853,150 | 4,834,671,415 |
| Accumulated Depreciation | | | | | | | | | | | |
| Balance as at 1st January, 2018 | - | - | 76,838,543 | 345,185,433 | 7,439,119 | 158,952,486 | 4,192,254 | 6,602,091 | 78,721,289 | 70,134,313 | 748,065,528 |
| Depreciation charge | - | - | 22,349,135 | 65,232,777 | 415,726 | 9,274,486 | 854,109 | 529,871 | 70,461,002 | 36,705,524 | 205,822,630 |
| Ind AS Adj - Depn - Opening upto 2017 | - | - | 6,489,524 | 53,443,058 | 702,096 | (22,338,955) | (1,153,204) | (5,877,350) | (225,533,460) | (229,282,235) | (423,570,527) |
| Ind AS Adj - Depn - Jan To Dec 2018 | - | - | 1,082,950 | 11,862,222 | 330,575 | 3,474,733 | 27,434 | 35,030 | (722,564) | 96,150 | 16,186,531 |
| Reversal on disposal of assets | - | - | - | (1,227,233) | (2,022,679) | (11,966,103) | (2,746,161) | (6,036,711) | - | - | (23,998,887) |
| Acquisitions through business combinations | - | - | - | - | - | - | - | - | - | - | - |
| Balance as at 31st December, 2018 | - | - | 106,760,152 | 474,496,257 | 6,864,837 | 137,396,648 | 1,174,431 | (4,747,070) | (77,093,733) | (122,346,247) | 522,505,275 |
| Depreciation Charge for the Period Ended | - | - | 32,539,349 | 91,100,935 | 1,098,684 | 7,271,401 | 2,283,768 | 956,059 | 96,904,587 | 56,704,956 | 288,859,739 |
| Ind AS Adj - Depn - Jan To Dec 2019 | - | - | 1,082,950 | 11,912,309 | 415,437 | 1,771,667 | (57,381) | (46,311) | (1,810,313) | 96,019 | 13,364,379 |
| Reversal on Disposal of Assets | - | - | - | (1,454,034) | - | (10,118,802) | - | - | - | - | (11,572,837) |
| Balance as at 31st December, 2019 | - | - | 140,382,451 | 576,055,468 | 8,378,958 | 136,320,914 | 3,400,819 | (3,837,322) | 18,000,541 | (65,545,273) | 813,156,557 |
| Net Block | | | | | | | | | | | |
| Balance as at 31st December, 2018 | 222,349,518 | - | 843,451,541 | 1,646,149,291 | 5,594,277 | 40,574,068 | 7,690,291 | 8,080,977 | 611,193,268 | 526,369,210 | 3,911,452,441 |
| Balance as at 31st December, 2019 | 222,349,518 | - | 907,556,371 | 1,603,790,794 | 7,855,839 | 38,892,635 | 8,785,734 | 9,206,421 | 636,679,125 | 586,398,423 | 4,021,514,859 |

1B Capital Work In Progress

| Particulars | Amount |
|-----------------------------------|-----------------|
| Balance as at 1st January, 2018 | 491,024,518 |
| Additions During the Year | 2,072,156,249 |
| Capitalisation During the Year | (2,530,938,831) |
| Balance as at 31st December, 2018 | 32,241,936 |
| Additions During the Period | 388,773,503 |
| Capitalisation During the Period | (350,471,172) |
| Balance as at 31st December, 2019 | 70,544,266 |



Varun Beverages (Nepal) Pvt. Ltd.
Statement of Changes In Equity

12 Equity Share Capital

Equity Shares of Rs.1000 Each Issued, Subscribed & Fully Paid Up

| Particulars | No. of Shares | Amount |
|---|---------------|---------------|
| Balance as at 1st January, 2018 | 76,250 | 76,250,000 |
| Changes in Share Capital During the Year 2018 | 1,003,750 | 1,003,750,000 |
| Balance as at 31st December, 2018 | 1,080,000 | 1,080,000,000 |
| Changes in Share Capital During the Period | - | - |
| Balance as at 31st December, 2019 | 1,080,000 | 1,080,000,000 |

13 Other Equity

| Particulars | Share premium | Retained Earnings | Capital Reserve | Total |
|--|---------------|-------------------|-----------------|---------------|
| Balance as at 1st January, 2018 | 53,600,356 | 919,004,076 | 88,071,842 | 1,060,676,273 |
| Opening Balance of Dep Recalculated & Acturial Valuation | | 418,161,079 | | 418,161,079 |
| Profit for the Year Ended | | 620,776,186 | | 620,776,186 |
| Dividend Paid | | (307,800,000) | | (307,800,000) |
| Transferred During the Year | | | | - |
| Balance as at 31st December, 2018 | 53,600,356 | 1,650,141,341 | 88,071,842 | 1,791,813,539 |
| Opening Balance of Dep Recalculated & Acturial Valuation | | | | - |
| Profit for the Period Ended | | 893,581,420 | | 893,581,420 |
| Dividend Paid | | (324,000,000) | | (324,000,000) |
| Transferred During the Year | | | | - |
| Balance as at 31st December, 2019 | 53,600,356 | 2,219,722,761 | 88,071,842 | 2,361,394,959 |



Varun Beverages (Nepal) Pvt. Ltd.

Summary Of Significant Accounting Policies And Other Explanatory Information

On The Standalone Financial Statements For The Year

Ended 31st December, 2019

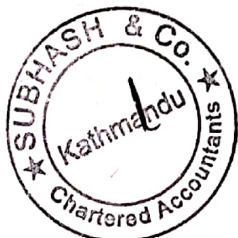
| | Note | Final Post Ind AS | |
|--|---------|-------------------------|-------------------------|
| | | NPR 31 December 2019 | NPR 31 December 2018 |
| 1A) Property, plant and equipment | R.N. 1A | 4,021,514,856 | 3,911,452,440 |
| 1B) Capital work in progress | R.N. 1B | 70,544,266 | 32,241,936 |
| 2. Deferred Tax Assets (Net) | | | |
| Unabsorbed Depn & Carry Forward Losses - Deffered Tax | | (80,039,367) | (14,828,782) |
| Provision For Doubtful Debts - Deffered Tax | | 133,374,752 | 100,383,675 |
| Provision For Retirement Benefits - Deffered Tax | | 15,567,210 | 15,600,190 |
| | | 68,902,595 | 101,155,083 |
| 3. Other Non - Current Assets | | | |
| Capital advances | | 777,876,331 | 832,194,157 |
| Less: Provision for Doubtful Advances | | (644,354,202) | (483,265,652) |
| Advances other than capital advances | | 133,522,128 | 348,928,505 |
| (a) Security Deposits | | 2,340,302 | 978,498 |
| (b) Advances to Related Parties | | - | - |
| (c) Other Advances | | - | - |
| Tax Paid Under Protest (Net of Contingent Liability Provisioned) | | 40,589,359 | - |
| | | 176,451,790 | 349,907,004 |
| 4. Inventories | | | |
| (a) Raw material | | 280,187,875 | 390,574,062 |
| (b) Raw Material in transit | | 3,961,081 | 2,606,706 |
| (c) Work-in-progress | | - | - |
| (d) Intermediate goods | | - | - |
| (e) Finished goods | | 72,009,601 | 106,123,181 |
| (f) Stores and spares | | 148,786,761 | 153,687,444 |
| | | 504,945,319 | 652,991,393 |
| 5. Trade receivables | | | |
| Trade Receivable, Considered Good - Unsecured | | 6,621,481 | 3,724,442 |
| Trade Receivable, Considered Good - Secured | | 88,541,188 | 65,828,058 |
| Trade Receivable - Credit Impaired | | 25,948,492 | 20,919,880 |
| (-) Allowances For Expected Credit Losses | | 121,111,160 | 90,472,381 |
| | | (24,301,222) | (20,434,393) |
| | | 96,809,938 | 70,037,987 |
| 6. Cash and cash equivalents | | | |
| Balance with banks: | | | |
| - On current accounts | | 21,540,985 | 24,609,634 |
| - Deposits with original maturity of less than 3 months | | 756,000,000 | - |
| Cheques/drafts on hand | | | |
| Cash on hand | | 1,559,448 | 2,161,411 |
| | | 779,100,434 | 26,771,044 |



Varun Beverages (Nepal) Pvt. Ltd.

Summary Of Significant Accounting Policies And Other Explanatory Information
On The Standalone Financial Statements For The Year
Ended 31st December, 2019

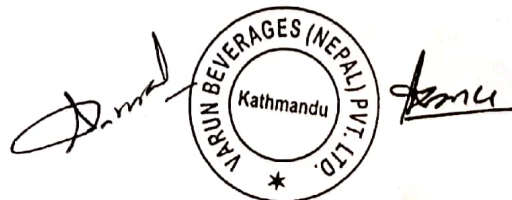
| | Note | Final Post Ind AS | |
|--|------|-------------------------|-------------------------|
| | | NPR 31 December 2019 | NPR 31 December 2018 |
| 7. Other Bank Balances | | | |
| Deposits with original maturity more than 3 months but less than 12 months * | | 96,790,728 | 222,666,109 |
| *Pledged as security with statutory authorities/banks | | 96,790,728 | 222,666,109 |
| 8. Other Current Financial Assets | | | |
| Interest accrued on: | | | |
| Term deposits | | 10,641,124 | 8,646,961 |
| Others | | 15,774,891 | 4,661,766 |
| Claims Receivable | | 678,634 | 7,514,377 |
| | | 27,094,649 | 20,823,104 |
| 9. Current Tax Assets | | | |
| Advance Tax (Net of Provisions) | | 16,375,468 | 6,568,929 |
| 10. Other Current Assets | | | |
| (Unsecured Considered Good, Unless Otherwise Stated) | | | |
| Other Advances: | | | |
| Employees**** | | 5,242,432 | 4,499,372 |
| Contractors & Suppliers*** | | 46,815,295 | 14,387,045 |
| Prepaid Expenses | | 7,394,400 | 8,917,155 |
| Balance With Statutory/Government Authorities | | 17,879,566 | 32,271,469 |
| Others | | 14,467,503 | 13,749,522 |
| | | 91,799,196 | 73,824,563 |
| 11. Equity Share Capital | | | |
| Authorised Share Capital | | | |
| 3,380,451 Equity Shares of '1000/- Each | | 3,380,451,000 | 3,380,451,000 |
| Issued, Subscribed & Fully Paid - Up | | | |
| 100,000 Ordinary Shares of '1000/- Each | | 1,080,000,000 | 1,080,000,000 |
| 8,000 Bonus Shares of '1000/- Each | | | |
| | | 1,080,000,000 | 1,080,000,000 |
| 12. Other Equity | | | |
| Revaluation Reserve | | | |
| Balance At Beginning of Reporting Period/Year | | - | - |
| Add: Transferred during the year* | | - | - |
| Balance at the End of the Year | | - | - |
| Securities Premium Reserve | | | |
| Balance at the Beginning of the Year | | 53,600,356 | 53,600,356 |
| Less: Amount Utilised for Share Issue Expenses | | | |
| Balance at the End of the Year | | 53,600,356 | 53,600,356 |
| Capital Reserve | | 88,071,842 | 88,071,842 |



Varun Beverages (Nepal) Pvt. Ltd.

Summary Of Significant Accounting Policies And Other Explanatory Information
On The Standalone Financial Statements For The Year
Ended 31st December, 2019

| | Note | Final Post Ind AS | |
|--|------|-------------------------|-------------------------|
| | | NPR 31 December 2019 | NPR 31 December 2018 |
| Surplus in the Statement of Profit and Loss | | | |
| Balance At Beginning of the Year | | 1,650,141,341 | 1,337,165,155 |
| Less: Transfer to Debenture Redemption Reserve | | | |
| Less: Dividend Paid | | (307,800,000) | (292,410,000) |
| Less: Taxes on Dividend Paid | | (16,200,000) | (15,390,000) |
| Add: Profit For the Year | | 893,581,420 | 620,776,186 |
| Balance at the End of the Year | | 2,219,722,761 | 1,650,141,341 |
| Foreign Currency Monetary Item Translation Diff. Account | | | |
| Balance at the beginning of the year | | | |
| Add: Additions made during the year | | | |
| Less: Amortised during the year | | | |
| Balance at the end of the year | | 2,361,394,959 | 1,791,813,539 |
| Non - Current Financial Liabilities | | | |
| Loan From Bank | | 0 | 211,802,937 |
| | | 0 | 211,802,937 |
| 13. Provisions | | | |
| Non - Current | | | |
| Gratuity | | 65,816,152 | 64,627,905 |
| Compensated Absences | | 15,948,803 | 11,709,475 |
| | | 81,764,955 | 76,337,380 |
| Current | | | |
| Gratuity | | - | - |
| Compensated Absences | | 3,128,153 | 2,106,519 |
| | | 3,128,153 | 2,106,519 |
| 14. Other Non - Current Liabilities | | | |
| Provision for Contingent Liability (Net of tax paid under protest) | | - | 37,510,641 |
| | | - | 37,510,641 |
| 15. Current borrowings | | | |
| Loans repayable on demand from: | | | |
| A Body Corporate (unsecured)* | | | |
| Banks - Working Capital Facilities (Secured) | | 167,883,729 | 36,591,239 |
| Banks - Working Capital Facilities (Unsecured) | | | |
| | | 167,883,729 | 36,591,239 |
| 16. Trade Payables | | | |
| Trade Payables | | | |
| Total Outstanding Dues to Micro Enterprises & Small Enterprises | | | |
| Total outstanding dues of creditors other than micro enterprises & small enterprises | | 1,103,609,760 | 974,824,511 |
| | | 1,103,609,760 | 974,824,511 |



Varun Beverages (Nepal) Pvt. Ltd.

Summary Of Significant Accounting Policies And Other Explanatory Information
On The Standalone Financial Statements For The Year
Ended 31st December, 2019

| | Note | Final Post Ind AS | |
|--|------|-------------------------|-------------------------|
| | | NPR 31 December 2019 | NPR 31 December 2018 |
| 17. Other Financial Liabilities | | | |
| Current Maturities of Long Term Debts | | - | 187,500,000 |
| Interest Accrued But Not Due on Borrowings | | 1,980,809 | 975,400 |
| Payable for Capital Expenditure | | 38,412,324 | 52,821,215 |
| Employee Related Payables | | 41,849,308 | 21,972,122 |
| Unpaid Dividend | | 307,800,000 | 292,410,000 |
| BG Commission Payable to Parent Company | | 10,307,142 | 5,426,045 |
| Security Deposits | | 666,264,678 | 627,507,966 |
| | | 1,066,614,262 | 1,188,612,748 |
| 18. Other Current Liabilities | | | |
| Advances From Customers | | 22,952,695 | 22,332,596 |
| Statutory Dues Payable | | 62,980,728 | 46,507,484 |
| | | 85,933,423 | 68,840,080 |
| 19. Current Tax Liabilities (Net) | | | |
| Provision For Income Tax (Net of Taxes Paid) | | - | - |
| | | - | - |
| 20. Revenue From Operations | | | |
| Revenue From Operations (Gross) | | | |
| Sale of Products | | 7,602,743,336 | 7,007,534,538 |
| Other Operating Revenue | | | |
| Scrap Sales | | 11,882,079 | 13,887,802 |
| | | 7,614,625,414 | 7,021,422,340 |
| 21. Other Income | | | |
| Interest On: | | | |
| - Bank Deposits | | 30,039,351 | 36,728,967 |
| - Others | | 19,199,110 | 12,806,165 |
| Net Gain on Foreign Currency Transactions & Translations | | 1,077,243 | - |
| Excess Provisions Written Back | | 2,237,084 | 66,075,530 |
| Gain on Sale of Fixed Assets (Net) | | 347,387 | - |
| Miscellaneous | | 436,500 | 545,842 |
| | | 53,336,675 | 116,156,505 |
| 22. Cost of Materials Consumed | | | |
| Raw Material & Packing Material Consumed | | | |
| Inventories at beginning of the year | | 390,574,062 | 213,006,192 |
| Purchases during the year (net) | | 2,349,953,984 | 2,683,273,500 |
| | | 2,740,528,047 | 2,896,279,692 |
| Sold during the year | | 109,704 | - |
| Inventories at end of the year | | 284,148,956 | 390,574,062 |
| | | 2,456,269,387 | 2,505,705,630 |

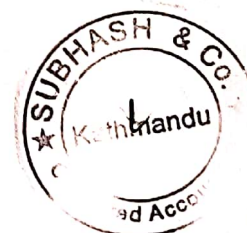


Varun Beverages (Nepal) Pvt. Ltd.

Summary Of Significant Accounting Policies And Other Explanatory Information
On The Standalone Financial Statements For The Year
Ended 31st December, 2019

| | Note | Final Post Ind AS | |
|---|------|-------------------------|-------------------------|
| | | NPR 31 December 2019 | NPR 31 December 2018 |
| 23. Purchases of Traded Goods | | | |
| Beverages | | | |
| Others | | 829,457 | 876,321 |
| | | 829,457 | 876,321 |
| 24. Changes in Inventories of Finished Goods | | | |
| As At the Beginning of The Year | | | |
| Finished Goods | | 106,123,181 | 77,994,928 |
| Intermediate Goods | | - | - |
| Work In Progress | | - | 4,716,644 |
| | | 106,123,181 | 82,711,573 |
| As At the Closing of The Year | | | |
| Finished Goods | | 72,009,601 | 106,123,181 |
| Intermediate Goods | | - | - |
| Work In Progress | | - | - |
| | | 72,009,601 | 106,123,181 |
| | | 34,113,579 | (23,411,608) |
| <u>Excise Paid</u> | | 1,094,012,574 | 884,159,453 |
| | | 1,094,012,574 | 884,159,453 |
| 25. Employee Benefits Expense | | | |
| Salaries & Wages | | 386,717,738 | 324,807,076 |
| Contribution to Provident & Other Funds | | 11,466,164 | 9,651,658 |
| Share Based Payments | | | |
| Staff Welfare Expenses | | 31,310,493 | 29,633,458 |
| | | 429,494,396 | 364,092,192 |
| 26. Finance Costs | | | |
| Interest On: | | | |
| Term Loans | | 14,144,000 | 24,087,756 |
| Working Capital Facilities | | 13,507,292 | 77,428,972 |
| Other Borrowing Costs: | | | |
| Processing Fees | | 1,447,063 | 1,876,686 |
| Bank Guarantee Fees to Parent Company | | 5,742,467 | 6,383,583 |
| | | 34,840,821 | 109,776,996 |
| 27. Depreciation & Amortisation Expense | | | |
| Depreciation on Tangible Assets | | 302,224,118 | 222,009,161 |
| Amortisation of Intangible Assets | | | |
| | | 302,224,118 | 222,009,161 |

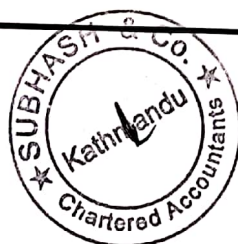
Amel  *Kanu*



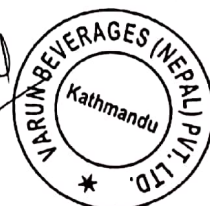
Varun Beverages (Nepal) Pvt. Ltd.

Summary Of Significant Accounting Policies And Other Explanatory Information
On The Standalone Financial Statements For The Year
Ended 31st December, 2019

| | Note | Final Post Ind AS | |
|---|------|----------------------|----------------------|
| | | NPR | NPR |
| | | 31 December 2019 | 31 December 2018 |
| 28. Other Expenses | | | |
| Power and fuel | | 197,135,303 | 181,116,278 |
| Repair to Plant & Equipment | | 122,167,937 | 87,688,078 |
| Repair to Buildings | | 41,094,762 | 30,238,772 |
| Repair to Others | | 21,357,352 | 16,827,258 |
| Consumption of Stores & Spares | | 58,105,417 | 61,889,230 |
| Rent | | 28,212,259 | 32,382,589 |
| Rates and Taxes | | 1,247,631 | 492,215 |
| Insurance | | 15,487,839 | 16,061,919 |
| Printing and stationery | | 3,579,888 | 2,896,052 |
| Communication | | 5,806,795 | 5,066,861 |
| Travelling and Conveyance | | 32,982,597 | 32,118,917 |
| Payment to the Auditors As | | | |
| Audit & Reviews | | 2,000,000 | 1,000,000 |
| Taxation Matters | | | |
| Other Matters | | | |
| Reimbursement of Expenses | | | |
| Vehicle Running & Maintenance | | 13,552,075 | 7,995,387 |
| Lease and hire charges | | - | - |
| Security and service charges | | 29,764,078 | 22,012,256 |
| Professional charges and consultancy | | 14,014,424 | 8,832,629 |
| Bank charges | | 13,653,953 | 3,098,463 |
| Advertisement and sales promotion | | 186,583,854 | 402,333,364 |
| Meeting and conference | | - | 898,862 |
| Freight, octroi and insurance paid (net) | | 406,450,465 | 191,614,467 |
| Delivery vehicle running and maintenance | | 198,315,101 | 206,200,477 |
| Distribution expenses | | 81,663,178 | 82,440,776 |
| Loading and unloading charges | | 25,739,549 | 28,669,493 |
| Donations | | 561,100 | 418,961 |
| Property, Plant & Equipment Written Off | | 343,101 | 380,097 |
| Loss on disposal of Property, Plant & Equipment (Net) | | - | 622,123 |
| Bad Debts & Advances Written Off | | - | - |
| Allowance for Doubtful Debts | | 165,383,294 | 326,202,481 |
| Net loss on foreign currency transactions and translations | | - | 637,642 |
| General office and other miscellaneous expenses | | 11,563,854 | 8,212,198 |
| Management Fee | | 597,643,123 | 544,840,611 |
| | | 2,274,408,928 | 2,303,188,454 |
| 29. Prior Period Items | | | |
| Depreciation of Leasehold Land for Earlier Years | | | |
| | | - | - |
| 30. Other Comprehensive Income | | | |
| Remeasurement of the defined benefit plans | | | |
| IT relating to items that will not be reclassified to P & L | | | |
| | | - | - |



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**VARUN BEVERAGES LANKA (PRIVATE)
LIMITED**

**FINANCIAL STATEMENTS TOGETHER
WITH AUDITOR'S REPORT**

**FOR THE YEAR ENDED
31ST DECEMBER 2019**

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VARUN BEVERAGES LANKA (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Varun Beverages Lanka (Private) Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("Group") which comprise the statement of financial position as at 31st December 2019, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described to in the paragraphs (1) and (2) in the basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects of the financial position of the Company and the Group, as at 31st December 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium Sized Entities (SLFRS for SMEs).

Basis for Qualified Opinion

1. Borrowing costs and exchanges losses amounting to Rs.658.7 million incurred to acquire Property, Plant and Equipment (Building and Plant and Machinery) have been capitalized under cost of such items in these financial statements. This is not in compliance with the requirements of Sections 17 and 25 of the SLFRS for SMEs. Due to the misstatement, the profit of the Company and the Group for the year ended 31st December 2018 and 31st December 2019 are understated by Rs.24.2 million and retained earnings as of 31st December 2018 and 31st December 2019 of the Company and the Group have been overstated by Rs.560.4 and Rs.536.1 million respectively. Further, the net book value of property plant and equipment of the Company and the Group as of 31st December 2019 are overstated by Rs 560.4 and Rs 536.1 million. The misstatements represent the net impact of borrowing costs and exchanges losses capitalized and the depreciation charged on the capitalized costs.
2. As disclosed in note 15.1 to the financial statements, the Company's zero rated redeemable preference shares, carried at the cost of Rs. 5,870.8 million (2018- Rs. 6057.2 million) are recognized under equity. According to the Section 22 of SLFRS for SMEs, these instruments should be initially measured at present value of the future cash payments. Only the difference between the present value of the future cash payments and the amounts received from the issuance of preference shares are to be recognized as the equity components and the balancing amounts to be measured at amortized cost as financial liabilities. Due to the misstatement, equity of the Company and the Group is overstated by Rs. 2,621.5 and Rs. 2,435.1 million as of 31st December 2018 and 31st December 2019 respectively. The profit and retained earnings of the Company and the Group for the year ended 31st December 2018 and 31st December 2019 and as at that dates are overstated by Rs.458.7, Rs. 488.3 million and Rs.1,342.9, Rs.1,830.5 million respectively, due to the non-recognition of interest expense on the liability component.. Further liability of the Company and the Group as of 31st December 2018 and 31st December 2019 have been understated by Rs.3,964.5 and 4,265.6, due to above non recognition.,

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

Other Information

Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. At the date of this auditor's report, other information was not made available to us.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standard for Small and Medium Sized Entities (SLFRS for SME's), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and Group'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.

As part of an audit in accordance with Sri Lanka Auditing Standards, we exercise professional judgement 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 and Group'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 Group'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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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, except for the matters (1) to (2) referred in the basis for qualified opinion paragraph, proper accounting records have been kept by the Company.

SJMS Associates

SJMS ASSOCIATES
Chartered Accountants
Colombo
05th February 2020



VARUN BEVERAGES LANKA (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019

| | Note | Company Year Ended 31.12.2019 Rs. | Group Year Ended 31.12.2019 Rs. | Company Year Ended 31.12.2018 Rs. | Group Year Ended 31.12.2018 Rs. |
|---|------|--|--|--|--|
| Revenue | 4 | 2,355,936,073 | 3,883,846,622 | 1,460,281,274 | 2,665,028,095 |
| Cost of sales | 5 | <u>(1,544,309,508)</u> | <u>(2,292,475,797)</u> | <u>(1,043,802,711)</u> | <u>(1,918,456,620)</u> |
| Gross profit | | 811,626,564 | 1,591,370,825 | 416,478,564 | 746,571,475 |
| Other income | 6 | <u>141,092,810</u> | <u>166,096,265</u> | <u>644,247,760</u> | <u>639,360,604</u> |
| | | 952,719,375 | 1,757,467,090 | 1,060,726,323 | 1,385,932,079 |
| Less: Expenditure | | | | | |
| Administrative expenses | | (174,188,948) | (231,484,256) | (175,103,152) | (234,896,814) |
| Selling and distribution expenses | | <u>(973,382,706)</u> | <u>(1,364,380,919)</u> | <u>(638,264,747)</u> | <u>(1,495,943,155)</u> |
| Profit/ (loss) from operations | | (194,852,279) | 161,601,915 | 247,358,423 | (344,907,890) |
| Finance and other costs | 8 | <u>(91,036,221)</u> | <u>(178,496,333)</u> | <u>(147,120,311)</u> | <u>(399,489,447)</u> |
| Profit/ (loss) before tax | 7 | (285,888,500) | (16,894,418) | 100,238,112 | (744,397,337) |
| Income tax expense/ (reversal) | 9 | - | (12,590,977) | - | 144,414,120 |
| Profit/ (loss) for the year | | <u>(285,888,500)</u> | <u>(29,485,395)</u> | <u>100,238,112</u> | <u>(599,983,218)</u> |
| Other comprehensive income/ (expense) | | - | | | |
| Actuarial gain/(loss) on employee benefit obligations | | (13,737,665) | (16,086,022) | 10,219,389 | 14,352,920 |
| Deferred tax on actuarial gain/loss | | | 657,540 | | (1,157,389) |
| Total comprehensive income/ (expense) for the year | | <u>(299,626,165)</u> | <u>(44,913,878)</u> | <u>110,457,501</u> | <u>(586,787,687)</u> |
| Attributable to : | | | | | |
| Owners of the parent | | (299,626,165) | (44,913,878) | 110,457,501 | (586,787,687) |
| Non-controlling interest | | <u>(299,626,165)</u> | <u>(44,913,878)</u> | <u>110,457,501</u> | <u>(586,787,687)</u> |

The accounting policies and notes from 01 to 24 form an integral part of the financial statements.



VARUN BEVERAGES LANKA (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2019

| | Note | Company 31.12.2019 Rs. | Group 31.12.2019 Rs. | Company 31.12.2018 Rs. | Group 31.12.2018 Rs. |
|---|------|------------------------------|----------------------------|------------------------------|----------------------------|
| Assets | | | | | |
| Non Current Assets | | | | | |
| Property, plant and equipment | 10 | 2,615,398,728 | 4,729,771,860 | 2,759,448,785 | 4,939,633,696 |
| Capital work-in-progress | 11 | - | 1,229,281 | - | - |
| Deferred tax asset | 9.1 | - | - | - | 225,911,957 |
| | | <u>2,615,398,728</u> | <u>4,731,001,141</u> | <u>2,759,448,785</u> | <u>5,165,545,653</u> |
| Investment in subsidiary - Ole Springs Bottlers (Pvt) Ltd | | 940,828,790 | - | 1,116,373,170 | - |
| Current Assets | | | | | |
| Inventories | 11 | 375,707,387 | 542,346,777 | 279,523,797 | 406,761,116 |
| Trade and other receivables | 12 | 354,604,353 | 746,717,466 | 348,591,462 | 1,208,216,358 |
| Amounts due from related parties | 22 | 1,874,278,591 | 38,113,298 | 2,237,856,730 | 48,399,414 |
| Fixed deposits with banks | 14 | 2,400,000 | 109,414,459 | - | 4,011,459 |
| Cash and cash equivalents | 13 | 16,965,270 | 26,496,520 | 108,384,646 | 115,409,561 |
| | | <u>2,623,955,601</u> | <u>1,463,088,520</u> | <u>2,974,356,635</u> | <u>1,782,797,908</u> |
| Total Assets | | <u>6,180,183,120</u> | <u>6,194,089,660</u> | <u>6,850,178,590</u> | <u>6,948,343,561</u> |
| Equity and Liabilities | | | | | |
| Equity | | | | | |
| Stated capital | 15 | 6,438,536,700 | 6,438,536,700 | 6,624,976,100 | 6,624,976,100 |
| Accumulated losses | | (895,731,240) | (1,507,408,596) | (596,105,075) | (1,226,430,908) |
| Total Equity | | <u>5,542,805,460</u> | <u>4,931,128,104</u> | <u>6,028,871,025</u> | <u>5,398,545,192</u> |
| Non Current Liabilities | | | | | |
| Bottle deposit payable | 16 | 34,889,887 | 170,991,749 | 25,870,999 | 154,662,062 |
| Retirement benefit obligations | 17 | 60,497,304 | 99,283,566 | 44,125,260 | 77,243,066 |
| Deferred tax liability | 9.1 | - | 16,403,109 | - | - |
| Lease creditors | 18 | - | - | 2,659,999 | 2,659,999 |
| | | <u>95,387,192</u> | <u>286,678,425</u> | <u>72,656,258</u> | <u>234,565,128</u> |
| Current Liabilities | | | | | |
| Borrowings | 19 | 205,704,490 | 386,908,532 | 352,710,620 | 550,083,331 |
| Lease creditors | 18 | - | - | 1,604,947 | 1,604,947 |
| Trade and other payables | 20 | 253,875,491 | 398,539,978 | 363,833,996 | 640,939,414 |
| Amounts due to related parties | 22 | 8,252,398 | 8,252,398 | 6,624,384 | 27,741,482 |
| Bank overdraft | 21 | 74,158,089 | 182,582,224 | 23,877,359 | 94,864,067 |
| | | <u>541,990,468</u> | <u>976,283,132</u> | <u>748,651,306</u> | <u>1,315,233,241</u> |
| Total Current Liabilities | | <u>541,990,468</u> | <u>976,283,132</u> | <u>748,651,306</u> | <u>1,315,233,241</u> |
| Total Equity and Liabilities | | <u>6,180,183,120</u> | <u>6,194,089,660</u> | <u>6,850,178,590</u> | <u>6,948,343,561</u> |

I certify that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Financial Officer

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

Director

5th February 2020



Director

5th February 2020

The accounting policies and notes from 01 to 24 form an integral part of the financial statements.

VARUN BEVERAGES LANKA (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019

| Company | Stated Capital Rs. | Accumulated Losses Rs. | Total Rs. |
|--|--------------------------|------------------------------|----------------------|
| Balance as at 01.01.2018 | 6,383,031,600 | (706,562,576) | 5,676,469,024 |
| Preference shares issued | 469,044,500 | - | 469,044,500 |
| Preference shares redeemed | (227,100,000) | - | (227,100,000) |
| Profit/(loss) for the year | - | 100,238,112 | 100,238,112 |
| Other comprehensive income/(loss) for the year | - | 10,219,389 | 10,219,389 |
| Balance as at 31.12.2018 | 6,624,976,100 | (596,105,075) | 6,028,871,025 |
| Preference shares redeemed | (186,439,400) | - | (186,439,400) |
| Profit/(loss) for the year | - | (285,888,500) | (285,888,500) |
| Other comprehensive income/(loss) for the year | - | (13,737,665) | (13,737,665) |
| Balance as at 31.12.2019 | 6,438,536,700 | (895,731,240) | 5,542,805,460 |

| Group | Stated Capital Rs. | Accumulated Losses Rs. | Total Rs. |
|--|--------------------------|------------------------------|----------------------|
| Balance as at 01.01.2018 | 6,383,031,600 | (639,643,221) | 5,743,388,379 |
| Preference shares issued | 469,044,500 | - | 469,044,500 |
| Preference shares redeemed | (227,100,000) | - | (227,100,000) |
| Profit/(loss) for the year | - | (599,983,218) | (599,983,218) |
| Other comprehensive income/(loss) for the year | - | 13,195,531 | 13,195,531 |
| Balance as at 31.12.2018 | 6,624,976,100 | (1,226,430,908) | 5,398,545,192 |
| Preference shares redeemed | (186,439,400) | - | (186,439,400) |
| Deferred tax adjustment of revalued gain on land | - | (236,063,811) | (236,063,811) |
| Profit/(loss) for the year | - | (29,485,395) | (29,485,395) |
| Other comprehensive income/(loss) for the year | - | (15,428,482) | (15,428,482) |
| Balance as at 31.12.2019 | 6,438,536,700 | (1,507,408,596) | 4,931,128,104 |

The accounting policies and notes from 01 to 24 form an integral part of the financial statements.



VARUN BEVERAGES LANKA (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2019

| | Company Year Ended | Group Year Ended | Company Year Ended | Group Year Ended |
|---|-----------------------|----------------------|-----------------------|----------------------|
| | 31.12.2019 Rs. | 31.12.2019 Rs. | 31.12.2018 Rs. | 31.12.2018 Rs. |
| Cash Flows from Operating Activities | | | | |
| Operating profit/ (loss) before interest and taxation | (194,852,279) | 161,601,915 | 247,358,423 | (344,907,890) |
| Adjustment for: | | | | |
| Depreciation | 223,937,693 | 403,859,735 | 246,973,143 | 458,527,702 |
| Gain/ (loss) on disposal of property, plant and equipment | - | (1,482,624) | - | - |
| Provision for bad and doubtful debt | 44,506,958 | 128,005,971 | - | - |
| Bottles and shells damaged | - | - | - | - |
| Provision for gratuity | 7,861,374 | 10,025,785 | 5,693,298 | 7,276,276 |
| Operating profit before working capital changes | <u>81,453,746</u> | <u>702,010,782</u> | <u>500,024,864</u> | <u>120,896,088</u> |
| Working Capital Changes | | | | |
| (Increase)/ decrease in inventories | (109,769,780) | (166,199,565) | 114,922,243 | 292,224,069 |
| Increase/ (decrease) in amounts due to related parties | 1,628,015 | (19,489,084) | (3,419,498) | (10,171,678) |
| (Increase)/ decrease in amounts due from related parties | 362,714,800 | 10,286,115 | (42,194,708) | 185,579,919 |
| (Increase)/ decrease in accounts receivable | (50,519,838) | 327,810,752 | (117,821,561) | 425,220,149 |
| Increase/ (decrease) in accounts payable | <u>(100,939,617)</u> | <u>(226,069,748)</u> | <u>116,600,051</u> | <u>(205,087,872)</u> |
| Cash generated from/ (used in) operations | 184,567,325 | 628,349,252 | 568,111,393 | 808,660,675 |
| Income tax paid | - | - | - | - |
| Interest paid | (54,192,160) | (102,144,522) | (67,249,878) | (106,302,610) |
| Gratuity paid | (9,658,688) | (13,340,477) | (6,440,363) | (9,660,242) |
| Cash flows from operating/ (used in) activities | <u>120,716,477</u> | <u>512,864,253</u> | <u>494,421,153</u> | <u>692,697,823</u> |
| Cash Flows from Investing Activities | | | | |
| Acquisition of property, plant and equipment | (98,279,954) | (235,288,491) | (101,535,627) | (242,687,044) |
| Disposal/Settlement of Investment | 175,544,380 | - | - | - |
| Expenditure on capital work in progress | - | (1,229,281) | (597,375) | (6,056,607) |
| Proceeds on sale of property, plant and equipment | 1,157,393 | 7,032,393 | 3,203,887 | 3,246,500 |
| Fixed deposits in banks | (2,400,000) | (105,403,000) | - | (4,011,459) |
| Net cash used in investing activities | <u>76,021,819</u> | <u>(334,888,379)</u> | <u>(98,929,114)</u> | <u>(249,508,609)</u> |
| Cash Flows from Financing Activities | | | | |
| Net borrowings | (147,006,130) | (163,174,799) | (228,983,681) | (232,695,971) |
| Issue of preference shares | - | - | 469,044,500 | 469,044,500 |
| Redemption of preference shares | (186,439,400) | (186,439,400) | (227,100,000) | (227,100,000) |
| Lease payments | (4,992,872) | (4,992,872) | (8,125,950) | (8,125,950) |
| Net cash flow from investing activities | <u>(338,438,402)</u> | <u>(354,607,071)</u> | <u>4,834,869</u> | <u>1,122,579</u> |
| Net increase/ decrease in cash and cash equivalents | (141,700,106) | (176,631,197) | 400,326,907 | 444,311,793 |
| Cash and cash equivalents at the beginning of the year | 84,507,287 | 20,545,494 | (315,819,620) | (423,766,299) |
| Cash & cash equivalents at the end of the year (Note 13, 21) | <u>(57,192,819)</u> | <u>(156,085,704)</u> | <u>84,507,287</u> | <u>20,545,494</u> |
| Analysis of cash and cash equivalents at the end of the year | | | | |
| Cash in hand and cash at bank | 16,965,270 | 26,496,520 | 108,384,646 | 115,409,561 |
| Bank overdraft | (74,158,089) | (182,582,224) | (23,877,359) | (94,864,067) |
| | <u>(57,192,819)</u> | <u>(156,085,704)</u> | <u>84,507,287</u> | <u>20,545,494</u> |

The accounting policies and notes from 01 to 24 form an integral part of the financial statements.



VARUN BEVERAGES LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

1. General

1.1 Reporting Entity

Varun Beverages Lanka (Private) Limited (the “Company”) is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the company and the principal place of business is located at No.140, Low Level Road, Embulgama, Ranala.

1.2 Principal activities and nature of operations

The Company – Varun Beverages Lanka (Private) Limited

The principle activity of the company is to manufacturing, selling and distribution of non-alcoholic beverages & purified drinking water.

Subsidiary – Ole Springs Bottlers (Pvt) Ltd

The company is engaged in the business of manufacturing, selling and distribution of non-alcoholic beverages.

1.3 Parent and Ultimate Parent Enterprises

The company’s parent undertaking is Varun Beverages Limited and in the opinion of the directors, the company’s ultimate parent undertaking is RJ Corp Limited. Both intermediate parent and ultimate parent are incorporated in India.

1.4 Date of Authorization for Issue

The financial statements were approved for issue by the Board of Directors on 5th February 2020.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

2.1.1 Basis of Consolidation

These consolidated financial statements have been prepared in compliance with the Sri Lanka Accounting Standard for Small and Medium-Sized Entities (SLFRS for SMEs) laid down by The Institute of Chartered Accountants of Sri Lanka except for Notes 2.2.1, 2.4.1 and 2.7.2. These three policies which deviate from SLFRS for SMEs, are adopted to be in line with group accounting policies.

All values presented in these financial statements are in Sri Lankan Rupees (Rs.) rounded to the nearest rupee. The measurement basis used is the historical cost basis.

The previous period figures and phrases have been reclassified whenever necessary to conform to current period presentation.

2.1.2 Going Concern

When preparing the financial statements the directors have assessed the ability of the company to continue as a going concern. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future even though the company has negative net assets during early stages of the business operations. The company does not foresee a need for liquidation or cessation of trading, taking into account all available information about the future and accordingly, they continue to adopt the going concern basis in preparing these financial statements.

2.1.3 Consolidation

2.1.3.1 Consolidation Financial Statements

The consolidated financial statements of the company for year ended 31st December 2019 include Ole Springs Bottlers (Pvt) Ltd which is a subsidiary of the company.



2.1.3.2 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date the control ceases

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized is recorded as goodwill.

All intragroup transactions, balances, income and expenses are eliminated on consolidation. Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Appropriate adjustments have been made where necessary to ensure consistency with the policies adopted by the group.

2.2 Functional and Presentation Currency

The financial statements are presented in Sri Lankan Rupees which is the company's functional and presentation currency. All financial information presented has been rounded to the nearest rupee, unless otherwise stated.

2.2.1 Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of such transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss except for the exchange gain/loss on the translation of the foreign currency loans taken to finance fixed asset acquisition is capitalized with the respective asset.

2.3 Revenue

2.3.1 Sale of Goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

2.3.2 Other Income

2.3.2.1 Foreign Services Income

Foreign service income and subsidies are recognized in the financial statements at their fair value. When the foreign service income or subsidy relates to an expense it is recognized as income over the period necessary to match it with the costs, which it is intended to compensate for on a systematic basis.

2.3.2.2 Rent Income

Rent income arises from both related party and third parties are recognized on an accrual basis.

2.4 Expenditure Recognition

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



2.4.1 Borrowing Costs

Borrowing cost incurred on acquisition of property plant and equipment are capitalized as a part of the cost of the asset .All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.5 Leases

Leases are classified as finance lease whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the company. All other leases are classified as operating lease.

Rights to assets held under finance lease are recognized as assets of the company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the commencement of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property, plant and equipment and depreciated and assessed for impairment losses in the same way as owned assets. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

2.6 Income Tax Expense

2.6.1 Company

For a period of six (06) years reckoned from the year of assessment as may be determined by the Board of Investment of Sri Lanka (BOI) (“tax exemption period”) the provisions of the Inland Revenue Act No. 24 of 2017 relating to the imposition, payment and recovery of income tax in respect of the profits and income of the Company shall not apply to the profit and income of the Company.

For the above purpose the year of assessment shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date of commencement of commercial operations, whichever year is earlier, as specified in a certificate issued by the Board of Investment of Sri Lanka (BOI).

After the aforesaid tax exemption period referred to above, the profits and income of the Enterprise shall be charged at the rate of fifteen per centum (15%)

Deferred Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period. No deferred tax asset/liability has been recognized in these financial statement as the company is exempted from income tax for period of six years as per the agreement entered between BOI and the company.



2.6.2 **Subsidiary**

The provision for income tax is based on the elements of income and expenditures as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act. No 24 of 2017 subsequent amendments.

The company's liability to taxation has been computed in accordance with the provision of the Inland Revenue Act No. 24 of 2017, and amendments thereto.

Tax expense represents the aggregate amount included in profit or loss for the period in respect of the current tax and deferred tax.

Current tax is the amount of income tax payable or refundable in respect of the taxable profit or loss for the current or prior periods.

2.7 **Stated Capital**

2.7.1 **Ordinary Shares**

Ordinary shares are classified as equity.

2.7.2 **Redeemable Preference Shares**

The company has classified redeemable preference shares into the equity and measured at cost.

2.8 **Tangible Assets**

2.8.1 **Property, Plant and Equipment**

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred. Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method is as follows:

| Assets | Rate (%) |
|------------------------|-----------------|
| Computers | 25.00 |
| Furniture and fittings | 10.00 |
| Motor vehicles | 14.29 |
| Trade equipment | 12.50 |
| Office equipment | 25.00 |
| Buildings | 3.34 |
| Plant and machinery | 4.75 |
| Tools and equipment | 4.75 |
| Bottles and crates | 12.50 |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other gains/ (losses) – net' in the statement of comprehensive income.

2.8.2 Capital Work-in-Progress

Capital work-in-progress is carried at cost. In respect of Projects under construction, incidental and attributable expenses (net of incidental income) including interest expenses is carried as part of incidental expenditure during construction to be allocated on major immovable project assets other than land and infrastructural facilities, on commissioning of the project.

2.9 Intangible Assets

2.9.1 Computer Software

Purchased computer software is stated at cost less accumulated depreciation and any accumulated impairment losses. It is amortized over its estimated life of five years using the straight-line method. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

2.10 Impairment of Non-Financial Assets

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

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

2.11 Inventories

Inventories are measured at the lower of cost and net realizable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale. The costs incurred in bringing the inventories to its present location and condition, are accounted for as follows:

Raw materials - On actual cost on a weighted average basis

Finished goods - Valued at standard cost basis

Other inventories - On actual cost on a weighted average basis

2.12 Cash and Cash Equivalent

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments which are readily convertible to known amounts of cash and subject to significant risk of changes in value.

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

3.1 Financial Instruments

Trade and other receivables are initially recognized at the transaction price. All sales are made on the basis of normal credit terms, and the receivables do not bear interest. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

Investment in subsidiary is recognized at cost less impairment losses.

Financial liabilities are initially recognized at the transaction price (including transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortized cost using the effective interest method.

3.2 **Defined Benefit Plan – Gratuity**

Gratuity is a defined benefit plan. In order to meet this liability, a provision is carried forward in the Statement of financial position. The provision is made on the basis of an actuarial valuation as recommended by the Sri Lanka Accounting Standards for SMEs considering the Projected Unit Credit (PUC) method and premium for the year is charged as an expense to the Income Statement in the period which is relate. The fund is not externally funded.

However, as per the Payment of Gratuity Act No. 12 of 1983, the liability arises only upon the completion of five years of continuous service.

3.3 **Defined Contribution Plan - EPF & ETF**

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 defined contribution plans are recognized as an employee benefit expense in the income statement as in the periods during which services are rendered by employees.

Employees' Provident Fund

The company and employees contribute 12% and 8% respectively on the salary of each employee to the approved Provident Fund.

Employees' Trust Fund

The company contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.6 **Judgments and Key Sources of Estimation Uncertainty**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

3.7 **Events After the Reporting Period**

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



| | Company Year Ended 31.12.2019 Rs. | Group Year Ended 31.12.2019 Rs. | Company Year Ended 31.12.2018 Rs. | Group Year Ended 31.12.2018 Rs. |
|--|--|--|--|--|
| 4. Revenue | | | | |
| Local sales | 2,690,400,246 | 4,609,082,558 | 2,221,679,308 | 4,443,099,810 |
| Export sales | 170,380,151 | 172,314,095 | 82,767,968 | 84,686,607 |
| Trade discount | (36,664,918) | (170,458,615) | (126,885,332) | (508,405,608) |
| | <u>2,824,115,479</u> | <u>4,610,938,037</u> | <u>2,177,561,944</u> | <u>4,019,380,809</u> |
| Nation Building Tax | (42,079,696) | (85,602,783) | (30,558,192) | (74,499,903) |
| Excise duty | (426,099,710) | (641,488,632) | (686,722,478) | (1,279,852,811) |
| | <u>2,355,936,073</u> | <u>3,883,846,622</u> | <u>1,460,281,274</u> | <u>2,665,028,095</u> |
| 5. Cost of Finished Goods Manufactured | | | | |
| Finished goods at the at the beginning of the year | 54,962,649 | 73,142,657 | 62,392,276 | 141,121,289 |
| Finished goods purchase | - | 52,813,678 | - | 52,315,369 |
| Factory cost transferred (Note 5.1) | 1,549,396,426 | 2,248,502,691 | 1,036,373,084 | 1,798,162,620 |
| Finished goods at the end of the year | (60,049,567) | (81,983,229) | (54,962,649) | (73,142,658) |
| | <u>1,544,309,508</u> | <u>2,292,475,797</u> | <u>1,043,802,711</u> | <u>1,918,456,620</u> |
| 5.1 Factory Cost Transferred | | | | |
| Raw materials at the beginning of the year | 146,276,142 | 205,697,309 | 296,915,278 | 572,220,847 |
| Raw material purchase | 1,105,752,928 | 1,543,622,958 | 488,539,914 | 628,297,636 |
| Raw material at the end of the year | (202,947,264) | (296,606,869) | (146,276,142) | (205,697,309) |
| Raw material consumed | <u>1,049,081,806</u> | <u>1,452,713,397</u> | <u>639,179,050</u> | <u>994,821,174</u> |
| Production overheads (Note 5.2) | 500,314,620 | 795,789,294 | 397,194,034 | 803,341,445 |
| | <u>1,549,396,426</u> | <u>2,248,502,691</u> | <u>1,036,373,084</u> | <u>1,798,162,620</u> |
| 5.2 Production Overheads | | | | |
| Salaries | 79,257,482 | 106,019,466 | 69,535,190 | 118,278,933 |
| Wages | 12,809,528 | 26,863,330 | 6,476,396 | 28,296,473 |
| Overtime | 19,521,309 | 28,024,550 | 12,697,885 | 31,742,045 |
| Bonus | 11,491,142 | 14,099,827 | 9,096,168 | 11,195,310 |
| Allowance | 4,993,641 | 5,651,374 | 5,693,380 | 6,617,111 |
| Employees' Provident Fund | 9,980,694 | 13,219,611 | 8,334,686 | 14,183,935 |
| Employees' Trust Fund | 2,495,173 | 3,304,902 | 2,083,670 | 3,545,982 |
| Staff welfare | 4,118,805 | 6,933,355 | 2,484,656 | 3,960,589 |
| Medical | 1,700,960 | 2,084,836 | 1,465,231 | 1,938,855 |
| Terminal gratuity | 2,654,263 | 3,716,319 | 1,696,369 | 2,669,449 |
| Fuel | 48,421,245 | 52,651,941 | 22,267,107 | 44,555,294 |
| Chemicals | 27,830,409 | 51,011,748 | 21,868,419 | 45,289,035 |
| Lab consumables | - | 2,366,472 | - | 1,555,013 |
| Lab testing charges | 6,572,729 | 6,572,729 | 2,832,853 | 2,832,853 |
| Staff uniforms | - | 2,027,792 | - | 2,465,306 |
| Electricity | 89,117,845 | 110,128,970 | 70,866,718 | 96,832,372 |
| Postage and courier charges | 821,234 | 821,234 | 1,041,526 | 1,041,526 |
| Telephone | 46,368 | 945,889 | 16,500 | 1,424,720 |
| General insurance | 1,999,165 | 3,350,021 | 2,088,141 | 4,135,851 |
| Printing and stationery | 1,400,105 | 1,400,105 | 1,009,384 | 1,009,384 |
| Security charges | 5,761,481 | 13,336,482 | 3,696,494 | 13,112,119 |
| Motor vehicle fuel | - | 186,129 | - | 1,152,922 |



| | Company Year Ended 31.12.2019 Rs. | Group Year Ended 31.12.2019 Rs. | Company Year Ended 31.12.2018 Rs. | Group Year Ended 31.12.2018 Rs. |
|--|--|--|--|--|
| 5.2 Production Overheads (Contd...) | | | | |
| Depreciation | | | - | |
| - Factory building | - | 3,160,620 | | 3,401,238 |
| - Plant and machinery | 104,966,803 | 128,030,068 | 104,029,812 | 127,396,248 |
| - Office equipment | - | 19,141 | - | 17,791 |
| - Furniture and fittings | - | 327,264 | - | 314,442 |
| - Motor vehicles and forklift | - | 605,498 | - | 800,860 |
| - Computers | - | 327,447 | - | 374,800 |
| - Bottles and crates | - | 109,919,987 | | 149,281,407 |
| Building repair and maintenance | 675,069 | 8,884,643 | 3,956,466 | 9,258,691 |
| Equipment maintenance | 62,721,598 | 88,270,757 | 43,185,804 | 72,745,207 |
| Travelling and transport | 957,573 | 957,573 | 771,178 | 771,178 |
| Loading charges | - | 569,212 | - | 1,144,502 |
| | <u>500,314,620</u> | <u>795,789,294</u> | <u>397,194,034</u> | <u>803,341,445</u> |
| 6. Other Income | | | | |
| Foreign services income | 137,555,319 | 137,555,319 | 630,322,519 | 630,322,519 |
| Blow molding income | - | - | 1,015,806 | - |
| Administration service income | - | - | 10,800,000 | - |
| Disposal of property, plant and equipment | - | 1,482,624 | - | - |
| Scrap sales | 2,209,554 | 10,098,440 | 1,221,984 | 7,943,995 |
| Miscellaneous income | 456,158 | 456,158 | - | - |
| Exchange gain | 229,013 | 2,413,861 | 73,547 | 185,176 |
| Interest income | 642,766 | 14,089,863 | 813,903 | 908,914 |
| | <u>141,092,810</u> | <u>166,096,265</u> | <u>644,247,760</u> | <u>639,360,604</u> |
| 7. Loss Before Tax is Stated after Charging all Expenses Including the Following: | | | | |
| Personnel cost | 346,075,875 | 482,633,000 | 304,464,848 | 479,984,200 |
| Defined contribution plan costs - EPF &ETF | 41,018,210 | 49,277,466 | 32,399,545 | 42,498,546 |
| Provision for gratuity | 7,861,374 | 10,025,785 | 5,693,298 | 7,276,276 |
| Bonus | 30,001,604 | 35,317,957 | 22,808,473 | 30,314,486 |
| Depreciation | 223,937,693 | 403,859,735 | 246,973,143 | 458,527,702 |
| Insurance | 5,042,510 | 6,393,366 | 5,982,378 | 8,030,088 |
| Auditor's fees | 1,878,274 | 2,863,405 | 1,483,848 | 2,477,881 |
| 8. Finance Cost & Other Cost | | | | |
| Bank overdraft interest | 16,701,410 | 24,062,421 | 42,349,737 | 49,797,001 |
| Lease interest | 727,916 | 727,916 | 946,226 | 946,226 |
| Long term loan interest | - | - | 1,120,072 | 1,120,072 |
| Asset scrap loss | 17,234,925 | 35,740,824 | 44,959,674 | 162,347,018 |
| Short term loan interest | 8,700,887 | 30,609,360 | 16,276,406 | 35,453,128 |
| Expiries and Breakages | 13,586,189 | 30,613,904 | 27,641,539.35 | 119,096,730.00 |
| Bank charges | 763,662 | 1,929,895 | 1,857,113 | 2,356,488 |
| ESC Write off | 28,026,201 | 45,542,846 | - | - |
| Exchange loss | - | - | 5,631,559 | 17,560,931 |
| Interest on gratuity | 5,295,031 | 9,269,168 | 6,337,985 | 10,811,853 |
| | <u>91,036,221</u> | <u>178,496,333</u> | <u>147,120,311</u> | <u>399,489,447</u> |



| | Company Year Ended 31.12.2019 Rs. | Group Year Ended 31.12.2019 Rs. | Company Year Ended 31.12.2018 Rs. | Group Year Ended 31.12.2018 Rs. |
|-------------------------------|--|--|--|--|
| 9. Taxation | | | | |
| Income tax expenses | | | | |
| Deferred tax (Note 9.2) | - | 6,908,795 | - | (144,414,120) |
| Tax payment for previous year | - | 5,682,182 | - | - |
| | - | 12,590,977 | - | (144,414,120) |

9.1 Reconciliation of the total tax charge

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

| | | | | |
|--|---------------|---------------|---------------|-----------------|
| Accounting profit/(loss) as per income tax computation | (285,888,500) | (16,894,418) | 100,238,112 | (744,397,337) |
| Allowable credits | (191,813,358) | (451,837,737) | (889,150,169) | (1,197,565,971) |
| Non- deductible expenses | 328,934,435 | 637,460,541 | 314,793,852 | 673,606,338 |
| Interest income | 642,766 | 14,089,863 | 813,903 | 813,903 |
| Tax loss claimed | (642,766) | (331,585,672) | - | - |
| Tax loss removed for tax holiday period | 148,767,423 | 148,767,423 | 473,304,302 | 473,304,302 |
| Tax profit/ (loss) for the year of assessment | - | - | - | (794,238,765) |
| | | | | |
| Tax expense | - | - | - | - |

Income tax rates are explained in "Note 2.6 Income Tax Expense"

9.2 Group

| Deferred tax balances | Property, plant & equipment Rs. | Retirement benefit obligation Rs. | Unused tax losses Rs. | Total Rs. |
|--|--|--|-----------------------------|---------------|
| Balance as at 1 st January 2018 | (246,927,932) | 13,541,183 | 316,041,975 | 82,655,226 |
| Recognised in profit or loss | (6,666,442) | (898,659) | 150,821,832 | 143,256,731 |
| Balance as at 31 st December 2018 | (253,594,374) | 12,642,524 | 466,863,807 | 225,911,957 |
| | | | | |
| Balance as at 1 st January 2019 | (253,594,374) | 12,642,524 | 466,863,807 | 225,911,957 |
| Recognised in changes in equity | (236,063,811) | - | - | (236,063,811) |
| Recognised in profit or loss | 5,107,005 | (1,782,371) | (9,575,889) | (6,251,255) |
| Balance as at 31 st December 2019 | (484,551,180) | 10,860,153 | 457,287,918 | (16,403,109) |



| | Company 31.12.2019 Rs. | Group 31.12.2019 Rs. | Company 31.12.2018 Rs. | Group 31.12.2018 Rs. |
|---|------------------------------|----------------------------|------------------------------|----------------------------|
| 10. Property, Plant and Equipment | | | | |
| Freehold property, plant and equipment (Note 10.1 and 10.2) | 2,615,398,728 | 4,729,771,860 | 2,752,550,002 | 4,932,734,912 |
| Leasehold property, plant and equipment (Note 10.3 and 10.4) | - | - | 6,898,784 | 6,898,784 |
| | <u>2,615,398,728</u> | <u>4,729,771,860</u> | <u>2,759,448,786</u> | <u>4,939,633,696</u> |

10.1 Freehold Property, Plant and Equipment

Company

| | Balance at the beginning of the year Rs. | Additions Rs. | Lease transfers Rs. | Disposals/ write off Rs. | Balance at the end of the year Rs. |
|---------------------------------|---|--------------------|---------------------------|--------------------------------|---|
| Cost | | | | | |
| Blow molding | 129,238,128 | | | | 129,238,128 |
| Building | 889,739,939 | 11,348,067.30 | | - | 901,088,006 |
| Computers | 9,092,605 | 2,951,810.43 | | (29,000) | 12,015,416 |
| Furniture & fittings | 3,436,494 | 4,205,543.57 | | - | 7,642,037 |
| Machinery and other equipment | 2,065,787,318 | 13,009,245.15 | | - | 2,078,796,563 |
| Motor vehicles | 186,215,425 | 15,600,000.00 | 10,548,404 | (3,016,143) | 209,347,686 |
| Office equipment | 12,224,243 | 1,997,017.39 | | (415,687) | 13,805,574 |
| Trade equipment | 598,450,214 | 49,168,270.12 | | (75,173,554) | 572,444,930 |
| Total | <u>3,894,184,364</u> | <u>98,279,954</u> | <u>10,548,404</u> | <u>(78,634,384)</u> | <u>3,924,378,339</u> |
| Accumulated Depreciation | | | | | |
| Blow molding | 48,065,175 | 6,126,174 | | - | 54,191,349 |
| Buildings | 139,920,848 | 29,652,924 | | - | 169,573,772 |
| Computers | 6,205,702 | 1,590,837 | | (29,000) | 7,767,539 |
| Furniture & fittings | 1,431,253 | 550,792 | | - | 1,982,045 |
| Machinery and other equipment | 428,221,235 | 98,840,628 | | - | 527,061,863 |
| Motor vehicles | 145,081,397 | 21,344,647 | 5,153,432 | (3,016,143) | 168,563,333 |
| Office equipment | 4,514,638 | 2,844,816 | | (415,687) | 6,943,767 |
| Trade equipment | 368,194,115 | 61,483,064 | | (56,781,236) | 372,895,943 |
| Total | <u>1,141,634,363</u> | <u>222,433,882</u> | <u>5,153,432</u> | <u>(60,242,066)</u> | <u>1,308,979,610</u> |
| Written Down Value | <u>2,752,550,002</u> | | | | <u>2,615,398,728</u> |



10.2 Freehold Property, Plant and Equipment

| Group | Balance at the beginning of the year Rs. | Additions Rs. | Lease transfers Rs. | Disposals/ write off Rs. | Balance at the end of the year Rs. |
|---------------------------------|---|--------------------|------------------------|--------------------------------|---------------------------------------|
| Cost | | | | | |
| Land | 972,314,280 | - | | | 972,314,280 |
| Buildings | 1,033,606,961 | 11,508,241 | | - | 1,045,115,202 |
| Blow molding | 129,238,128 | - | | - | 129,238,128 |
| Computers | 13,601,101 | 3,283,310 | | (252,000) | 16,632,412 |
| Furniture & fittings | 8,190,510 | 4,205,544 | | - | 12,396,053 |
| Motor vehicles | 223,480,502 | 15,600,000 | 10,548,404 | (10,703,670) | 238,925,236 |
| Machinery and other equipment | 2,540,939,176 | 13,274,095 | | - | 2,554,213,271 |
| Office equipment | 14,556,597 | 2,108,017 | | (415,687) | 16,248,927 |
| Tools & equipment | 5,967,102 | - | | - | 5,967,102 |
| Trade equipment | 2,259,553,555 | 185,309,283 | | (118,817,107) | 2,326,045,732 |
| Total | <u>7,201,447,911</u> | <u>235,288,491</u> | <u>10,548,404</u> | <u>(130,188,464)</u> | <u>7,317,096,343</u> |
| Accumulated Depreciation | | | | | |
| Buildings | 189,371,394 | 33,403,888 | | - | 222,775,282 |
| Blow molding | 48,065,175 | 6,126,174 | | | 54,191,349 |
| Computers | 9,285,860 | 2,573,180 | | (240,010) | 11,619,029 |
| Furniture & fittings | 5,100,405 | 1,053,228 | | - | 6,153,633 |
| Motor vehicles | 170,602,862 | 23,161,667 | 5,153,432 | (6,311,294) | 192,606,666 |
| Machinery and other equipment | 574,290,456 | 121,873,149 | | - | 696,163,605 |
| Office equipment | 5,565,728 | 3,405,134 | | (415,687) | 8,555,175 |
| Tools & equipment | 5,680,530 | 30,744 | | - | 5,711,274 |
| Trade equipment | 1,260,750,591 | 210,728,759 | | (81,930,880) | 1,389,548,470 |
| Total | <u>2,268,712,999</u> | <u>402,355,924</u> | <u>5,153,432</u> | <u>(88,897,871)</u> | <u>2,587,324,483</u> |
| Written Down Value | <u>4,932,734,912</u> | | | | <u>4,729,771,860</u> |



10.3 Leasehold Property, Plant and Equipment

Company

| | Balance at the beginning of the period Rs. | Additions Rs. | Transfer Rs. | Balance at the end of the period Rs. |
|---------------------------------|---|------------------|-----------------|---|
| Cost | | | | |
| Motor vehicles | 10,548,404 | - | (10,548,404) | - |
| Total | 10,548,404 | - | (10,548,404) | - |
| Accumulated Depreciation | | | | |
| Motor vehicles | 3,649,620 | 1,503,811 | (5,153,432) | - |
| Total | 3,649,620 | 1,503,811 | (5,153,432) | - |
| Written Down Value | 6,898,784 | | | - |

10.4 Leasehold Property, Plant and Equipment

Group

| | Balance at the beginning of the period Rs. | Additions Rs. | Transfer Rs. | Balance at the end of the period Rs. |
|---------------------------------|---|------------------|-----------------|---|
| Cost | | | | |
| Motor vehicles | 10,548,404 | - | (10,548,404) | - |
| Total | 10,548,404 | - | - | - |
| Accumulated Depreciation | | | | |
| Motor vehicles | 3,649,620 | 1,503,811 | (5,153,432) | - |
| Total | 3,649,620 | 1,503,811 | (5,153,432) | - |
| Written Down Value | 6,898,784 | | | - |

| | Balance at the beginning of the year Rs. | Additions Rs. | Transfers Rs. | Balance at the end of the year Rs. |
|--|---|------------------|------------------|---------------------------------------|
|--|---|------------------|------------------|---------------------------------------|

11. Capital Work-in-Progress

Group

| | | | | |
|---------------------|---|-----------|---|-----------|
| Plant and machinery | - | 1,229,281 | - | 1,229,281 |
| | - | 1,229,281 | - | 1,229,281 |



| | Company 31.12.2019 Rs. | Group 31.12.2019 Rs. | Company 31.12.2018 Rs. | Group 31.12.2018 Rs. |
|--|------------------------------|----------------------------|------------------------------|----------------------------|
| 11. Inventories | | | | |
| Finished goods | 60,049,567 | 81,983,229 | 54,962,649 | 73,142,658 |
| Raw materials | 202,947,264 | 296,606,869 | 146,276,142 | 205,697,309 |
| Chemicals and fuel | 17,598,918 | 25,413,268 | 11,795,110 | 21,515,338 |
| Goods in transit | 22,866,662 | 22,866,662 | - | - |
| Spare parts | 72,244,977 | 115,476,749 | 66,489,895 | 106,405,812 |
| | <u>375,707,387</u> | <u>542,346,777</u> | <u>279,523,797</u> | <u>406,761,116</u> |
| 12. Trade and Other Receivables | | | | |
| Trade debtors | 306,057,696 | 677,565,071 | 284,064,028 | 1,032,758,248 |
| Less: Impairment provision for trade debtors | (44,857,772) | (129,111,566) | (2,135,378) | (8,488,075) |
| | <u>261,199,924</u> | <u>548,453,505</u> | <u>281,928,650</u> | <u>1,024,270,173</u> |
| Other receivables | 21,601,614 | 42,546,464 | 25,674,971 | 36,713,982 |
| Deposits and prepayments | 38,810,394 | 58,253,244 | 10,210,672 | 34,261,503 |
| Staff loans and festival advances | 2,906,680 | 3,335,199 | 2,656,711 | 2,932,564 |
| VAT receivable | 15,780,497 | 3,272,664 | - | - |
| NBT receivable | - | 21,708 | - | - |
| Income tax and economic service charge receivables | 14,305,243 | 90,834,682 | 28,120,458 | 110,038,136 |
| | <u>354,604,353</u> | <u>746,717,466</u> | <u>348,591,462</u> | <u>1,208,216,358</u> |
| 13. Cash and Cash Equivalents | | | | |
| Standard Chartered Bank - FCBU | - | - | 27,208,813 | 27,208,813 |
| Commercial Bank of Ceylon PLC | - | - | 68,435,719 | 68,435,719 |
| Nations Trust Bank PLC | 1,795,396 | 2,289,270 | - | - |
| Hatton National Bank - Kaduwela | - | 4,242,201 | 1,422,128 | 2,655,781 |
| Sampath Bank | 2,121,926 | 2,121,926 | - | - |
| People's Bank - Hanwella | - | 1,737,163 | - | 2,222,928 |
| People's Bank - Corporate Division | 1,447,578 | 1,476,012 | 2,078,090 | 2,576,103 |
| Standard Chartered Bank - Fort Branch | - | 506,461 | - | 2,086,055 |
| Saving AC - Hatton National Bank | 3,886,842 | 3,886,842 | 4,014,386 | 4,014,386 |
| Marginal AC - Commercial Bank of Ceylon PLC | 2,275,616 | 3,944,266 | - | - |
| Cash in hand | 5,437,912 | 6,292,379 | 5,225,509 | 6,209,775 |
| | <u>16,965,270</u> | <u>26,496,520</u> | <u>108,384,646</u> | <u>115,409,561</u> |
| 14. Fixed Deposits in Banks | | | | |
| Fixed deposits - Nations Trust Bank PLC | 2,400,000 | 105,403,000 | - | - |
| Fixed deposits - Commercial Bank of Ceylon PLC | - | 4,011,459 | - | 4,011,459 |
| | <u>2,400,000</u> | <u>109,414,459</u> | <u>-</u> | <u>4,011,459</u> |



| | Company 31.12.2019 Rs. | Group 31.12.2019 Rs. | Company 31.12.2018 Rs. | Group 31.12.2018 Rs. |
|--|------------------------------|----------------------------|------------------------------|----------------------------|
| 15. Stated Capital | | | | |
| Issued and fully paid shares | | | | |
| Ordinary shares | 567,750,000 | 567,750,000 | 567,750,000 | 567,750,000 |
| Redeemable preference shares (Note 15.1) | <u>5,870,786,700</u> | <u>5,870,786,700</u> | <u>6,057,226,100</u> | <u>6,057,226,100</u> |
| | <u>6,438,536,700</u> | <u>6,438,536,700</u> | <u>6,624,976,100</u> | <u>6,624,976,100</u> |

15.1 Redeemable preference shares

| Date of issue | Discount rate | Cost Rs. | Fair value Rs. | Equity component Rs. |
|---------------------------|---------------|------------------------|----------------------|----------------------------|
| 06/06/2011 | 15.72% | 908,400,000 | 412,381,865 | 496,018,135 |
| 18/06/2015 | 10.56% | 537,996,600 | 311,689,322 | 226,307,278 |
| 08/10/2015 | 11.95% | 207,761,000 | 112,559,973 | 95,201,027 |
| 02/06/2016 | 14.70% | 584,595,000 | 278,194,445 | 306,400,555 |
| 30/09/2016 | 12.56% | 505,675,000 | 266,103,901 | 239,571,099 |
| 09/12/2016 | 13.98% | 589,315,000 | 290,018,899 | 299,296,101 |
| 24/01/2017 | 14.39% | 1,193,036,000 | 575,987,286 | 617,048,714 |
| 04/05/2017 | 13.87% | 302,195,000 | 149,487,334 | 152,707,666 |
| 29/08/2017 | 12.54% | 1,105,214,000 | 582,155,803 | 523,058,197 |
| 26/10/2017 | 12.33% | 562,394,000 | 299,210,266 | 263,183,734 |
| 22/5/2018 | 12.11% | 469,044,500 | 252,179,834 | 216,864,666 |
| Gross outstanding | | <u>6,965,626,100</u> | <u>3,529,968,928</u> | <u>3,435,657,172</u> |
| Less: Redemption payments | | <u>(1,094,839,400)</u> | | |
| Net outstanding | | <u>5,870,786,700</u> | | |

The fair value of the above redeemable preference shares have been determined by discounting the redemption cash flows by the interest rate applicable for 7 year treasury bonds prevailing at the point of the issue of shares.

As per Section 22 of SLFRS for SME standard, this equity instrument should be measured at the fair value of the cash received or receivable net of the direct cost of issuing the equity instruments.

The fair value of redeemable preference shares should be presented as debt at the point of issue of shares.

Initial measurement value of the debt component of above redeemable preference shares is Rs 3,529,968,928 The equity component of the above preference shares is Rs. 3,435,657,172 which is the difference between the cost and the fair value of the redeemable preference shares.

Further interest cost of Rs. 488,330,321 and Rs. 1,830,460,504 should be recognized as an expense against the current year profit and retained earnings respectively in relation to the above redeemable preference shares.



| | Company 31.12.2019 Rs. | Group 31.12.2019 Rs. | Company 31.12.2018 Rs. | Group 31.12.2018 Rs. |
|---|------------------------------|----------------------------|------------------------------|----------------------------|
| 16. Bottle Deposit Payable | | | | |
| Bottle deposit payable - others | 33,589,887 | 143,766,013 | 24,470,999 | 137,977,703 |
| Cash deposit payable | 1,300,000 | 27,225,737 | 1,400,000 | 16,684,359 |
| | <u>34,889,887</u> | <u>170,991,749</u> | <u>25,870,999</u> | <u>154,662,062</u> |
| 17. Retirement Benefit Obligations | | | | |
| Balance at the beginning of the period | 44,125,260 | 77,243,067 | 34,806,732 | 83,168,099 |
| Current service cost | 7,861,374 | 10,025,785 | 5,693,298 | 7,276,276 |
| Interest charge for the period | 5,295,031 | 9,269,168 | 6,337,985 | 10,811,853 |
| | <u>57,281,665</u> | <u>96,538,020</u> | <u>46,838,015</u> | <u>101,256,228</u> |
| (Gains)/ losses arising from changes in actuarial valuation | 13,737,665 | 16,086,022 | (10,219,389) | (14,352,920) |
| Present value of employees transferred | (863,339) | 72,830 | 13,946,997 | - |
| Payments during the period | (9,658,688) | (13,413,307) | (6,440,363) | (9,660,242) |
| Balance at the end of the period | <u>60,497,304</u> | <u>99,283,566</u> | <u>44,125,260</u> | <u>77,243,066</u> |

The following assumptions were used in determining the post employment benefit obligation :

| | | | | |
|----------------------------------|----------|----------|----------|----------|
| Expected future salary increment | 9% | 9% | 9% | 9% |
| Discount rate | 10.6% | 10.6% | 12% | 12% |
| Staff turnover rate | 3% | 3% | 3% | 3% |
| Retirement age | 55 Years | 55 Years | 55 Years | 55 Years |

| | Company 31.12.2019 Rs. | Group 31.12.2019 Rs. | Company 31.12.2018 Rs. | Group 31.12.2018 Rs. |
|---|------------------------------|----------------------------|------------------------------|----------------------------|
| 18. Lease creditors | | | | |
| Lease Liability - Nations Trust Bank-166473412 | | | | |
| Balance at the beginning of the year | 3,469,473 | 3,469,473 | 4,905,117 | 4,905,117 |
| Repayments during the year | (3,469,473) | (3,469,473) | (1,435,644) | (1,435,644) |
| | - | - | 3,469,473 | 3,469,473 |
| Interest in suspense | - | - | (505,838) | (505,838) |
| | - | - | 2,963,635 | 2,963,635 |
| Payable within one year | - | - | (1,115,255) | (1,115,255) |
| Payable after one year | - | - | 1,848,380 | 1,848,380 |
| Lease Liability - Nations Trust Bank-166473519 | | | | |
| Balance at the beginning of the period | 1,523,399 | 1,523,399 | 2,153,771 | 2,153,771 |
| Repayments during the period | (1,523,399) | (1,523,399) | (630,372) | (630,372) |
| | - | - | 1,523,399 | 1,523,399 |
| Interest in suspense | - | - | (222,088) | (222,088) |
| | - | - | 1,301,311 | 1,301,311 |
| Payable within one year | - | - | (489,692) | (489,692) |
| Payable after one year | - | - | 811,619 | 811,619 |



| | Company 31.12.2019 Rs. | Group 31.12.2019 Rs. | Company 31.12.2018 Rs. | Group 31.12.2018 Rs. |
|--|------------------------------|----------------------------|------------------------------|----------------------------|
| 18. Lease creditors (Contd...) | | | | |
| Lease Liability-Melsta Regal Finance Ltd- FL/HOF/15/00959 | | | | |
| Balance at the beginning of the year | - | - | 5,335,218 | 5,335,218 |
| Repayments during the year | - | - | (5,335,218) | (5,335,218) |
| Interest in suspense | - | - | - | - |
| Payable within one year | - | - | - | - |
| Payable after one year | - | - | - | - |
| Lease Liability-Melsta Regal Finance Ltd- FL/HOF/15/01024 | | | | |
| Balance at the beginning of the year | - | - | 724,716 | 724,716 |
| Repayments during the year | - | - | (724,716) | (724,716) |
| Interest in suspense | - | - | - | - |
| Payable within one year | - | - | - | - |
| Payable after one year | - | - | - | - |
| Total payable within one year | - | - | 1,604,947 | 1,604,947 |
| Total payable after one year | - | - | 2,659,999 | 2,659,999 |
| Total lease payable | - | - | 4,264,946 | 4,264,946 |
| 19. Short Term Borrowings | | | | |
| Commercial Bank PLC | 205,704,490 | 386,908,532 | 42,864,021 | 240,236,731 |
| Accor Developer (Pvt) Ltd (Note 01) | - | - | 309,846,600 | 309,846,600 |
| | <u>205,704,490</u> | <u>386,908,532</u> | <u>352,710,621</u> | <u>550,083,331</u> |
| 20. Trade and Other Payables | | | | |
| Trade payables | 61,899,719 | 126,161,757 | 24,275,250 | 153,474,918 |
| Stamp duty | 58,175 | 99,525 | 56,475 | 97,125 |
| Withholding tax payable | 104,775 | 246,102 | 67,010 | 799,522 |
| Excise duty | 90,624,104 | 131,262,294 | 94,765,556 | 169,801,917 |
| Nation Building Tax | - | - | 1,711,865 | 4,090,516 |
| Accrued and other payables | 40,101,374 | 77,110,648 | 213,661,307 | 276,925,773 |
| Economic service charge payable | 2,942,929 | 5,515,238 | 2,325,360 | 5,328,363 |
| VAT Payable | - | - | 2,229,277 | 5,679,385 |
| Other creditors | 58,144,414 | 58,144,414 | 24,741,896 | 24,741,894 |
| | <u>253,875,491</u> | <u>398,539,979</u> | <u>363,833,996</u> | <u>640,939,415</u> |



| | Company 31.12.2019 Rs. | Group 31.12.2019 Rs. | Company 31.12.2018 Rs. | Group 31.12.2018 Rs. |
|---------------------------------|------------------------------|----------------------------|------------------------------|----------------------------|
| 21. Bank Overdraft | | | | |
| Standard Chartered Bank-LKR A/C | 23,228,152 | 23,228,152 | 23,877,359 | 23,877,359.14 |
| Standard Chartered Bank-USD A/C | 24,190,422 | 24,190,422 | | |
| Hatton National Bank - Kaduwela | 151,630 | 151,630 | - | - |
| Commercial Bank of Ceylon PLC | 26,587,885 | 135,012,020 | - | 70,986,708.29 |
| | <u>74,158,089</u> | <u>182,582,224</u> | <u>23,877,359</u> | <u>94,864,067</u> |

21.1 Securities Pledged for Short Term Loan & Bank Overdrafts

- a) Standard Chartered Bank Primary concurrent mortgage over stocks and receivables for Rs. 450Mn located at No 140, Low Level Road, Embulgama, Ranala.
- Corporate Guarantee from Ole Springs Bottlers (Pvt) Ltd.
- b) Commercial Bank Primary Concurrent mortgage for Rs 600Mn along with Standard Chartered Bank over Stocks & Book debtors. General Terms and Conditions relating to overdraft, import Demand Loans & Short Term Loans signed by the Company. Corporate Guarantee from Varun Beverages Lanka (Pvt) Ltd.

22. Related Party Transactions

Identification of Related Parties

Related parties include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company.

During the period, Mr. Ravi Kant Jaipuriya, Mr. Achal Kumar, Mr. Amit Joshi, and Mr. Tilak de Zoysa were the directors of the company.

| | Amount due from related parties | | Amount due to related parties | |
|------------------------------------|---------------------------------|----------------------------|-------------------------------|----------------------------|
| | Company 31.12.2019 Rs. | Group 31.12.2019 Rs. | Company 31.12.2019 Rs. | Group 31.12.2019 Rs. |
| Ole Springs Bottlers (Pvt) Ltd | 1,836,165,293 | - | - | - |
| Varun Beverages Ltd-Parent Company | | - | 2,276,738 | 2,276,738 |
| Lunarmech Technologies (Pvt) Ltd | | | 5,975,660 | 5,975,660 |
| Fellow Subsidiaries | | | | |
| Varun Beverages (Zambia) Limited | 38,113,298 | 38,113,298 | - | - |
| | <u>1,874,278,591</u> | <u>38,113,298</u> | <u>8,252,398</u> | <u>8,252,398</u> |

| | Amount due from related parties | | Amount due to related parties | |
|------------------------------------|---------------------------------|----------------------------|-------------------------------|----------------------------|
| | Company 31.12.2018 Rs. | Group 31.12.2018 Rs. | Company 31.12.2018 Rs. | Group 31.12.2018 Rs. |
| Ole Springs Bottlers (Pvt) Ltd | 2,189,457,316 | - | - | - |
| Varun Beverages Ltd | - | - | 6,624,384 | 27,741,482 |
| Fellow Subsidiaries | | | | |
| Varun Beverages (Zimbabwe) Pvt Ltd | | | - | - |
| Varun Beverages (Zambia) Limited | 48,399,414 | 48,399,414 | - | - |
| | <u>2,237,856,730</u> | <u>48,399,414</u> | <u>6,624,384</u> | <u>27,741,482</u> |



22. Related Party Transactions (Contd...)

During the Period, the Company and the group entered into the following transactions with the related parties.

| <u>Company</u> | <u>Rs.</u> |
|---|---------------|
| Ole Springs Bottlers (Pvt) Ltd-Subsidiary | |
| Sale of finished goods | 1,969,413,437 |
| Purchase of raw materials | 37,960,821 |
| Payments/ settlements | 1,851,146,600 |
| Land lease expense | 3,007,200 |
| Discounts & other expenses | 430,590,840 |
| Varun Beverages Ltd, India -Parent Company | |
| Purchase of spare parts and raw materials | 85,343,787 |
| Sales | 5,705,187 |
| Export receipt | 5,705,187 |
| Software license fee | 7,334,593 |
| Payments/ settlements | 96,482,484 |
| Varun Beverages Zambia Ltd-Fellow Subsidiary | |
| Export sales | 114,273,372 |
| Payments received for export sales | 120,490,345 |
| Adjustment for damaged stocks | 2,138,179 |
| Varun Beverages Zimbabwe (Pvt) Ltd-Fellow Subsidiary | |
| Sales | 27,295,172 |
| Export receipt | 27,295,172 |
| Lunarmech Technologies (Pvt) Ltd-Fellow Subsidiary | |
| Purchase | 35,105,337 |
| Payments | 29,424,792 |
| <u>Group</u> | |
| Varun Beverages Ltd, India -Parent Company | |
| Purchase of spare parts and raw materials | 139,046,282 |
| Software license fee | 7,334,593 |
| Sales | 5,705,187 |
| Export receipt | 5,705,187 |
| Payments/ settlements | 171,302,077 |
| Varun Beverages Zambia Ltd-Fellow Subsidiary | |
| Export sales | 114,273,372 |
| Payments received for export sales | 120,490,345 |
| Adjustment for damaged stocks | 2,138,179 |
| Varun Beverages Zimbabwe (Pvt) Ltd-Fellow Subsidiary | |
| Sales | 27,295,172 |
| Export receipt | 27,295,172 |
| Lunarmech Technologies (Pvt) Ltd-Fellow Subsidiary | |
| Purchase | 35,105,337 |
| Payments | 29,424,792 |



22. Related Party Transactions (Contd...)

Key management personnel include members of the Board of Directors of the Company and its subsidiaries, and the ultimate parent company, RJ Corp Limited, India.

There was no compensation paid to key management personnel during the year other than the following:

| | Company Year Ended 31.12.2019 Rs. | Group Year Ended 31.12.2019 Rs. | Company Year Ended 31.12.2018 Rs. | Group Year Ended 31.12.2018 Rs. |
|----------------------|--|--|--|--|
| Directors Emoluments | <u>16,958,455</u> | <u>26,125,756</u> | <u>25,016,227</u> | <u>25,016,227</u> |
| | <u>16,958,455</u> | <u>26,125,756</u> | <u>25,016,227</u> | <u>25,016,227</u> |

23. Capital Commitments and Contingencies

The Department of Inland Revenue has issued an assessment on income tax for the year of assessment 2013/14 and 2014/15 for which future carried forward loss will be reduced by Rs. 247,665,087 and Rs. 372,708,484 respectively. An appeal has been filed against the assessment.

The Department of Inland Revenue has issued assessments in respect of Nation Building Tax filed for the quarter ended 30.9.2016, 31.3.2017, 30.6.2017 & 31.3.2018 value for Rs. 904,501, Rs. 976,706, Rs 301,497 & 1,535,071 respectively and against the assessments, appeals have been made to Commissioner General of Inland Revenue.

The Department of Inland Revenue has issued notice of assessments for subsidiary company for the year of assessment 2015/2016 for income tax, VAT & NBT for the Year 2015 and the amounts are Rs. 358,218,446, Rs.1,005,445,128 & Rs. 141,345,604 respectively. The company has made appeals against the assessments to Commissioner General of Inland Revenue.

The Department of Inland Revenue has issued an assessment in respect of income tax filed for the year of assessment 2013/2014 to Ole Springs Bottlers (Pvt) Ltd for Rs.9,550,038/- and the company has appealed against the assessment and settlement is still pending.

The Department of Inland Revenue has issued an assessments in respect of VAT for the period ended 30.9.2016 on its subsidiary Ole Springs Bottlers (Pvt) Ltd for Rs.291,760 and the company has appealed against the assessment.

The Department of Inland Revenue has issued an assessments in respect of VAT for the year 2013 (4 Periods) on its subsidiary Ole Springs Bottlers (Pvt) Ltd for Rs.412,010,752 and the company has appealed against the assessment.

The Department of Inland Revenue has issued an assessments in respect of NBT for the year 2013 (4 Periods) on its subsidiary Ole Springs Bottlers (Pvt) Ltd for Rs.64,941,434/-

Sri Lanka Customs has filed a case against its subsidiary Ole Springs Bottlers (Pvt) Ltd imposing a penalty of Rs. 11,742,202/- with regard to preform clearance and the trials are in progress.

Estimated amount of the contracts remaining to be executed on capital commitments not provided for (net of advance) is zero.

Legal cases have been filed against the company and against the subsidiary Ole Spring Bottlers (Pvt) Ltd up to Rs. 1,000,000/- and Rs. 60,000/- respectively by employees and on product related matters.

Apart from the above, there were no significant contingent liabilities and capital commitments as at the reporting period end that would require adjustments to/or disclosure in the financial statements.

24. Events after the Reporting Period End

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



VARUN BEVERAGES LANKA (PRIVATE) LIMITED

**DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

VARUN BEVERAGES LANKA (PRIVATE) LIMITED
DETAIL NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

| | Company Year Ended 31.12.2019 Rs. | Group Year Ended 31.12.2019 Rs. | Company Year Ended 31.12.2018 Rs. | Group Year Ended 31.12.2018 Rs. |
|------------------------------------|--|--|--|--|
| 1. Administrative Expenses | | | | |
| Salaries - Staff | 39,346,980 | 57,057,669 | 46,794,442 | 53,456,773 |
| Wages | 1,201,115 | 1,785,193 | 108,951 | 601,517 |
| Overtime | 6,017,566 | 8,322,167 | 5,023,290 | 5,446,126 |
| Allowances | - | 1,025,765 | - | 844,526 |
| Bonus | 4,099,381 | 5,825,771 | 3,916,004 | 5,651,120 |
| Compensation | - | - | 925,000 | 2,150,608 |
| Tea and fooding | - | 1,367,959 | - | 7,933,214 |
| Medical expenses | 2,487,110 | 3,013,772 | 2,190,671 | 2,607,915 |
| Terminal gratuity | 1,317,695 | 2,020,549 | 1,141,589 | 1,274,591 |
| Employees' Provident Fund | 5,110,362 | 7,338,947 | 3,782,017 | 4,412,780 |
| Employees' Trust Fund | 1,322,114 | 1,879,261 | 1,403,841 | 1,603,615 |
| Lease rental | 2,880,000 | - | 2,880,000 | - |
| Foreign travelling | 1,300,474 | 9,699,442 | 2,178,264 | 9,256,481 |
| External auditor's remuneration | 1,878,274 | 2,863,405 | 1,483,848 | 2,795,494 |
| Internal auditor's remuneration | 2,159,062 | 2,159,062 | 1,621,225 | 3,010,713 |
| Telephone | 1,076,094 | 2,954,913 | 850,377 | 2,762,632 |
| Printing and stationery | 1,665,502 | 4,894,202 | 572,076 | 5,914,764 |
| Postage and telegrams | - | 154,354.99 | - | 529,600 |
| Stamp duty | 129,075 | 332,925 | 468,888 | 648,110 |
| Repairs and maintenance - vehicles | - | 371,612 | - | 3,551,040 |
| Depreciation - Building | 29,652,924 | 30,243,268 | 29,614,056 | 30,249,342 |
| - Furniture and fittings | 550,792 | 725,964 | 344,947 | 513,256 |
| - Office equipment | 2,844,816 | 3,385,993 | 2,815,758 | 3,318,761 |
| - Motor vehicle | 22,848,458 | 24,059,980 | 28,050,677 | 29,653,093 |
| - Computer | 1,590,837 | 2,245,733 | 2,154,388 | 2,903,990 |
| Computer maintenance | 10,370,418 | 11,300,818 | 8,130,727 | 9,284,604 |
| Fees and penalties | - | 1,730,708 | - | - |
| Motor vehicle insurance | - | 582,243 | - | 570,731 |
| Staff welfare | 6,127,270 | 7,215,050 | 3,511,415 | 3,927,964 |
| Equipment repairs and maintenance | - | - | 1,255 | 1,255 |
| Fees and penalties | - | - | - | 31,156 |
| Rent and accommodation charges | 8,117,145 | 9,719,195 | 3,481,172 | 6,294,572 |
| Courier charges | 27,389 | 27,389 | 785,262 | 785,262 |
| Staff recruitment | 321,880 | 321,880 | 283,750 | 473,344 |
| Subscriptions and periodicals | 1,495,654 | 2,250,742 | 819,148 | 1,373,699 |
| Entertainment | - | - | 25,000 | 25,000 |
| Electricity charges | 1,277,504 | 1,502,418 | 774,424 | 900,148 |
| Staff insurance | 3,043,345 | 3,043,345 | 3,894,237 | 3,894,237 |
| Other allowance to staff | 6,891,640 | 6,891,640 | 6,520,934 | 6,520,934 |
| Legal & professional charges | 4,416,754 | 7,461,491 | 4,170,230 | 7,545,915 |
| Accounting charges | - | - | - | 568,828 |
| Travelling and transport | 1,156,570 | 2,405,037 | 266,899 | 2,268,357 |
| Other taxes | 1,359,517 | 1,986,018 | 4,050,679 | 5,985,954 |
| Sundry balances written off | 51,761 | 51,761 | 18,626 | 18,626 |
| Water | 53,468 | 70,703 | 49,087 | 58,134 |
| Fuel | - | 1,195,912 | - | 3,278,034 |
| | <u>174,188,948</u> | <u>231,484,256</u> | <u>175,103,152</u> | <u>234,896,814</u> |



| | Company Year Ended 31.12.2019 Rs. | Group Year Ended 31.12.2019 Rs. | Company Year Ended 31.12.2018 Rs. | Group Year Ended 31.12.2018 Rs. |
|---|--|--|--|--|
| 2. Selling and distribution expenses | | | | |
| Salaries - staff | 116,139,719 | 126,206,459 | 117,042,127 | 140,930,914 |
| Wages | 10,956,722 | 47,651,457 | 7,197,889 | 33,477,929 |
| Overtime | 12,199,277 | 29,220,955 | 6,951,468 | 23,084,383 |
| Bonus | 14,411,081 | 15,392,359 | 9,796,301 | 13,468,056 |
| Employees' Provident Fund | 17,678,636 | 18,774,411 | 13,286,448 | 14,526,687 |
| Employees' Trust Fund | 4,431,231 | 4,760,334 | 3,508,883 | 4,225,547 |
| Medical expenses | 6,777,823 | 7,208,201 | 6,637,910 | 7,297,574 |
| Conference and meeting expenses | 868,513 | 868,513 | 598,103 | 2,094,281 |
| Terminal gratuity | 3,889,416 | 4,288,917 | 2,855,340 | 3,332,236 |
| Telephone | 7,593,453 | 7,593,453 | 7,249,136 | 7,249,136 |
| Printing and stationery | 2,723,079 | 2,723,079 | 1,185,286 | 1,185,286 |
| Sales promotion and discounts | 375,831,922 | 488,708,734 | 199,175,233 | 626,793,793 |
| Meals expenses | 12,733,788 | 14,798,228 | 14,600,567 | 38,610,261 |
| Other allowance to staff | 43,632,536 | 44,804,615 | 26,943,831 | 37,207,469 |
| Staff Incentive | 37,958,597 | 38,365,882 | 12,937,325 | 24,546,292 |
| Rent and accommodation expenses | 5,879,620 | 7,144,620 | 5,821,724 | 7,943,707 |
| Staff welfare | 3,676,688 | 3,699,555 | 2,577,876 | 2,626,926 |
| Travelling expenses | 10,796,789 | 11,041,135 | 676,085 | 1,614,133 |
| Transport expenses | 73,390,708 | 106,819,363 | 46,398,603 | 108,903,548 |
| Foreign travelling | 1,134,959 | 1,134,959 | 2,009,740 | 2,009,740 |
| Vehicle maintenance expenses | 31,254,309 | 45,189,832 | 29,507,526 | 46,640,941 |
| Motor vehicle fuel | 19,888,654 | 28,231,815 | 11,386,716 | 41,381,817 |
| Staff recruitment charges | 67,500 | 67,500 | 74,100 | 74,100 |
| Export handling charges | 24,398,707 | 24,448,533 | 22,481,631 | 22,526,723 |
| Leakage and breakage | - | 15,924,190 | 103,460 | 82,695,897 |
| Contract outlet expenses | 24,514,131 | 33,062,777 | 112,500 | 75,560,677 |
| Repair and maintenance | - | - | - | 11,777 |
| Bad debt/Impairment | 44,506,958 | 128,005,971 | - | - |
| Depreciation - trade equipment | 61,483,064 | 100,808,772 | 79,963,505 | 110,302,473 |
| Trade equipment maintenance | 4,564,824 | 7,436,301 | 7,185,437 | 15,618,653 |
| Trade equipment hire charges | - | - | - | 2,200 |
| | <u>973,382,706</u> | <u>1,364,380,919</u> | <u>638,264,747</u> | <u>1,495,943,155</u> |



**OLE SPRINGS BOTTLERS (PVT) LTD
FINANCIAL STATEMENTS TOGETHER
WITH AUDITOR'S REPORT
FOR THE YEAR ENDED
31ST DECEMBER 2019**

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OLE SPRINGS BOTTLERS (PVT) LTD

Report on the Audit of the Financial statements

Opinion

We have audited the financial statements of Ole Springs Bottlers (Pvt) Ltd ("the Company") which comprise the statement of financial position as at 31st December 2019, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2019, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SME).

Basis for Opinion

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

Other Information

Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. At the date of this auditor's report, other information was not made available to us.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

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

Management is responsible for the preparation and fair presentation of financial statements in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Sims Associates

SJMS ASSOCIATES

Chartered Accountants

Colombo

05th February 2020



OLE SPRINGS BOTTLERS (PVT) LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019

| | Note | Year ended 31.12.2019 Rs. | Year ended 31.12.2018 Rs. |
|--|------|---------------------------------|---------------------------------|
| Revenue | | 3,254,782,111 | 2,770,603,387 |
| Cost of sales | | <u>(2,476,569,717)</u> | <u>(2,449,853,699)</u> |
| Gross profit | | 778,212,394 | 320,749,688 |
| Other income | 4 | 27,883,455 | 9,808,650 |
| Administrative expenses | | (60,175,308) | (73,473,662) |
| Selling and distribution expenses | | (390,998,215) | (857,678,408) |
| Profit/ (loss) from operations | 5 | <u>354,922,325</u> | <u>(600,593,732)</u> |
| Finance and other costs | 6 | (87,460,112) | (252,369,135) |
| Profit/ (loss) before tax | | <u>267,462,214</u> | <u>(852,962,867)</u> |
| Income tax | 7 | (11,275,897) | 142,099,342 |
| Profit/ (loss) for the year | | <u>256,186,317</u> | <u>(710,863,525)</u> |
| Other comprehensive income/ (expenses) | | | |
| Actuarial gain on employee benefit obligations, net of tax | | (3,005,897) | 5,290,920 |
| year | | <u>253,180,420</u> | <u>(705,572,605)</u> |

The accounting policies and notes from 01 to 22 form an integral part of the financial statements.



OLE SPRINGS BOTTLERS (PVT) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2019

| | Note | 31.12.2019 Rs. | 31.12.2018 Rs. |
|-------------------------------------|------|----------------------|----------------------|
| Assets | | | |
| Non current assets | | | |
| Property, plant and equipment | 8 | 1,736,373,130 | 1,802,184,909 |
| Investment property | 9 | 378,000,000 | 378,000,000 |
| Capital work-in progress | 8.2 | 1,229,281 | - |
| Deferred tax | 7.2 | - | 225,911,957 |
| | | <u>2,115,602,411</u> | <u>2,406,096,866</u> |
| Current assets | | | |
| Inventories | 10 | 173,647,855 | 135,777,651 |
| Trade and other receivables | 11 | 385,178,100 | 936,589,490 |
| Deposits and prepayments | 12 | 19,442,850 | 24,050,831 |
| Fixed deposit | 13 | 107,014,459 | 4,011,459 |
| Cash and cash equivalents | | 9,531,250 | 7,024,915 |
| | | <u>694,814,513</u> | <u>1,107,454,346</u> |
| Total assets | | <u>2,810,416,924</u> | <u>3,513,551,212</u> |
| Equity and liabilities | | | |
| Equity and liabilities | | | |
| Stated capital | | | |
| Accumulated losses | 14 | 802,872,070 | 978,416,450 |
| Total equity | | <u>(466,712,164)</u> | <u>(483,828,774)</u> |
| | | <u>336,159,906</u> | <u>494,587,676</u> |
| Non current liabilities | | | |
| Deposits payable | | | |
| Retirement benefit obligations | 15 | 136,101,861 | 128,791,063 |
| Deferred tax liability | 16 | 38,786,262 | 33,117,807 |
| | 7.2 | 16,403,109 | - |
| | | <u>191,291,232</u> | <u>161,908,869</u> |
| Current liabilities | | | |
| Short term loans | | | |
| Trade and other payables | 17 | 181,204,042 | 197,372,710 |
| Amounts due to related parties | 18 | 157,172,318 | 378,120,833 |
| Bank overdrafts | 20 | 1,836,165,292 | 2,210,574,414 |
| | 19 | 108,424,135 | 70,986,708 |
| Total current liabilities | | <u>2,282,965,786</u> | <u>2,857,054,666</u> |
| Total equity and liabilities | | <u>2,810,416,924</u> | <u>3,513,551,212</u> |

I certify that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

.....
Financial Officer

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

.....
Director

5th February 2019



.....
Director

5th February 2019

The accounting policies and notes from 01 to 21 form an integral part of the financial statements.

OLE SPRINGS BOTTLERS (PVT) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019

| | Stated capital Rs. | Accumulated losses Rs. | Total Rs. |
|--|-----------------------|------------------------------|---------------|
| Balance as at 01.01.2018 | 978,416,450 | 221,743,832 | 1,200,160,282 |
| Total comprehensive income for the year | | | |
| Loss for the year | - | (710,863,525) | (710,863,525) |
| Other comprehensive income for the year | - | 5,290,920 | 5,290,920 |
| Balance as at 31.12.2018 | 978,416,450 | (483,828,773) | 494,587,677 |
| Total comprehensive income for the year | | | |
| Redemption of Preference shares | (175,544,380) | - | (175,544,380) |
| Profit for the year | - | 256,186,317 | 256,186,317 |
| Other comprehensive income /(expense) for the year | - | (3,005,897) | (3,005,897) |
| Deferred tax adjustment of revalued gain on land | | (236,063,811) | (236,063,811) |
| Balance as at 31.12.2019 | 802,872,070 | (466,712,164) | 336,159,907 |

The accounting policies and notes from 01 to 22 form an integral part of the financial statements.



OLE SPRINGS BOTTLERS (PVT) LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2019

| | Year Ended 31.12.2019 Rs. | Year Ended 31.12.2018 Rs. |
|--|---------------------------------|---------------------------------|
| Cash flows from operating activities | | |
| Operating profit before interest and taxation | 354,922,325 | (600,593,732) |
| Adjustments for: | | |
| Depreciation | 179,922,042 | 211,554,559 |
| Profit on disposal of property, plant and equipment | (1,482,624) | - |
| Provision for gratuity | 2,164,411 | 1,582,978 |
| Operating profit before working capital changes | <u>535,526,155</u> | <u>(387,456,194)</u> |
| (Increase) / decrease in inventories | (54,897,917) | 185,629,244 |
| (Increase) / decrease in trade and other receivables | 528,212,563 | 410,765,570 |
| (Increase) / decrease in deposits and prepayments | 4,607,981 | 40,961,346 |
| Increase / (decrease) in trade and other payables | (213,637,717) | (230,373,131) |
| Increase / (decrease) in related parties balances | (373,472,953) | 221,022,446 |
| Cash generated from operations | <u>426,338,110</u> | <u>240,549,282</u> |
| Interest paid | (30,435,717) | (39,052,733) |
| Gratuity paid | (3,754,619) | (3,219,879) |
| Cash flows from operating activities | <u>392,147,774</u> | <u>198,276,670</u> |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | (137,008,537) | (146,891,462) |
| Fixed deposit with bank | (103,003,000) | (4,011,459) |
| Expenditure on capital working progress | (1,229,281) | 280,813 |
| Proceeds on sale of property, plant and equipment | 5,875,000 | 42,612 |
| Net cash utilized in investing activities | <u>(235,365,818)</u> | <u>(150,579,496)</u> |
| Cash flows from financing activities | | |
| Preference share redemption | (175,544,379) | - |
| Net borrowings | (16,168,668) | (3,712,290) |
| Net cash utilized in financing activities | <u>(191,713,047)</u> | <u>(3,712,290)</u> |
| Net increase/ (decrease) in cash and cash equivalents | (34,931,091) | 43,984,884 |
| Cash and cash equivalents at the beginning of the year | (63,961,795) | (107,946,679) |
| Cash and cash equivalents at the end of the year | <u>(98,892,885)</u> | <u>(63,961,795)</u> |
| Analysis of cash and cash equivalents at the end of the year | | |
| Cash in hand and cash at bank | 9,531,250 | 7,024,913 |
| Bank overdraft | <u>(108,424,135)</u> | <u>(70,986,708)</u> |
| | <u>(98,892,885)</u> | <u>(63,961,795)</u> |



The accounting policies and notes from 01 to 22 form an integral part of the financial statements.

OLE SPRINGS BOTTLERS (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

1. General

1.1 Reporting entity

Ole Springs Bottlers (Pvt) Ltd (the "Company") is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office and the principle place of business is located at 140, Low Level Road, Embulgama, Ranala.

1.2 Principal activities and nature of operations

The company is engaged in the business of manufacturing, selling and distribution of non-alcoholic beverages.

1.3 Parent and ultimate parent enterprises

The Varun Beverages Lanka (Private) Limited is the parent company and the company's ultimate parent undertaking is RJ Corp Ltd. Intermediate parent and ultimate parent company is incorporated in Sri Lanka and India respectively.

1.4 Date of authorization for issue

The financial statements were approved for issue by the Board of Directors on 5th February 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared on a going concern basis and in compliance with the Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs) laid down by The Institute of Chartered Accountants of Sri Lanka.

All values presented in the financial statements are in Sri Lanka Rupees (Rs.) rounded to the nearest rupee. The measurement basis used is the historical cost basis.

The previous period figures and phrases have been reclassified whenever necessary to conform to current year presentation.

2.2 Foreign currency and presentation currency

The financial statements are presented in Sri Lankan rupees, which is the company's functional and presentation currency. All financial information presented has been rounded to the nearest rupee, unless otherwise stated.

2.3 Revenue

2.3.1 Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

2.3.2 Interest

Interest income is recognized on accrual basis.

2.3.3 Other gains and losses

Net gains and losses of a revenue nature arising from disposal of plant and equipment and other non-current assets are accounted for in the income statement after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.



2.3.4 Others

Other income is recognized on an accrual basis.

2.4 Expenditure recognition

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

2.5 Borrowing cost

All borrowing costs are recognized in profit or loss in the period in which they are incurred

2.6 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity

Current tax

The provision for income tax is based on the elements of income and expenditures as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act. No 24 of 2017.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred. Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method as follows:



2.7 Property, plant and equipment – (Contd..)

| Assets | Rate (%) |
|------------------------|----------|
| Computers | 25.00 |
| Furniture and fittings | 10.00 |
| Motor vehicles | 14.29 |
| Trade equipment | 12.50 |
| Office equipment | 25.00 |
| Buildings | 3.34 |
| Plant and machinery | 4.75 |
| Tools and equipment | 4.75 |
| Bottles and crates | 12.50 |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other gains/ (losses) – net' in the statement of comprehensive income.

2.8. Investment property

Investment property, which is a property held to earn rentals and/ or for capital appreciation is measured at cost including transaction cost. Subsequent to the initial recognition, investment property is measured at cost less any impairment losses. The investment property consist of a freehold land which is occupied by the parent company.

2.9 Capital Work in Progress

All expenses which are directly related to the construction of the plant are reflected in capital work-in-progress till it is ready for the intended use.

2.10 Impairment of non-financial assets

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

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

2.11 Financial instruments

Trade and other receivables are initially recognized at the transaction price. All sales are made on the basis of normal credit terms, and the receivables do not bear interest. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

Financial liabilities are initially recognized at the transaction price (including transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortized cost using the effective interest method.



2.12 Inventories

Inventories are measured at the lower of cost and net realizable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale. The costs incurred in bringing the inventories to its present location and condition, are accounted for as follows:

Raw materials - On actual cost on a weighted average basis

Finished goods - Valued at standard cost basis

Other inventories - On actual cost on a weighted average basis

2.13 Cash and Cash Equivalent

Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments which are readily convertible to known amounts of cash and subject to significant risk of changes in value.

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

3.1 Stated capital

3.1.1 Ordinary shares

Ordinary shares are classified as equity

3.2.1 Defined benefit plan – Gratuity

Gratuity is a defined benefit plan. In order to meet this liability, a provision is carried forward in the Statement of financial position. The provision is made on the basis of an actuarial valuation as recommended by the Sri Lanka Accounting Standards for SMEs considering the Projected Unit Credit (PUC) method and premium for the year is charged as an expense to the Income Statement in the period which is relate. The fund is not externally funded.

However, as per the Payment of Gratuity Act No. 12 of 1983, the liability arises only upon the completion of five years of continuous service.

3.2.2 Defined contribution plan - EPF & ETF

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 defined contribution plans are recognized as an employee benefit expense in the income statement as in the periods during which services are rendered by employees.

Employees' Provident Fund

The company and employees contribute 12% and 8% respectively of the salary of each employee to the approved Provident Fund.

Employees' Trust Fund

The company contributes 3% of the salary of each employee to the Employees' Trust Fund.



3.2.3 Provisions

Provisions are recognised when the company has a legal or constructive obligation as a result of past events and it is probable that an out flow of economic benefit will be required to settle the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.3 Judgements and key sources of estimation of uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

3.4 Events after the reporting period date

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

3.5 Capital commitments and contingencies

Capital expenditure and contingent liabilities as at the reporting period date are disclosed in the notes to the accounts.



| | 2019 Rs. | 2018 Rs. |
|--|-------------------|----------------------|
| 4. Other income | | |
| Scrap sales | | |
| Rent income | 7,888,886 | 6,722,010 |
| Profit on sales of fixed asset | 2,880,000 | 2,880,000 |
| Balance written back | 1,482,624 | - |
| Exchange gain | - | 111,629 |
| Interest income | 2,184,849 | - |
| | <u>13,447,097</u> | <u>95,011</u> |
| | <u>27,883,455</u> | <u>9,808,650</u> |
| 5. Profit/ (loss) before tax is stated after charging all expenses including the following: | | |
| Personnel cost | | |
| Defined contribution plan costs - EPF | 54,539,413 | 79,294,862 |
| Provision for gratuity | 8,259,256 | 10,099,001 |
| Bonus | 2,164,411 | 1,582,978 |
| Depreciation | 5,316,353 | 7,506,013 |
| Auditor's fees - Audit related | 179,922,042 | 211,554,559 |
| | 985,131 | 994,033 |
| 6. Finance and other costs | | |
| Bank overdraft interest | | |
| Bank charges | 7,361,011 | 7,447,264 |
| Exchange loss | 1,166,233 | 499,374 |
| Unclaimable ESC | - | 11,929,371 |
| Assets scrapped | 17,516,645 | |
| Breakages | 18,505,899 | 117,387,344 |
| Loan interest | 17,027,714 | 91,455,191 |
| Interest charge gratuity | 21,908,473 | 19,176,723 |
| | 3,974,137 | 4,473,868 |
| | <u>87,460,112</u> | <u>252,369,135</u> |
| 7. Taxation | | |
| 7.1 Income tax expense | | |
| Deferred tax charge for the year | 5,593,715 | (142,099,342) |
| Deferred tax charge against other comprehensive income | 657,540 | (1,157,389) |
| Income tax expense | | |
| - Current period | | |
| - Previous year assessed | | |
| | - | - |
| | <u>5,682,182</u> | <u>-</u> |
| | <u>11,933,437</u> | <u>(143,256,731)</u> |



7.2 Reconciliation of the total tax charge

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

| | 2019 Rs. | 2018 Rs. |
|---|----------------------|----------------------|
| Accounting profit/ (loss) as per income tax computation | 267,462,214 | (852,962,867) |
| Tax at the applicable tax rate of 28% | | |
| Allowable credits | | |
| Non - deductible expenses | (258,492,511) | (300,088,383) |
| Interest income - Gross | 308,526,106 | 358,812,486 |
| Tax loss claimed | 13,447,097 | 95,011 |
| Tax profit / (loss) for the period of assessment | <u>(330,942,906)</u> | <u>(95,011)</u> |
| | <u>-</u> | <u>(794,238,764)</u> |
| Tax expense at 28% | <u>-</u> | <u>-</u> |

| | Property, plant &equipment Rs. | Retirement benefit obligation Rs. | Unused tax losses Rs. | Total Rs. |
|--|---|--|-----------------------------|---------------------|
| 7.3 Deferred tax balances | | | | |
| Balance as at 01 st of January 2018 | (246,927,932) | 13,541,183 | 316,041,975 | 82,655,226 |
| Recognized in profit or loss | (6,666,442) | (898,659) | 150,821,832 | 143,256,731 |
| Balance as at 31 st December 2018 | <u>(253,594,374)</u> | <u>12,642,524</u> | <u>466,863,807</u> | <u>225,911,957</u> |
| Recognized in changes in equity | (236,063,811) | - | - | (236,063,811) |
| Recognized in profit or loss | 5,107,005 | (1,782,371) | (9,575,889) | (6,251,255) |
| Balance as at 31 st December 2019 | <u>(484,551,180)</u> | <u>10,860,153</u> | <u>457,287,918</u> | <u>(16,403,109)</u> |



| | 31.12.2019 Rs. | 31.12.2018 Rs. |
|---|----------------------|----------------------|
| 8. Property, plant and equipment | | |
| Freehold property, plant and equipment (Note 8.1) | 1,736,373,130 | 1,802,184,909 |
| | <u>1,736,373,130</u> | <u>1,802,184,909</u> |

8.1 Freehold property, plant and equipment

| Cost | Balance as at 01.01.2019 Rs. | Additions Rs. | Disposals/ write off Rs. | Balance as at 31.12.2019 Rs. |
|---------------------------------|---|--------------------------|---|---|
| Land | 594,314,280 | - | - | 594,314,280 |
| Buildings | 143,867,022 | 160,174 | - | 144,027,196 |
| Plant and machinery | 475,151,858 | 264,850 | - | 475,416,708 |
| Office equipment | 2,332,353 | 111,000 | - | 2,443,353 |
| Furniture & fittings | 4,754,016 | - | - | 4,754,016 |
| Computers | 4,508,496 | 331,500 | - | 4,616,996 |
| Trade equipment | 278,907,980 | 68,989,768 | (223,000) | 347,897,747 |
| Tools and equipment | 5,967,102 | - | - | 5,967,102 |
| Motor vehicles | 37,265,077 | - | - | 29,577,550 |
| Bottles and crates | 1,039,520,263 | - | (7,687,527) | 1,063,027,956 |
| Total | <u>2,586,588,447</u> | <u>67,151,245</u> | <u>(43,643,553)</u> | <u>1,063,027,956</u> |
| | | <u>137,008,537</u> | <u>(51,554,080)</u> | <u>2,672,042,904</u> |
| Accumulated depreciation | Balance as at 01.01.2019 Rs. | Additions Rs. | Disposals/ write off Rs. | Balance as at 31.12.2019 Rs. |
| Buildings | 49,450,546 | 3,750,964 | - | 53,201,510 |
| Plant and machinery | 146,069,221 | 23,032,521 | - | 169,101,742 |
| Office equipment | 1,051,090 | 560,318 | - | 1,611,408 |
| Furniture and fittings | 3,669,152 | 502,436 | - | 4,171,588 |
| Computers | 3,080,157 | 982,343 | - | 3,851,490 |
| Trade equipment | 66,517,296 | 39,325,709 | (211,010) | 105,843,005 |
| Tools and equipment | 5,680,530 | 30,744 | - | 5,711,274 |
| Motor vehicles | 25,521,465 | 1,817,020 | - | 24,043,334 |
| Bottles and crates | 483,364,081 | 109,919,987 | (3,295,151) | 568,134,424 |
| Total | <u>784,403,537</u> | <u>179,922,042</u> | <u>(25,149,644)</u> | <u>935,669,774</u> |
| | | <u>179,922,042</u> | <u>(28,655,805)</u> | <u>935,669,774</u> |
| Net book value | <u>1,802,184,909</u> | | | <u>1,736,373,130</u> |

8.2 Capital work-in-progress

| | Balance as at 01.01.2019 Rs. | Additions Rs. | Transfers Rs. | Balance as at 31.12.2019 Rs. |
|---------------------|------------------------------------|------------------|------------------|------------------------------------|
| Plant and machinery | - | 1,229,281 | - | 1,229,281 |
| | - | <u>1,229,281</u> | - | <u>1,229,281</u> |



| | 2019 Rs. | 2018 Rs. |
|--|----------------------|--------------------|
| 9. Investment property | | |
| Land | <u>378,000,000</u> | <u>378,000,000</u> |
| 10. Inventories | | |
| Finished goods | | 26,720,339 |
| Raw materials | 28,942,127 | 59,421,167 |
| Chemicals and fuel | 93,659,605 | 9,720,228 |
| Spare parts | 7,814,350 | 39,915,916 |
| | <u>43,231,772</u> | <u>135,777,651</u> |
| | <u>173,647,855</u> | <u>135,777,651</u> |
| 11. Trade and other receivables | | |
| Trade debtors | 371,507,378 | 748,694,224 |
| Less: Impairment of trade debtors | <u>(84,253,794)</u> | <u>(6,352,697)</u> |
| Other receivables | 287,253,584 | 742,341,527 |
| Receivable from CGIR - ESC & Advance tax payment | 20,944,850 | 112,054,432 |
| Staff loans and festival advances | 76,551,147 | 81,917,678 |
| | 428,519 | 275,853 |
| | <u>385,178,100</u> | <u>936,589,491</u> |
| 12. Deposits and prepayments | | |
| Security deposits and prepayments | 19,442,850 | 24,050,831 |
| | <u>19,442,850</u> | <u>24,050,831</u> |
| 13. Fixed deposits | | |
| Fixed deposit - Commercial Bank of Ceylon PLC | 4,011,459 | 4,011,459 |
| Fixed deposit - Nations Trust Bank PLC | 103,003,000 | - |
| | <u>107,014,459</u> | <u>4,011,459</u> |
| 14. Stated capital | No. of shares | |
| Fully paid ordinary shares | 126 | 1,260 |
| Fully paid Class "A" ordinary shares | 80,287,081 | 802,870,810 |
| Fully paid redeemable preference shares | | 175,544,380 |
| | | <u>802,872,070</u> |
| | | <u>978,416,450</u> |
| 15. Deposit payables | | |
| Bottle deposit payable | | 113,506,704 |
| Deposits received from dealers | | 15,284,359 |
| | | <u>110,176,126</u> |
| | | <u>25,925,737</u> |
| | | <u>136,101,862</u> |
| | | <u>128,791,063</u> |



| | 2019 Rs. | 2018 Rs. |
|---|-------------------|-------------------|
| 16. Retirement benefit obligations | | |
| Balance at the beginning of the year | 33,117,807 | 48,361,367 |
| Gratuity charge for the year | 2,164,411 | 1,582,978 |
| Present value of employee transferred | 936,169 | (13,946,997) |
| Interest charge for the year | 3,974,137 | 4,473,868 |
| Payments made during the year | (3,754,619) | (3,219,879) |
| Actuarial (gain)/ loss | 2,348,357 | (4,133,531) |
| Balance at the end of the year | <u>38,786,262</u> | <u>33,117,807</u> |

The following assumptions were used in determining the post employment benefit obligation.

| | | |
|----------------------------------|----------|----------|
| Expected future salary increment | 9% | 9% |
| Discount rate | 10.63% | 12% |
| Retirement age | 55 years | 55 years |
| Employee turnover ratio | 3% | 3% |

17. Borrowings

Commercial Bank of ceylon PLC

| | |
|--------------------|--------------------|
| 181,204,042 | 197,372,710 |
| <u>181,204,042</u> | <u>197,372,710</u> |

17.1 Securities pledged for short term loans and bank overdrafts

Name of the bank and nature of the security

- a) Commercial Bank of ceylon PLC General terms and conditions relating to short term loan/ import loan and Corporate guarantee of Varun Beverages Lanka (Pvt) Ltd.

| | 2019 Rs. | 2018 Rs. |
|-------------------------------------|--------------------|--------------------|
| 18. Trade and other payables | | |
| Trade payables | 64,262,038 | 129,199,668 |
| Stamp duty | 41,350 | 40,650 |
| Excise duty | 40,638,189 | 75,036,360 |
| Economic Service Charge | 2,572,309 | 3,003,003 |
| Value Added Tax | 12,507,833 | 3,450,108 |
| Nation Building Tax | - | 2,378,651 |
| Withholding Tax | 141,327 | 732,512 |
| Accrued and other payables | 37,009,279 | 164,279,887 |
| | <u>157,172,318</u> | <u>378,120,833</u> |
| 19. Bank overdraft | <u>108,424,135</u> | <u>70,986,708</u> |



20. Related party transactions

20.1 Identification of related parties

Related parties include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the company.

During the year, Mr. Ravi Kant Jaipuria, Mr. Amit Joshi, Mr. Achal Kumar, were the directors of the company.

20.2 Balance outstanding as at 31st December 2019

Related party

| | Amount due to related parties | |
|---------------------------------|-------------------------------|----------------------|
| | 31.12.2019 | 31.12.2018 |
| | Rs. | Rs. |
| Varun Beverages Lanka (Pvt) Ltd | 1,836,165,292 | 2,189,457,316 |
| Varun Beverages Limited India | - | 21,117,098 |
| | <u>1,836,165,292</u> | <u>2,210,574,414</u> |

20.3 During the year, the company entered into the following transactions with the related parties

| | 31.12.2019 | 31.12.2018 |
|--|---------------|---------------|
| | Rs. | Rs. |
| Varun Beverages Lanka (Pvt) Ltd | | |
| Purchase of finished goods | 1,969,413,437 | 1,779,080,123 |
| Sale of raw materials | 37,960,821 | 44,850,502 |
| Settlements / payment | 2,281,737,440 | 1,548,535,334 |
| Blow-moulding expenses | - | 1,168,177 |
| Service fee expenses | - | 12,420,000 |
| Land lease income | 3,007,200 | 3,096,000 |
| Varun Beverages Ltd., India | | |
| Purchase of finished goods and raw materials | 53,702,495 | 39,078,184 |
| Settlements | (74,819,593) | (45,830,363) |

20.4 Remuneration to key management personnel

Key Management Personnel include members of the Board of Directors of the Company and its related companies.

There was no compensation paid to key management personnel during the year other than directors' remuneration Rs. 9,167,301/= (Previous year - Nil).



21. Capital commitments and contingencies

Estimated amount of contracts remaining to be executed on capital account not provided for (net of advance)
Rs.3,260,806 /-

Legal cases filed against the Company up to Rs. 60,000/- for product related matters.

Director General of Customs has filed a case in the appeal court against the company imposing a penalty of Rs. 11,742,202/- on the preform material clearance and the trials are in progress.

The Department of Inland Revenue has issued notice of assessments to the company for the year of assessment 2015/2016 for income tax, VAT & NBT for the year 2015 amounting to Rs. 358,218,446, Rs. 1,005,445,128 & Rs. 141,345,604 respectively. The company has made appeals against these assessments to Commissioner General of Inland Revenue.

The Department of Inland Revenue has issued an assessment for income tax filed for the year of assessment 2013/2014 for Rs.9,550,038/-. The company has appealed against the assessment and settlement is still pending at the appeal commission.

The Department of Inland Revenue has issued assessments for VAT for the year 2013 for Rs. 412,010,752 and the company has appealed against the assessments and is pending at Tax Appeal Commission.

The Department of Inland Revenue has issued assessments for NBT for the year 2013 for Rs. 64,941,434.

The Department of Inland Revenue has issued assessments for VAT for the year 2016 for Rs. 291,760.

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

22. There were no significant event after the reporting period date which require adjustments to or disclosure in the financial statements.



OLE SPRINGS BOTTLERS (PVT) LTD

**DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

OLE SPRINGS BOTTLERS (PVT) LTD
DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

| | 2019 Rs. | 218 Rs. |
|--|----------------------|----------------------|
| 1. Revenue | | |
| Local sales | | |
| Export sales | 3,645,553,873 | 3,787,277,068 |
| Trade discounts | 1,933,944 | 1,918,639 |
| | <u>(133,793,697)</u> | <u>(381,520,277)</u> |
| | 3,513,694,119 | 3,407,675,430 |
| Nation Building Tax | | |
| Excise duty | (43,523,087) | (43,941,711) |
| | <u>(215,388,922)</u> | <u>(593,130,332)</u> |
| | <u>3,254,782,111</u> | <u>2,770,603,387</u> |
| 2. Cost of sales | | |
| Finished goods at the beginning of the period | 26,720,339 | 95,596,762 |
| Finished goods purchase | 1,746,525,519 | 1,577,522,563 |
| Factory cost transferred (<i>Schedule 2.1</i>) | | |
| | <u>732,265,986</u> | <u>803,454,714</u> |
| Finished goods at the end of the period | 2,505,511,844 | 2,476,574,038 |
| | <u>(28,942,127)</u> | <u>(26,720,339)</u> |
| | <u>2,476,569,717</u> | <u>2,449,853,699</u> |
| 2.1 Cost of finished goods manufactured | | |
| Raw materials at the beginning of the period | | |
| Raw materials purchase | 59,421,167 | 275,305,569 |
| Raw materials at the end of the period | 471,029,750 | 181,422,900 |
| Raw materials consumed | <u>(93,659,605)</u> | <u>(59,421,167)</u> |
| Production overheads (<i>Schedule 2.2</i>) | 436,791,312 | 397,307,302 |
| | 295,474,674 | 406,147,411 |
| | <u>732,265,986</u> | <u>803,454,714</u> |



| | 2019 Rs. | 2018 Rs. |
|----------------------------------|--------------------|--------------------|
| 2.2 Production overheads | | |
| Salaries | | |
| Wages | 26,761,984 | 48,743,743 |
| Overtime | 14,053,803 | 21,820,076 |
| Bonus | 8,503,241 | 19,044,161 |
| Allowance | 2,608,685 | 2,099,142 |
| Employees' Provident Fund | 657,733 | 923,731 |
| Employees' Trust Fund | 3,238,917 | 5,849,249 |
| Staff welfare | 809,729 | 1,462,312 |
| Medical | 2,814,549 | 1,475,933 |
| Terminal gratuity | 383,876 | 473,624 |
| Fuel | 1,062,056 | 973,080 |
| Chemicals | 4,230,696 | 22,288,187 |
| Lab consumables | 23,181,340 | 23,420,616 |
| Staff uniforms | 2,366,472 | 1,555,013 |
| Electricity | 2,027,792 | 2,465,306 |
| Telephone | 21,011,126 | 25,965,654 |
| General insurance | 899,522 | 1,408,220 |
| Security charges | 1,350,856 | 2,047,710 |
| Motor vehicle fuel | 7,575,001 | 9,415,624 |
| Depreciation - Factory building | 186,129 | 1,152,922 |
| - Plant and machinery | 3,160,620 | 3,401,238 |
| - Office equipment | 23,063,265 | 23,366,437 |
| - Furniture and fittings | 19,141 | 17,791 |
| - Motor vehicles and forklift | 327,264 | 314,442 |
| - Computers | 605,498 | 800,860 |
| - Bottles and crates | 327,447 | 374,800 |
| Building repairs and maintenance | 109,919,987 | 149,281,407 |
| Equipment maintenance | 8,209,574 | 5,302,225 |
| Loading charges | 25,549,159 | 29,559,403 |
| | 569,212 | 1,144,502 |
| | <u>295,474,674</u> | <u>406,147,411</u> |



| | 2019 Rs. | 2018 Rs. |
|---------------------------------------|-------------------|-------------------|
| 3. Administrative expenses | | |
| Salaries - staff | | |
| Wages | 17,710,689 | 6,662,331 |
| Overtime | 584,078 | 492,566 |
| Staff training expenses | 2,304,601 | 422,836 |
| Allowance | 32,780 | 24,640 |
| Bonus | 1,025,765 | 844,526 |
| Employees' Provident Fund | 1,726,390 | 1,735,116 |
| Employees' Trust Fund | 2,228,585 | 630,763 |
| Medical | 557,147 | 199,774 |
| Staff welfare | 526,662 | 417,244 |
| Terminal gratuity | 1,055,000 | 391,909 |
| Tea and food | 702,853 | 133,001 |
| Compensation | 1,367,959 | 7,933,214 |
| External auditor's remuneration | - | 1,225,608 |
| Auditor's expense reimbursed | 985,131 | 994,033 |
| Staff recruitment expenses | - | 317,613 |
| Electricity | - | 189,594 |
| Telephone | 224,914 | 125,724 |
| Printing and stationery | 1,878,818 | 1,912,255 |
| Postage and telegrams | 3,228,700 | 5,342,689 |
| Stamp duty | 154,355 | 529,600 |
| Depreciation - Building | 203,850 | 179,222 |
| - Furniture and fittings | 590,344 | 635,287 |
| - Office equipment | 175,172 | 168,309 |
| - Motor vehicle | 541,176 | 503,003 |
| - Computer | 1,211,522 | 1,602,415 |
| Computer maintenance | 654,896 | 749,602 |
| Fees and penalties | 930,400 | 1,153,877 |
| Motor vehicle insurance | 1,730,708 | 31,156 |
| Rent | 582,243 | 570,731 |
| Foreign travelling | 1,602,050 | 2,813,400 |
| Expenses for administrative service | 8,398,968 | 7,078,217 |
| Consultancy fees | - | 10,800,000 |
| Legal fees | 1,803,237 | 2,942,673 |
| Subscriptions and periodicals | 1,241,500 | 1,822,500 |
| Water | 755,088 | 554,551 |
| Motor vehicle maintenance and repairs | 17,235 | 9,047 |
| Motor vehicle fuel | 371,612 | 3,551,040 |
| Accounting charges | 1,195,912 | 3,278,034 |
| Other tax | - | 568,828 |
| Travelling and transport | 626,501 | 1,935,275 |
| | <u>1,248,467</u> | <u>2,001,458</u> |
| | <u>60,175,308</u> | <u>73,473,662</u> |



| | 2019 Rs. | 2018 Rs. |
|---|--------------------|--------------------|
| 4. Selling and distribution expenses | | |
| Salaries - staff | | |
| Wages | 10,066,740 | 23,888,788 |
| Staff welfare | 36,694,735 | 26,280,041 |
| Allowance | 22,867 | 49,050 |
| Overtime | 1,172,079 | 10,263,639 |
| Bonus | 17,021,677 | 16,132,915 |
| Staff incentives | 981,278 | 3,671,754 |
| Employees' Provident Fund | 407,285 | 11,608,967 |
| Employees' Trust Fund | 1,095,775 | 1,240,239 |
| Terminal gratuity | 329,103 | 716,664 |
| Medical | 399,501 | 476,896 |
| Motor vehicle fuel | 430,378 | 659,664 |
| Freight expenses | 8,343,161 | 29,995,101 |
| Tea and food | 49,826 | 45,092 |
| Discount and claims | 2,064,440 | 24,009,695 |
| Rent expenses | 112,876,812 | 427,611,310 |
| Conferences and meetings expenses | 1,265,000 | 2,121,983 |
| Leakage breakage | - | 1,496,178 |
| Bad debt write off | 15,924,190 | 82,592,437 |
| Debtors impairment | 895,874 | - |
| Motor vehicle maintenance and repairs | 82,603,139 | - |
| Trade equipment hire charges | 13,935,522 | 17,133,415 |
| Transport charges | - | 2,200 |
| Contract outlet expenses | 33,428,654 | 62,504,945 |
| Building repairs and maintenance | 8,548,646 | 75,448,178 |
| Loading charges | - | 11,777 |
| Trade equipment maintenance | - | 7,250 |
| Travelling | 2,871,478 | 8,433,216 |
| Depreciation - Trade equipment | 244,345 | 938,048 |
| | 39,325,709 | 30,338,968 |
| | <u>390,998,215</u> | <u>857,678,408</u> |



| | As at 31.12.2019 Rs. | As at 31.12.2018 Rs. |
|---|----------------------------|----------------------------|
| 5. Cash at bank and cash in hand | | |
| Cash at bank | | |
| Margin money Commercial Bank of Ceylon | 1,668,650 | - |
| People's Bank - Hanwella | 1,737,163 | 2,222,928 |
| Hatton National Bank - Kaduwela | 4,242,201 | 1,233,653 |
| Standard Chartered Bank - Fort Branch 3 | 506,461 | 2,086,055 |
| Nations Trust Bank PLC | 493,874 | - |
| People's Bank - International | 28,434 | 498,013 |
| Cash in hand | 854,467 | 984,266 |
| | <u>9,531,250</u> | <u>7,024,915</u> |
| 6. Bank overdrafts | | |
| Commercial Bank of Ceylon | 108,424,135 | 70,986,708 |
| | <u>108,424,135</u> | <u>70,986,708</u> |
| 7. Accrued and other payables | | |
| Electricity | - | 1,593,910 |
| Security | - | 650,000 |
| Other payables | 35,288,894 | 157,123,163 |
| Auditor's remuneration | 350,000 | 262,500 |
| Telephone payable | 133,000 | 125,000 |
| Transport | 1,087,385 | 3,860,509 |
| Tax fees | - | 102,000 |
| Staff incentive | 150,000 | 562,805 |
| | <u>37,009,279</u> | <u>164,279,887</u> |

**VARUN
BEVERAGES
MOROCCO S.A**

**GENERAL REPORT OF
AUDIT
For the year ended 31
December 2019**



**Ahmed CHAHBI
Expert Comptable DPLE
Commissaire aux comptes**

421, Bd Abdelmoumen 4^{ème} étage N° 16
Casablanca Maroc
Tél : 00 212 522 861 761
Fax : 00 212 522 862 762
E-mail : achahbi@gmail.com



VARUN BEVERAGES MOROCCO S.A
Bouskoura Casablanca

| |
|--|
| <p style="text-align: center;">GENERAL REPORT OF AUDIT For the year ended 31 December 2019</p> |
|--|

Shareholders,

Accordance with the terms of our accord by your General Meeting, we audited the financial statements of the company **VARUN BEVERAGES MOROCCO S.A** attached, which comprise the balance sheet and the statement of income and expenses for the year ended 31 December 2019. These financial statements show a amount of equity to 153.887.644,53 MAD and include a loss of -24.665.397,02 MAD.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these states synthesis, in accordance with accepted accounting standards in Morocco. This responsibility includes, implementing and maintaining internal control relevant to the preparation and presentation of summary statements having no abnormality significant, and the accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards in Morocco. These standards require us to comply with ethical requirements, plan and realize the audit to obtain reasonable assurance whether the financial statements do not contain material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the summary statements. The choice of procedures depend on the judgment of the listener, as well as risk assessment that states synthetic material misstatement. In making those risk assessments, the auditor considers internal control relevant to the entity on the compilation and presentation of summary statements to define procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of it. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the summary statements. We believe that the audit evidence obtained is sufficient and appropriate to our opinion.

Opinion on the financial statements

We certify that the statements referred to in the first paragraph above are regular and sincere and fairly, in all material respects, fairly the result of operations for the year then ended, the financial position and assets of the company **VARUN BEVERAGES MOROCCO S.A** at 31 December 2019 in accordance with accounting standards admitted in Morocco.

Without qualifying our opinion above, we inform you that the annual accounts show a net situation lower than the quarter of the share capital. However, the financial statements attached were prepared on a continued activity and do not include any adjustments that may be required if the company were to cease its activity.



Ahmed CHAHBI
Expert Comptable DPLE
Commissaire aux comptes

Specific verifications and information

We have also performed the specific verifications required by law and we ensured including the consistency of the information given in the management report to shareholders with the financial statements of the company.

Ahmed CHAHBI

Casablanca January 22, 2020

M. Ahmed CHAHBI
EXPERT COMPTABLE DPLE
421, Bd Abdelmoumen, 4ème étage B N° 16
CASABLANCA



Ahmed CHAHBI
Expert Comptable DPLE
Commissaire aux comptes

**VARUN
BEVERAGES
MOROCCO S.A**

FINANCIAL STATEMENTS
For the year ended 31
December 2019

Tableau n°1

BILAN (ACTIF)

Société VARUN BEVERAGES MOROCCO S.A

EXERCICE CLOS LE 31/12/2019

| | ACTIF | EXERCICE | | | Net 31/12/2018 |
|--|--|-----------------------|---------------------------------|-----------------------|-----------------------|
| | | Brut | Amortissements et Provisions | Net 31/12/2019 | |
| | IMMOBILISATION EN NON VALEUR (a) | 10 170 497,38 | 6 884 307,24 | 3 286 190,14 | 4 446 268,02 |
| | Frais préliminaires | | | | |
| | Charges à répartir sur plusieurs exercices | 10 170 497,38 | 6 884 307,24 | 3 286 190,14 | 4 446 268,02 |
| | Primes de remboursement des obligations | | - | | |
| | IMMOBILISATIONS INCORPORELLES (b) | 35 941,00 | 26 823,23 | 9 117,77 | 16 302,75 |
| | Immobilisations en recherche et développement | | | | |
| | Brevets, marques, droits et valeurs similaires | 35 941,00 | 26 823,23 | 9 117,77 | 16 302,75 |
| | Fonds commercial | | | | |
| | Autres immobilisations incorporelles | | - | | |
| | IMMOBILISATIONS CORPORELLES (c) | 653 945 608,21 | 258 319 508,11 | 395 626 100,10 | 420 220 496,18 |
| | Terrains | 53 561 350,00 | | 53 561 350,00 | 53 561 350,00 |
| | Constructions | 62 499 195,90 | 18 766 176,89 | 43 733 019,01 | 44 528 384,62 |
| | Installations techniques, matériel et outillage | 511 711 943,25 | 220 559 021,54 | 291 152 921,71 | 312 655 198,28 |
| | Matériel de transport | 20 577 031,82 | 15 722 615,61 | 4 854 416,21 | 7 042 805,14 |
| | Mobiliers, matériel de bureau et aménagements divers | 5 596 087,24 | 3 271 694,07 | 2 324 393,17 | 2 432 758,14 |
| | Autres immobilisations corporelles | | | | |
| | Immobilisations corporelles en cours | | | | |
| | IMMOBILISATIONS FINANCIERES (d) | 1 958 522,28 | | 1 958 522,28 | 2 307 899,56 |
| | Prêts immobilisés | | | | |
| | Autres créances financières | 1 958 522,28 | | 1 958 522,28 | 2 307 899,56 |
| | Titres de participation | | - | | |
| | Autres titres immobilisés | | | | |
| | ECARTS DE CONVERSION - ACTIF (e) | 25 798 261,43 | | 25 798 261,43 | 43 926 592,70 |
| | Diminution des créances immobilisées | | | | |
| | Augmentation des dettes de finance | 25 798 261,43 | | 25 798 261,43 | 43 926 592,70 |
| | TOTAL I (a+b+c+d+e) | 691 908 830,30 | 265 230 638,58 | 426 678 191,72 | 470 917 559,21 |
| | STOCKS (f) | 68 947 716,58 | | 68 947 716,58 | 53 536 050,96 |
| | Marchandises | 10 109 503,50 | | 10 109 503,50 | 5 530 222,20 |
| | Matières et fournitures consommables | 41 001 462 | - | 41 001 461,88 | 39 101 987,00 |
| | Produits en cours | | | | |
| | Produits interm. et produits resid. | | | | |
| | Produits finis | 17 836 751 | | 17 836 751 | 8 903 842 |
| | CREANCES DE L'ACTIF CIRCULANT (g) | 115 836 914,68 | 5 259 277,75 | 110 577 636,93 | 64 273 026,90 |
| | Fournis. débiteurs, avances et acomptes | 1 041 014,02 | | 1 041 014,02 | |
| | Clients et comptes rattachés | 87 755 723,35 | 5 259 277,75 | 82 496 445,60 | 50 862 689,60 |
| | Personnel | 873 708,46 | | 873 708,46 | 870 050,67 |
| | Etat | 8 579 440,78 | | 8 579 440,78 | 11 604 305,74 |
| | Comptes d'associés | | | | |
| | Autres débiteurs | 7 482,56 | | 7 482,56 | 7 482,56 |
| | Compte de régularisation actif | 17 579 545,51 | | 17 579 545,51 | 928 498,33 |
| | TITRES ET VALEUR DE PLACEMENT (h) | | | | |
| | ECART DE CONVERSION - ACTIF (i) | 461 222,09 | | 461 222,09 | 575 471,84 |
| | (Eléments circulants) | | | | |
| | TOTAL II (f+g+h+i) | 185 245 853,35 | 5 259 277,75 | 179 986 575,60 | 118 384 549,70 |
| | TRESORERIE - ACTIF | 2 992 531,74 | | 2 992 531,74 | 3 339 171,52 |
| | Chèques et valeurs à encaisser | 2 477 509,76 | | 2 477 509,76 | 2 089 773,61 |
| | Banques, T.G & CP | 465 202,43 | | 465 202,43 | 1 218 614,15 |
| | Caisses, régies d'avances et accreditifs | 49 820 | | 49 819,55 | 30 783,76 |
| | TOTAL III | 2 992 531,74 | | 2 992 531,74 | 3 339 171,52 |
| | TOTAL GENERAL I+II+III | 880 147 215,39 | 270 489 916,33 | 609 657 299,06 | 592 641 280,43 |

Tableau n°1

BILAN (PASSIF)

Société VARUN BEVERAGES MOROCCO S.A

EXERCICE CLOS LE 31/12/2019

| | PASSIF | Exercice 31/12/2019 | Exercice 31/12/2018 |
|---|---|------------------------|------------------------|
| | CAPITAUX PROPRES | | |
| | Capital social ou personnel (1) | 714 212 000,00 | 549 000 000,00 |
| | moins: Actionnaires, capital souscrit non appele dont vers.. | | |
| | Moins : Capital appelé | | |
| | Moins : Dont versé | | |
| F | Prime d'emission, de fusion, d'apport | | |
| I | Ecart de reevaluation | | |
| N | Reserve legale | | |
| A | Autres reserves | | |
| N | Report à nouveau (2) | -535 658 958,45 | -403 416 946,44 |
| | Résultat net en instance d'affectation (2) | | |
| C | Resultat net de l'exercice (2) | -24 665 397,02 | -132 242 012,01 |
| E | TOTAL DES CAPITAUX PROPRES (a) | 153 887 644,53 | 13 341 041,55 |
| M | CAPITAUX PROPRES ASSIMILES (b) | | |
| E | Subventions d'investissement | | |
| N | Provisions reglementees | | |
| T | CAPITAUX PROPRES ASSIMILES (Ajout) - | | |
| P | DETTES DE FINANCEMENT (c) | 225 686 657,20 | 359 239 516,83 |
| E | Emprunts obligataires | | |
| R | Autres dettes de financement | 225 686 657,20 | 359 239 516,83 |
| M | DETTES DE FINANCEMENT (Ajout) - | | |
| A | PROVISIONS DURABLES POUR RISQUES ET CHARGES (d) | 25 798 261,43 | 43 926 592,70 |
| N | Provisions pour charges | | |
| E | Provisions pour risques | 25 798 261,43 | 43 926 592,70 |
| N | ECARTS DE CONVERSION - PASSIF (e) | | |
| T | Augmentation des creances immobilisees | | |
| | Diminution des dettes de financement | | |
| | TOTAL I (a+b+c+d+e) | 405 372 563,16 | 416 507 151,08 |
| P | DETTES DU PASSIF CIRCULANT (f) | 180 994 353,80 | 136 942 421,55 |
| A | Fournisseurs et comptes rattaches | 112 267 170,64 | 93 414 339,70 |
| S | Clients crediteurs, avances et acomptes | 9 617 024,50 | 3 176 022,11 |
| S | Personnel | 184 233,85 | 827 365,57 |
| I | Organismes sociaux | 2 358 664,36 | 2 613 419,25 |
| F | Etat | 23 043 324,34 | 18 485 731,38 |
| | Comptes d'associes | 33 422 841,33 | 18 133 898,03 |
| C | Autres creances | | |
| I | Comptes de regularisation - passif | 101 094,78 | 291 645,51 |
| R | AUTRES PROVISIONS POUR RISQUES ET CHARGES (g) | 461 222,09 | 575 471,84 |
| C | ECARTS DE CONVERSION - PASSIF (h)(Elements circulants) | 82 348,93 | 50 249,84 |
| U | TOTAL II (f+g+h) | 181 537 924,82 | 137 568 143,22 |
| T | TRESORERIE PASSIF | 22 746 811,08 | 38 565 986,12 |
| R | Credits d'escompte | 4 714 658,21 | 7 896 277,31 |
| E | Credit de tresorerie | 4 042 617,85 | |
| S | Banques (soldes crediteurs) | 13 989 535,02 | 30 669 708,81 |
| | TOTAL III | 22 746 811,08 | 38 565 986,12 |
| | TOTAL I+II+III | 609 657 299,06 | 592 641 280,43 |

(1) Capital personnel debiteur

(2) Beneficiaire (+) . deficitaire (-)

Tableau n°2

COMPTE DE PRODUITS ET CHARGES (HORS TAXES)

Société VARUN BEVERAGES MOROCCO S.A

EXERCICE CLOS LE 31/12/2019

| | | OPERATIONS | | Totaux de | Totaux de |
|--|------------|---|-----------------------|-----------------------|------------------------|
| | | Propres à | Concernant les | L'exercice | L'exercice |
| | | L'exercice | exercices précédents | 31/12/2019 | 31/12/2018 |
| | | 1 | 2 | 3 = 1 + 2 | 3 = 1 + 2 |
| | I | PRODUITS D'EXPLOITATION | | | |
| | | Ventes de marchandises | 30 102 279,82 | 30 102 279,82 | 7 275 592,60 |
| | | Ventes de biens et services produits | 472 376 933,96 | 472 376 933,96 | 337 035 451,93 |
| | | Variation de stock de produits | 8 933 448,69 | 8 933 448,69 | -6 844 993,65 |
| | | Immobilisations produites pour l'Ese p/elle-même | | | |
| | | Subvention d'exploitation | 6 657 214,19 | 6 657 214,19 | 3 808 600,58 |
| | | Autres produits d'exploitation | | | |
| | | Reprises d'exploitation; transfert de charges | | | 1 915 879,76 |
| | | TOTAL I | 518 069 876,66 | 518 069 876,66 | 343 190 531,22 |
| | II | CHARGES D'EXPLOITATION | | | |
| | | Achats revendus de marchandises | 20 599 284,42 | 20 599 284,42 | 4 636 935,69 |
| | | Achat consommés de matières et de fournitures | 208 407 785,64 | 208 407 785,64 | 154 792 914,53 |
| | | Autres charges externes | 136 350 457,07 | 136 350 457,07 | 114 884 038,44 |
| | | Impôts et taxes | 46 234 061,46 | 46 234 061,46 | 31 898 682,18 |
| | | Charges de personnel | 61 023 615,25 | 61 023 615,25 | 61 036 473,66 |
| | | Autres charges d'exploitation | | | |
| | | Dotations d'exploitation | 43 778 129,29 | 43 778 129,29 | 38 208 284,84 |
| | | TOTAL II | 516 393 333,13 | 516 393 333,13 | 405 457 329,34 |
| | III | RESULTAT D'EXPLOITATION (I - II) | | 1 676 543,53 | -62 266 798,12 |
| | IV | PRODUITS FINANCIERS | | | |
| | | Produits des titres de participation et autres titres immobilisés | | | |
| | | Gains de change | 340 624,80 | 340 624,80 | 2 270 090,93 |
| | | Intérêts et autres produits financiers | | | |
| | | Reprises financières; transfert de charges | 44 501 569 | 44 501 568,56 | 219 255,16 |
| | | TOTAL IV | 44 842 193,36 | 44 842 193,36 | 2 489 346,09 |
| | V | CHARGES FINANCIERES | | | |
| | | Charges d'intérêts | 18 569 673,46 | 18 569 673,46 | 21 942 631,13 |
| | | Pertes de changes | 22 346 398,23 | 22 346 398,23 | 2 337 757,34 |
| | | Autres charges financières | | | |
| | | Dotations financières | 26 259 003,23 | 26 259 003,23 | 44 501 568,56 |
| | | TOTAL V | 67 175 074,92 | 67 175 074,92 | 68 781 957,03 |
| | VI | RESULTAT FINANCIER (IV - V) | | -22 332 881,56 | -66 292 610,94 |
| | VII | RESULTAT COURANT (III - VI) | | -20 656 338,03 | -128 559 409,06 |

1) Variation de stocks : stocks final - stocks initial ;augmentation (+) ;diminution (-)

2) Achats revendus ou consommés : achats - variation de stocks.

Tableau n°2

COMPTE DE PRODUITS ET CHARGES (HORS TAXES) (suite)

Société VARUN BEVERAGES MOROCCO S.A

| | | OPERATIONS | | Totaux de L'exercice 31/12/2019 3 = 1 + 2 | Totaux de L'exercice 31/12/2018 3 = 1 + 2 |
|--|------|--|---|--|--|
| | | Propres à L'exercice 1 | Concernant les exercices précédents 2 | | |
| | VII | RESULTAT COURANT (Report) | | -20 656 338,03 | -128 559 409,06 |
| | VIII | PRODUITS NON COURANTS | | | |
| | | Produits des cessions d'immobilisations | 244 775,89 | 244 775,89 | 24 915,60 |
| | | Subventions d'équilibre | | | |
| | | Reprises sur subventions d'investissement | | | |
| | | Autres produits non courants | | | |
| | | Reprises non courantes; transferts de charges | | | |
| | | TOTAL VIII | 244 775,89 | 244 775,89 | 24 915,60 |
| | IX | CHARGES NON COURANTES | | | |
| | | Valeurs nettes d'amort. des Immo cédées | | | 227 482,16 |
| | | Subventions accordées | | | |
| | | Autres charges non courantes | 1 196 969,33 | 1 196 969,33 | 1 728 087,71 |
| | | Dotations non courantes aux amortiss. et provision | | | |
| | | TOTAL IX | 1 196 969,33 | 1 196 969,33 | 1 955 569,87 |
| | X | RESULTAT NON COURANT (VIII- IV) | | -952 193,44 | -1 930 654,27 |
| | XI | RESULTAT AVANT IMPOTS (VII+ X) | | -21 608 531,47 | -130 490 063,33 |
| | XII | IMPOTS SUR LES RESULTATS | | 3 056 865,55 | 1 751 948,68 |
| | XIII | RESULTAT NET (XI - XII) | | -24 665 397,02 | -132 242 012,01 |

| | | | | | |
|--|-----|--|--|-----------------------|------------------------|
| | XIV | TOTAL DES PRODUITS (I + IV + VIII) | | 563 156 845,91 | 345 704 792,91 |
| | XV | TOTAL DES CHARGES (II + V + IX + XII) | | 587 822 242,93 | 477 946 804,92 |
| | XVI | RESULTAT NET (XIV - XV) | | -24 665 397,02 | -132 242 012,01 |

VARUN BEVERAGES (ZAMBIA) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

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Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

COMPANY INFORMATION

| | |
|--|---|
| BOARD OF DIRECTORS | : Mr. Rajnish Gupta : Mr. Shankar Krishnan Iyer : Mr. Satyanarayan Sharma : Mr. Amreek Singh (Resigned on 01 February 2019) : Mr. Ravindra Singh (Appointed on 01 February 2019) : Mr. Ravindra Singh (Resigned on 21 June 2019) : Mr. Rajendra Kumar Dubey (Appointed on 21 June 2019) |
| SHAREHOLDERS | : 90.00% - Varun Beverages Limited, India : 9.98% - Africa Bottling Company Limited : 0.02% - Rajnish Gupta |
| REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS | : Plot No. 37426 Mungwi Road : Heavy Industrial Area : P.O. Box 30007 : Lusaka : Zambia |
| INDEPENDENT AUDITOR | : PKF Zambia Chartered Accountants : P.O. Box 31290 : Lusaka : Zambia |
| COMPANY SECRETARY | : PKF Consulting Zambia Limited : P.O. Box 31290 : Lusaka : Zambia |
| PRINCIPAL BANKERS | : Zambia National Commercial Bank Plc., Zambia : Indo-Zambia Bank Limited, Zambia : Standard Chartered Bank Plc., Zambia : Ecobank Zimbabwe Limited, Zimbabwe |
| LEGAL ADVISORS | : MMK : Plot No. 11058 Zimbabwe House, : Haile Selassie Avenue, Long Acres : P.O. Box 34972 : Lusaka : Zambia |
| ULTIMATE PARENT | : Varun Beverages Limited, India |

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of the Company.

PRINCIPAL ACTIVITIES

The Company manufactures and distributes carbonated soft drinks and bottled drinking water.

| RESULTS | 2019 ZMW | 2018 ZMW |
|----------------------------|---------------------|---------------------|
| (Loss)/profit before tax | (19,125,323) | 36,784,384 |
| Tax (charge) | <u>-</u> | <u>-</u> |
| (Loss)/profit for the year | <u>(19,125,323)</u> | <u>36,784,384</u> |

DIRECTORS

The directors who held office during the year and to the date of this report are shown on page 1.

INDEPENDENT AUDITOR

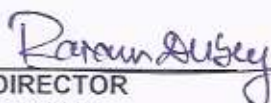
The Company's auditor, PKF Zambia Chartered Accountants, has indicated willingness to continue in office in accordance with the Companies Act, 2017.

OTHER

In accordance with Section 106 of the Companies Act, 2017 the board of directors also report that during the year:

- Director's remuneration amounted to ZMW 7,600,923 (2018 ZMW 6,030,900);

BY ORDER OF THE BOARD


DIRECTOR
LUSAKA

23rd Jan - 2020

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Zambian Companies Act, 2017 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; that disclose, with reasonable accuracy, the financial position of the Company and that enable them to prepare financial statements of Company that comply with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of Zambian Companies Act, 2017. The directors are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required Zambian Companies Act, 2017. They also accept responsibility for:

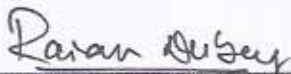
- i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
 - ii. Selecting and applying appropriate accounting policies, and
 - iii. Making accounting estimates and judgements that are reasonable in the circumstances.
- ements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Zambian Companies Act, 2017.

In preparing these financial statements the directors have assessed the Company's ability to continue as a going concern. Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

So far as each of the directors is aware, there is no relevant audit information which the auditor is unaware of, and each of the directors has taken all the steps that ought to have been taken in order to become aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by the board of directors on 23rd Jan, 2020 signed on its behalf by:



Mr. Rajendra Kumar Dubey

Mr. Satyanarayan Sharma

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF VARUN BEVERAGES (ZAMBIA) LIMITED

Opinion

We have audited the financial statements of Varun Beverages (Zambia) Limited set out on pages 7 to 20, which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and retained earnings, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard and the Companies Act, 2017.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the Company information, report of the directors and the schedule of expenditure but does not include the financial statements and our report of the independent auditor thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS and the requirements of the Companies Act, 2017, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF VARUN BEVERAGES (ZAMBIA) LIMITED (CONTINUED)**Responsibilities of Directors for the Financial Statements (continued)**

In preparing the 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 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- i. 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 override of internal control.
- ii. 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 appropriateness of the Company's internal control.
- iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- iv. Conclude on the appropriateness of director'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 report of the independent auditor 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.
- v. 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 OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF VARUN BEVERAGES
(ZAMBIA) LIMITED (CONTINUED)****Report on other legal and regulatory requirements**

As required by the Companies Act, 2017 we report to you, based on our audit, that:

- i. there is no relationship, interest, or debt which we have in the Company;
- ii. there were no serious breaches of corporate governance principles or practices by the directors

The engagement partner responsible for the audit resulting in this report of the independent auditor is Steve Chibwe - practicing certificate number AUD/F000370.

PKF Zambia
Chartered Accountants
LUSAKA

23 January 2020

AR/LSK/071/20

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

STATEMENT OF PROFIT OR LOSS AND RETAINED EARNINGS

| | Notes | 2019 ZMW | 2018 ZMW |
|---|-------|----------------------------|--------------------------|
| Revenue | 3 | 326,601,941 | 435,585,686 |
| Cost of sales | 4 | <u>(174,680,506)</u> | <u>(228,400,636)</u> |
| Gross profit | | 151,921,435 | 207,185,050 |
| Other operating income | 5 | 13,615,751 | 3,242,882 |
| Administrative expenses | | (29,265,207) | (23,508,688) |
| Selling and distribution expenses | | (51,582,073) | (52,225,206) |
| Employment costs | | (39,802,881) | (35,251,745) |
| Depreciation on property, plant and equipment | 9 | <u>(24,146,933)</u> | <u>(25,245,785)</u> |
| Operating profit | 6 | 20,740,092 | 74,196,508 |
| Finance costs | 7 | <u>(39,865,415)</u> | <u>(37,412,124)</u> |
| (Loss)/profit before tax | | (19,125,323) | 36,784,384 |
| Tax charge | 8 | <u>-</u> | <u>-</u> |
| (Loss)/profit for the year | | <u><u>(19,125,323)</u></u> | <u><u>36,784,384</u></u> |
| Retained earnings | | | |
| At start of year | | 10,035,699 | (26,748,684) |
| Dividends paid | | (8,750,000) | - |
| (Loss)/profit for the year | | <u>(19,125,323)</u> | <u>36,784,384</u> |
| At end of year | | <u><u>(17,839,624)</u></u> | <u><u>10,035,699</u></u> |

The notes on pages 10 to 20 form an integral part of these financial statements.

Report of the independent auditor - pages 4 to 6.

Varun Beverages (Zambia) Limited
 Annual report and financial statements
 For the year ended 31 December 2019

STATEMENT OF FINANCIAL POSITION

| | Notes | As at 31 December | |
|---|-------|--------------------|--------------------|
| | | 2019 ZMW | 2018 ZMW |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 160,211,462 | 173,461,454 |
| Trade and other receivables | 11 | 82,347,658 | - |
| | | <u>242,559,120</u> | <u>173,461,454</u> |
| Current assets | | | |
| Inventories | 10 | 40,110,095 | 45,712,280 |
| Trade and other receivables | 11 | 47,738,191 | 137,941,952 |
| Cash and cash equivalents | 12 | 10,535,223 | 7,361,331 |
| | | <u>98,383,509</u> | <u>191,015,563</u> |
| | | <u>340,942,629</u> | <u>364,477,017</u> |
| EQUITY | | | |
| Share capital | 13 | 35,000,000 | 35,000,000 |
| (Accumulated loss)/retained earnings | | (17,839,624) | 10,035,699 |
| Equity attributable to the owners of the company | | <u>17,160,376</u> | <u>45,035,699</u> |
| Non-current liabilities | | | |
| Trade and other payables | 14 | 21,896,786 | 27,309,799 |
| Borrowings | 15 | 214,256,033 | 188,197,291 |
| | | <u>236,152,819</u> | <u>215,507,090</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 59,147,434 | 103,934,228 |
| Borrowings | 15 | 28,482,000 | - |
| | | <u>87,629,434</u> | <u>103,934,228</u> |
| | | <u>340,942,629</u> | <u>364,477,017</u> |

The financial statements on pages 7 to 20 were approved and authorised for issue by the board of Directors on 23rd Jan. 2020 and were signed on its behalf by:

Rajan Dubej DIRECTOR

_____ DIRECTOR

The notes on pages 10 to 20 form an integral part of these financial statements.

Report of the independent auditor - pages 4 to 6.

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

STATEMENT OF CASH FLOWS

| | Notes | 2019 ZMW | 2018 ZMW |
|--|-------|--------------|--------------|
| Cash flows from operating activities | | | |
| (Loss)/profit before tax | | (19,125,323) | 36,784,384 |
| Adjustments for: | | | |
| Depreciation on property, plant and equipment | 9 | 24,146,933 | 25,245,785 |
| Interest expense | 7 | 17,168,160 | 4,959,605 |
| Foreign exchange (losses) | 7 | 22,697,255 | 32,452,519 |
| Net cash from operations before working capital changes | | 44,887,025 | 99,442,293 |
| Changes in working capital: | | | |
| - inventories | | 5,602,185 | (14,955,916) |
| - trade and other receivables | | 7,856,103 | (56,735,205) |
| - trade and other payables | | (50,199,806) | (7,907,052) |
| Interest paid | 7 | (17,168,160) | (4,959,605) |
| Net cash from operating activities after working capital changes | | (9,022,653) | 14,884,514 |
| Cash flows from investing activities | | | |
| Cash paid for purchase of property, plant and equipment | 9 | (21,812,700) | (29,490,606) |
| Proceeds from the issuance of Shares | | - | 34,500,000 |
| Proceeds from disposal of property, plant and equipment | | 10,915,758 | 10,361,580 |
| Net cash (used in)/generated from investing activities | | (10,896,942) | 15,370,975 |
| Cash flows from financing activities | | | |
| Dividends paid | | (8,750,000) | - |
| Proceeds/(re-payment) of borrowings | | 54,540,742 | 3,907,682 |
| Net cash from/(used in) financing activities | | 45,790,742 | 3,907,682 |
| Increase in cash and cash equivalents | | 25,871,148 | 34,163,171 |
| Movement in cash and cash equivalents | | | |
| At start of year | | 7,361,331 | 5,650,679 |
| Increase in cash and cash equivalents | | 25,871,148 | 34,163,171 |
| Effect of exchange rate changes | 7 | (22,697,255) | (32,452,519) |
| Total cash at end of the year | 12 | 10,535,223 | 7,361,331 |

The notes on pages 10 to 20 form an integral part of these financial statements.

Report of the independent auditor - pages 4 to 6.

NOTES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the year presented, unless otherwise stated.

1) General Information

The Company manufactures and distributes carbonated soft drinks and bottled drinking water.

Plot No. 37426 Mungwi Road
Heavy Industrial Area
P.O. Box 30007
Lusaka
Zambia

2) Significant accounting policies

a) Basis of preparation

The financial statements of Varun Beverages (Zambia) Limited have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the IFRS for SMEs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimations are significant to the financial statements, are disclosed in note 2 (b).

These financial statements comply with the requirements of the Companies Act, 2017. The statement of profit or loss and retained earnings represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

Going concern

The financial performance of the Company is set out in the report of the directors and in the statement of profit or loss and retained earnings. The financial position of the Company is set out in the statement of financial position.

Based on the financial performance and position of the group and its risk management policies, the directors are of the opinion that the group is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

b) Key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are disclosed as follows.

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

NOTES (CONTINUED)

2) Significant accounting policies (continued)

b) Key sources of estimation uncertainty (continued)

- Useful lives of property, plant and equipment - Management reviews the useful lives and residual values of the items of property, plant and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.
- Impairment of trade receivables - the Company reviews their portfolio of trade receivables on an annual basis. In determining whether receivables are impaired, the management makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

c) Significant judgements made by management in applying the Company's accounting policies

The directors have made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements:

- Revenue recognition - In making their judgement, the directors considered the detailed criteria for the recognition of revenue from the sale of goods set out in Section 23 and, in particular whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods.

d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Company's activities. Revenue is shown net of sales value-added tax, returns, rebates and discounts.

The Company recognises revenue when: the amount of revenue can be reliably measured; it is probable that future economic benefits will flow to the entity; and specific criteria have been met for each of the Company's activities.

- i) Sales of goods are recognised upon delivery of products and customer acceptance

e) Property, plant and equipment

All property, plant and equipment are initially recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation is calculated on straight line method to write down value (WDV) the cost of each asset, to its residual value, over its estimated useful life using the following annual rates:

| | <u>Estimated useful life</u> |
|------------------------|------------------------------|
| Land and buildings | |
| - Land | Over the lease period |
| - Buildings | 50 years |
| Plant and machinery | 20 years |
| Motor vehicles | 4 years |
| Furniture and fittings | 5 years |
| IT equipment | 3 years |
| Computer equipment | 3 years |
| Visi-cooler | 7 years |

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

NOTES (CONTINUED)

2) Significant accounting policies (continued)

e) Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit/loss.

f) Financial assets

Trade and other receivables are initially recognised at the transaction price. Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest method.

g) Financial liabilities

Financial liabilities are initially recognised at the transaction price (less transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortised cost using the effective interest method.

h) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks, net of bank overdrafts.

In the statement of financial position, bank overdrafts are included within borrowings in current liabilities.

i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the "weighted average cost method". The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity), but excludes borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

j) Borrowings

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

k) Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

NOTES (CONTINUED)

2) Significant accounting policies (continued)

l) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Zambian Kwacha (functional currency) at rates ruling at the transaction dates. Assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated into Zambian Kwacha (functional currency) at rates ruling at that date. The resulting differences from conversion and translation are dealt with in profit or loss in the year in which they arise.

m) Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

The Company leases certain items of property, plant and equipment. Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is apportioned between the liability and finance charges using the effective interest method. Rental obligations, net of finance charges, are included in borrowings in the statement of financial position. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

n) Employee benefit obligations

Gratuity

Employee entitlements to gratuity are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the reporting date.

Pension obligations

The Company and its employees contribute to the National Pension Scheme Authority (NAPSA), a statutory defined contribution scheme registered under the NAPSA Act. The Company's contributions to the defined contribution scheme are charged to profit or loss in the period to which they relate. There are no further payment obligations once the contributions have been paid.

Accrued leave

The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognised as an expense accrual.

o) Impairment of non-financial assets other than inventories

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are compared at the lowest levels for which there are separately identifiable cash flows (CGUs).

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

NOTES (CONTINUED)

2) Significant accounting policies (continued)

p) Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

q) Share capital

Ordinary shares are classified as equity.

r) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

NOTES (CONTINUED)

| | 2019 ZMW | 2018 ZMW |
|---|---------------------|---------------------|
| 3. Revenue | | |
| Carbonated soft drinks | 226,357,533 | 409,104,637 |
| Bottled drinking water | 37,417,034 | 30,799,566 |
| Other sales - Trading | 65,805,414 | 915,733 |
| Scrap sales | 435,354 | 269,407 |
| Sale of raw material | 8,959,185 | 6,539,526 |
| Trade discount | <u>(12,372,579)</u> | <u>(12,043,183)</u> |
| | <u>326,601,941</u> | <u>435,585,686</u> |
| 4. Cost of sales | | |
| Consumption of raw materials | <u>174,680,506</u> | <u>228,400,636</u> |
| | <u>174,680,506</u> | <u>228,400,636</u> |
| 5. Other operating income | | |
| Profit on disposal of property, plant and equipment | <u>13,615,751</u> | <u>3,242,882</u> |
| | <u>13,615,751</u> | <u>3,242,882</u> |
| 6. Operating profit | | |
| The following items have been charged/(credited) in arriving at operating profit: | | |
| Depreciation on property, plant and equipment (Note 9) | 24,146,933 | 25,245,785 |
| Auditor's remuneration | 250,000 | 250,000 |
| Directors' emoluments | 4,499,469 | 1,494,722 |
| Trade receivables - impairment | 1,938,798 | 1,938,798 |
| Staff costs | | |
| - Salaries and wages | 34,619,695 | 30,379,936 |
| - Pension | 2,225,262 | 1,153,149 |
| - Other staff cost | <u>2,957,924</u> | <u>3,718,659</u> |
| 7. Finance costs | | |
| Net foreign exchange losses | 22,697,255 | 32,452,519 |
| Interest expense: | | |
| - holding company | 17,168,160 | 3,091,491 |
| - others | <u>-</u> | <u>1,868,114</u> |
| | <u>39,865,415</u> | <u>37,412,124</u> |

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

NOTES (CONTINUED)

| 8. Tax | 2019 ZMW | 2018 ZMW |
|--------------|-------------|-------------|
| Current tax | - | - |
| Deferred tax | - | - |
| | <u>-</u> | <u>-</u> |

There is no tax charge for the year as the company has an investment license (ZDA/146/03/2009) under the Zambia Development Agency (ZDA) Act, No.11 of 2006. The company's profits are subject to tax as below:

- From the year 2018 to 2022, the company will pay tax at the rate of 0%.

- From 2023 to 2025 the company will pay tax on 50% of its taxable profits.

- From 2026 to 2027 the company will pay tax on 75% of its taxable profits.

- From 2028 the company will pay tax on 100% of its taxable profits.

No deferred tax has been recognised in these financial statements because of the tax holiday the Company is currently enjoying.

9. Property, plant and equipment

| | Land and buildings ZMW | Plant and machinery ZMW | Motor vehicles ZMW | Furniture and fittings ZMW | Total ZMW |
|-------------------------|------------------------------|-------------------------------|--------------------------|----------------------------------|--------------------|
| Cost | | | | | |
| At start of year | 35,906,674 | 197,679,014 | 22,353,404 | 1,603,433 | 257,542,525 |
| Additions | 19,962 | 18,855,254 | 2,879,529 | 57,955 | 21,812,700 |
| Disposals | - | (14,633,415) | (129,786) | - | (14,763,201) |
| At end of year | <u>35,926,636</u> | <u>201,900,853</u> | <u>25,103,147</u> | <u>1,661,388</u> | <u>264,592,024</u> |
| Depreciation | | | | | |
| At start of year | 5,401,756 | 64,490,838 | 12,931,741 | 1,256,736 | 84,081,071 |
| Disposals | - | (3,724,146) | (123,297) | - | (3,847,443) |
| Charge for the year | 1,657,549 | 18,764,542 | 3,675,317 | 49,525 | 24,146,933 |
| At end of year | <u>7,059,305</u> | <u>79,531,234</u> | <u>16,483,761</u> | <u>1,306,261</u> | <u>104,380,561</u> |
| Net book value | | | | | |
| 31 December 2019 | <u>28,867,331</u> | <u>122,369,618</u> | <u>8,619,386</u> | <u>355,127</u> | <u>160,211,462</u> |
| 31 December 2018 | <u>30,504,918</u> | <u>133,188,176</u> | <u>9,421,664</u> | <u>346,697</u> | <u>173,461,454</u> |

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

NOTES (CONTINUED)

| | 2019 ZMW | 2018 ZMW |
|--|---------------------|---------------------|
| 10. Inventories | | |
| Finished goods | 11,974,790 | 9,969,304 |
| Consumables and advertising materials | 24,521,417 | 24,415,468 |
| Raw materials | 3,613,888 | 11,327,508 |
| | <u>40,110,095</u> | <u>45,712,280</u> |
| 11. Trade and other receivables | | |
| Non-current | | |
| Receivables from related parties (Note 17) | 82,347,658 | - |
| | <u>82,347,658</u> | <u>-</u> |
| Trade receivables | 18,375,605 | 19,526,866 |
| Less: provision for impairment | (1,938,798) | (1,938,798) |
| Net trade receivables | 16,436,807 | 17,588,068 |
| Prepayments and other receivables | 2,721,466 | 21,524,097 |
| Receivables from related parties (Note 17) | 28,579,917 | 98,829,787 |
| | <u>47,738,191</u> | <u>137,941,952</u> |
| | <u>130,085,849</u> | <u>137,941,952</u> |
| 12. Cash and cash equivalents | | |
| Cash and bank balances | <u>10,535,223</u> | <u>7,361,331</u> |
| For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the following: | | |
| Cash and bank balances | <u>10,535,223</u> | <u>7,361,331</u> |
| | <u>10,535,223</u> | <u>7,361,331</u> |
| 13. Share capital | | |
| Authorised, issued and fully paid | | |
| 3,500,000 (2018: 50,000) Ordinary shares of ZMW 10 each | <u>35,000,000</u> | <u>35,000,000</u> |

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

NOTES (CONTINUED)

| | 2019 ZMW | 2018 ZMW |
|---------------------------------------|-------------------|--------------------|
| 14. Trade and other payables | | |
| Non-current | | |
| Deferred VAT | - | 8,345,601 |
| Security deposits | 21,896,786 | 18,964,198 |
| | <u>21,896,786</u> | <u>27,309,799</u> |
| Current | | |
| Trade payables | 2,437,179 | 40,871,782 |
| Deferred VAT | 13,190,908 | 10,256,382 |
| Payables to related parties (Note 16) | 18,843,470 | 25,159,469 |
| Other payables and accruals | 24,675,877 | 27,646,594 |
| | <u>59,147,434</u> | <u>103,934,227</u> |
| Total trade and other payables | <u>81,044,220</u> | <u>131,244,026</u> |

Deferred VAT

The deferred VAT relates to imported machinery on which the Zambia Revenue Authority allowed payment to be spread over a period of five years. This balance is due for full settlement by September 2020.

Security deposits

Security deposits relate to amounts paid by distributors for empty containers and surety.

15. Borrowings**Non-current**

| | | |
|--------------------------------------|--------------------|--------------------|
| Loans from related parties (Note 16) | 214,113,623 | 188,076,666 |
| Loans from directors (Note 16) | 142,410 | 120,625 |
| | <u>214,256,033</u> | <u>164,403,695</u> |

Current

| | | |
|--------------------------------------|-------------------|-------------------|
| Loans from related parties (Note 16) | 28,482,000 | 19,885,914 |
| | <u>28,482,000</u> | <u>19,885,914</u> |

Total borrowings

| | | |
|--|--------------------|--------------------|
| | <u>242,738,033</u> | <u>184,289,609</u> |
|--|--------------------|--------------------|

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

NOTES (CONTINUED)**16. Related party transactions and balances**

The Company is controlled by Varun Beverages Limited, registered in India, which owns 90% of the Company's shares.

The following were the transaction carried out with related parties and the outstanding balances as at the reporting date:

| | 2019 ZMW | 2018 ZMW |
|--|---------------------|---------------------|
| i) Sale of goods and services | | |
| - Other related parties | 71,522,887 | 160,852,017 |
| | <u>71,522,887</u> | <u>160,852,017</u> |
| ii) Purchase of goods and services | | |
| - Parent | (47,233,932) | (34,423,124) |
| - Other related parties | - | (1,122,343) |
| | <u>(47,233,932)</u> | <u>(35,545,467)</u> |
| iii) Receivables from related parties (Note 11) | | |
| - Subsidiary | 97,917 | - |
| - Other related parties | 125,968,012 | 98,829,787 |
| | <u>126,065,929</u> | <u>98,829,787</u> |
| iv) Payables to related parties (Note 14) | | |
| - Parent | - | (25,159,469) |
| - Other related parties | (18,843,470) | - |
| | <u>(18,843,470)</u> | <u>(25,159,469)</u> |
| v) loans from related parties (Note 15) | | |
| - Parent | 230,633,183 | 180,903,157 |
| - Other related parties | 11,962,440 | 11,962,440 |
| | <u>242,595,623</u> | <u>192,865,597</u> |
| | | |
| vi) loans from directors (Note 15) | 142,410 | 120,625 |
| | <u>142,410</u> | <u>120,625</u> |

The unsecured loans are interest free and have no specific repayment terms except the loan from Varun Beverages Limited which is repayable as per the terms of the respective agreement i.e.

Loan - 1 Principal amount \$ 5,986,107 with interest rate one month Libor plus 4%

Loan - 2 Principal amount \$ 9,009,052 with interest rate Three month Libor plus 2 %

The loans from directors are unsecured, interest free and have no specific dates of repayment.

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2019

NOTES (CONTINUED)

| | 2019 | 2018 |
|--|------------------|------------------|
| | ZMW | ZMW |
| 17. Related party transactions and balances | | |
| vi) Key management compensation | <u>8,873,359</u> | <u>6,872,655</u> |
| | <u>8,873,359</u> | <u>6,872,655</u> |

18. Events after the end of the reporting date

There were no events after the reporting date that requires disclosure or adjustment to these financial statements.

19. Presentation currency

The financial statements are presented in Zambian Kwacha.



APAS & CO.
CHARTERED ACCOUNTANTS

8/14, BASEMENT,
KALKAJI EXTENSION
NEW DELHI – 110019

INDEPENDENT AUDITORS' REPORT

The Board of Directors of Angelica Technologies Private Limited

Report on the Consolidated Ind AS Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of **Angelica Technologies Private Limited** and its subsidiary (hereinafter collectively referred as 'Group'), which comprise the Consolidated Balance Sheet as at 31 December 2019, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity, the Consolidated statement of Cash Flows for the year ended 31 December 2019 and a summary of the significant accounting policies and other explanatory information (here after referred to as "Consolidated Financial Statement").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Ind AS specified under Section 133 of the Act read with the Companies (Indian Accounting Standard) Rules, 2015, as amended, and other accounting principles generally accepted in India, of the state of affairs (financial position) of the Group as at 31 December 2019, and consolidated statement of its profit and loss (financial performance including other comprehensive income), its consolidated cash flows and the consolidated changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. 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 Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The Holding Company's Board of Directors is responsible for the preparation of other information. The other information comprises the Director's report and Management Discussion and Analysis of Annual report, but does not include the Consolidated Financial Statements and our report thereon. The Directors report and Management Discussion and Analysis of Annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the Consolidated Financial Statements does not cover the other information and we will not express any form of assurance conclusion thereon.



In connection with our audit of the Consolidated Financial Statements, our responsibility is to read the other information identified above when it becomes available to us and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Financial Statements or our knowledge obtained during the course of our audit, or otherwise appears to be materially misstated.

When we read such other information as and when made available to us and if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance, total comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The board of Directors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 SAs 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 consolidated financial statements.

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error audit procedures, design and perform 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.
2. Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(I) of the Act, we are also responsible for expressing our opinion on whether the Group has adequate internal financial controls system in place and the operating effectiveness of such controls
3. Evaluate the appropriateness of accounting policies used and the reasonable ness of accounting estimates and related disclosures made by management.



4. 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 Group'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 consolidated 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 Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated Ind AS financial statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated Ind AS financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including the Other Comprehensive Income), Consolidated Cash Flow Statement and the Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated Ind AS financial statements.
- d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with the Companies (Indian Accounting Standards) Rules, 2015 as amended.



- e) On the basis of the written representations received from the directors of the Holding Company as on 31 December 2019 taken on record by the Board of Directors of the Holding Company and the reports of the statutory auditors of its subsidiary company, none of the directors of the Group companies, is disqualified as on 31 December 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With respect to the adequacy of the internal financial controls over financial reporting of the Holding Company, and its subsidiary company covered under the Act and the operating effectiveness of such controls, refer to our separate report in 'Annexure 1'; and.
- g) No managerial remuneration has been paid/provided during the year by the company in terms of Section 197 of the Act.
- h) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the Group. Refer Note 27 to the consolidated Ind AS financial statements.
 - ii. According to the information and explanations provided to us, the Holding Company and its subsidiary company did not have any long term contracts including derivative contracts, requiring provision under applicable laws or accounting standards, for material foreseeable losses.
 - iii. There has been no amount, required to be transferred, to the Inventory Education and Protection Fund by the Holding Company and its subsidiary company.

Place: New Delhi
Date: 23 January 2020

For APAS & Co.
Chartered Accountants
Firm Registration No: 000340C



Sumit Kathuria
Partner
M. No.: 520078
UDIN : 20520078 AAAABD9830

Annexure 1 to the Independent Auditor's Report of even date to the members of Angelica Technologies Private Limited on the Consolidated Financial Statements for the year ended 31 December 2019

Annexure 1

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the consolidated financial statements of Angelica Technologies Private Limited ('the Holding Company') and its subsidiary (the Holding Company and its subsidiary together referred to as 'the Group') as at and for the year ended 31 December 2019, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Holding Company and its subsidiary company, which are companies covered under the Act, as at that date

Management's Responsibility for Internal Financial Controls

2. The respective Board of Directors of the Holding Company and its subsidiary company, which are companies covered under the Act, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective company considering the essential components of internal controls stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to the company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the IFCoFR of the Holding Company, and its subsidiary company, as aforesaid, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the ICAI and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note, issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the IFCoFR of the Holding Company, and its subsidiary company as aforesaid.



Annexure 1 to the Independent Auditor's Report of even date to the members of Angelica Technologies Private Limited on the Consolidated Financial Statements for the year ended 31 December 2019 (Cont'd)

Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the IFCoFR to future periods are subject to the risk that the IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion and based on the consideration of the reports of the other auditors on IFCoFR of the subsidiary company, which are companies covered under the Act, have in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 December 2019, based on the internal financial control over financial reporting criteria established by the respective company considering the essential components of internal financial controls stated in the Guidance Note issued by the ICAI.

Place: New Delhi
Date: 23 January 2020

For APAS & Co.
Chartered Accountants
Firm Registration No: 000340C


Sumit Kathuria
Partner
M. No.: 520078

UDIN : 20520078AAAA09430

20520078AAAABD9830

Angelica Technologies Private Limited
Consolidated Balance Sheet as at December 31, 2019

| | Note | December 31, 2019 ₹ | November 3, 2019 ₹ | December 31, 2018 ₹ |
|-------------------------------------|------|------------------------|-----------------------|------------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| (a) Property, plant and equipment | 2 | 181,725,733 | 188,446,801 | 232,225,418 |
| (b) Financial assets | 3 | | | |
| (i) Loans | | 8,446,908 | 8,346,784 | 6,717,480 |
| (c) Other non-current assets | 4 | 21,852,770 | 19,563,819 | 1,722,087 |
| | | 212,025,411 | 216,357,404 | 240,664,985 |
| Current assets | | | | |
| (a) Inventories | 5 | 112,285,317 | 108,950,378 | 103,701,219 |
| (b) Financial assets | 6 | | | |
| (i) Trade receivables | | 113,240,175 | 174,782,029 | 167,448,664 |
| (ii) Cash and Cash equivalents | | 127,461,602 | 67,007,120 | 3,676,200 |
| (iii) Other financial assets | | 3,717,922 | 5,880 | 34,908 |
| (c) Other current assets | 7 | 8,555,036 | 14,105,410 | 28,289,565 |
| | | 365,260,052 | 364,850,817 | 303,150,556 |
| Total Assets | | 577,285,463 | 581,208,221 | 543,815,541 |
| EQUITY AND LIABILITIES | | | | |
| Equity | | | | |
| (a) Equity Share capital | 8 | 750,000 | 750,000 | 750,000 |
| (b) Other Equity | 9 | 332,712,008 | 322,128,015 | 234,357,104 |
| (c) Non-controlling interest | | 119,312,048 | 115,588,548 | 84,793,571 |
| Total Equity | | 452,774,056 | 438,466,562 | 319,900,675 |
| Liabilities | | | | |
| Non-current liabilities | | | | |
| (a) Financial liabilities | | | | |
| (i) Borrowings | 10 | - | - | 23,652,798 |
| (b) Provisions | 11 | 3,918,169 | 3,148,520 | 2,822,907 |
| (c) Deferred tax liabilities (net) | 12 | 16,144,343 | 15,928,549 | 19,404,109 |
| | | 20,062,512 | 19,077,069 | 45,879,814 |
| Current liabilities | | | | |
| (a) Financial liabilities | 13 | | | |
| (i) Borrowings | | 6,365,480 | 6,365,480 | 70,546,629 |
| (ii) Trade payables | | 47,507,889 | 49,720,886 | 73,842,573 |
| (iii) Other financial liabilities | | 24,218,600 | 23,738,497 | 9,182,446 |
| (b) Other current liabilities | 14 | 900,603 | 5,374,036 | 7,774,807 |
| (c) Provisions | 15 | 490,448 | 137,646 | 100,711 |
| (b) Current tax liabilities (net) | 16 | 24,965,875 | 38,328,045 | 16,587,886 |
| | | 104,448,895 | 123,664,590 | 178,035,052 |
| Total Liabilities | | 124,511,407 | 142,741,659 | 223,914,866 |
| Total Equity and Liabilities | | 577,285,463 | 581,208,221 | 543,815,541 |

Summary of significant accounting policies 1
The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached.

For APAS & Co
Firm Registration No. 000340C
Chartered Accountants

Sumit Kathuria
Partner
Membership No. 520078

Place : New Delhi
Date : 23-01-2020



For and on behalf of the Board of Directors of
Angelica Technologies Private Limited

(Signature)

Director
DIN : 01822576
(Kamlesh Kumar Jain)

(Signature)

Director
DIN : 00061354
(Vivek Gupta)

| | Note | For the year ended December 31, 2019 ₹ | For the period January 1, 2019 to November 3, 2019 ₹ | For the year ended December 31, 2018 ₹ |
|---|------|--|--|--|
| Revenue from operations | 17 | 741,409,342 | 636,841,823 | 781,117,498 |
| Other Income | 18 | 54,181,493 | 52,044,903 | 11,535,682 |
| Total Income | | 795,590,836 | 688,886,726 | 792,653,181 |
| Expenses | | | | |
| Cost of materials consumed | 19 | 439,435,347 | 367,800,214 | 461,404,836 |
| Changes in inventories of finished goods, Stock-in-Trade and work-in-progress | 20 | (40,354,519) | (14,020,469) | (4,318,191) |
| Employee benefits expense | 22 | 44,695,235 | 36,533,921 | 42,186,772 |
| Finance Cost | 23 | 3,465,040 | 2,632,128 | 7,023,379 |
| Depreciation and amortization expense | | 45,325,548 | 38,571,580 | 46,823,775 |
| Other expenses | 24 | 119,066,363 | 93,460,631 | 113,423,728 |
| Total expenses | | 611,633,015 | 524,978,006 | 666,544,300 |
| Profit/ (Loss) before exceptional items and tax | | 183,957,820 | 163,908,721 | 126,108,881 |
| Exceptional and Extraordinary items | | - | - | - |
| Profit before tax | | 183,957,820 | 163,908,721 | 126,108,881 |
| Tax expense: | 25 | | | |
| (1) Current tax | | 52,400,000 | 47,400,000 | 39,420,000 |
| (2) Adjustment of tax relating to earlier periods | | 1,418,393 | 1,418,393 | 2,449,809 |
| (3) Deferred tax | | (3,125,000) | (3,475,560) | (1,598,953) |
| Profit for the year | | 133,264,427 | 118,565,888 | 85,838,025 |
| Other comprehensive income | | | | |
| (i) Items that will not be reclassified to profit or loss | | (525,812) | - | 663,482 |
| (ii) Income tax relating to items that will not be reclassified to profit or loss | | (134,766) | - | 221,497 |
| Total Comprehensive Income for the year, net of tax | | 132,873,381 | 118,565,888 | 86,280,011 |
| Net profit attributable to: | | | | |
| (a) Owners | | 98,644,279 | 87,770,911 | 63,529,776 |
| (b) Non-controlling interest | | 34,620,148 | 30,794,977 | 22,308,250 |
| Other comprehensive income attributable to: | | | | |
| (a) Owners | | (289,374) | - | 327,069 |
| (b) Non-controlling interest | | (101,672) | - | 114,916 |
| Total comprehensive income attributable to: | | | | |
| (a) Owners | | 98,354,904 | 87,770,911 | 63,856,845 |
| (b) Non-controlling interest | | 34,518,476 | 30,794,977 | 22,423,166 |
| Earning per equity share of face value of ₹ 10 each Basic and Diluted (in ₹) | 26 | 1,315.26 | 1,225.22 | 847.06 |

Summary of significant accounting policies 1
The accompanying notes are an integral part of the Consolidated financial statements.

As per our report of even date attached.

For APAS & Co

Firm Registration No. 000340C

Chartered Accountants

Sumit Kathuria
Sumit Kathuria
Partner
Membership No. 520078



Place : New Delhi
Date : 23-01-2020

For and on behalf of the Board of Directors of
Angelica Technologies Private Limited

Kamlesh Kumar Jain
Director
DIN : 01822576
(Kamlesh Kumar Jain)

Vivek Gupta
Director
DIN : 00061354
(Vivek Gupta)

Angelica Technologies Private Limited
Consolidated Cash flow statement for the year ended December 31, 2019

| | For the year ended | For the year ended |
|---|---------------------|---------------------|
| | December 31, 2019 | December 31, 2018 |
| | ₹ | ₹ |
| A. Cash flow from operating activities | | |
| Profit before tax | 183,957,820 | 126,108,881 |
| Non-cash adjustments to reconcile profit/(loss) before tax to net cash flows: | | |
| Depreciation and amortisation expenses | 45,325,548 | 46,823,775 |
| Finance costs | 2,781,912 | 4,389,329 |
| Interest received | (573,626) | (550,984) |
| Net (gain)/ loss on sale of fixed assets | (30,307,720) | - |
| Remeasurement of post employment benefit | (525,812) | 663,482 |
| Operating profit before working capital changes: | 200,658,123 | 177,434,483 |
| Movements in working capital: | | |
| Change in trade and other receivables | 48,399,892 | (71,564,309) |
| Change in Inventories | (8,584,098) | (34,134,913) |
| Change in liabilities and provisions | (16,687,734) | 18,622,838 |
| Cash Generated from Operations | 223,786,182 | 90,358,100 |
| Interest paid | (2,781,912) | (4,389,329) |
| Direct taxes paid (net of refunds) | (45,440,403) | (39,172,886) |
| Net cash flow from operating activities (A) | 175,563,866 | 46,795,885 |
| B. Cash flows used in investing activities | | |
| Purchase of property plant & equipment including CWIP | (3,958,481) | (1,711,413) |
| Proceeds from sale of fixed assets | 39,440,338 | - |
| Interest received | 573,626 | 550,984 |
| Net Cash flow used in investing activities (B) | 36,055,483 | (1,160,429) |
| C. Cash flows from financing activities | | |
| Proceeds/(repayments) of long term borrowings | (23,652,798) | (22,599,885) |
| Proceeds/(repayment) of short term borrowings | (64,181,149) | (22,944,600) |
| Net Cash from financing activities (C) | (87,833,947) | (45,544,484) |
| Net increase/(decrease) in cash and cash equivalents (A + B + C) | 123,785,402 | 90,972 |
| Cash and cash equivalents at the beginning of the year | 3,676,200 | 3,585,228 |
| Cash and cash equivalents at the end of the year | 127,461,602 | 3,676,200 |
| Components of cash and cash equivalents | | |
| Cash on Hand | 81,655 | 35,518 |
| Balances with Scheduled Banks in | | |
| - Current accounts | 93,520,591 | 504,298 |
| - Deposits with original maturity of less than three months | 28,313,554 | 3,136,384 |
| - Cheques/Remittance in transit | 5,545,802 | |
| Total cash and cash equivalents | 127,461,602 | 3,676,200 |

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached.

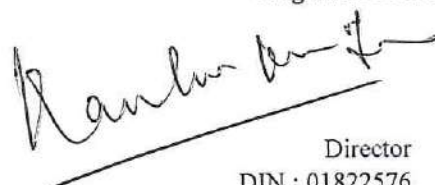
For APAS & Co
Firm Registration No. 000340C
Chartered Accountants

Sumit Kathuria
Partner
Membership No. 520078

Place : New Delhi
Date : 23-01-2020



For and on behalf of the Board of Directors of
Angelica Technologies Private Limited


Director
DIN : 01822576
(Kamlesh Kumar Jain)


Director
DIN : 00061354
(Vivek Gupta)

Angelica Technologies Private Limited
Statement of Changes in Equity for the year ended December 31, 2019

A. Equity Share Capital

Equity shares of ₹ 10 each issued, subscribed and fully paid

| | No. of shares | Amount in ₹ |
|------------------------|---------------|-------------|
| At 01 Jan 2018 | 75,000 | 750,000 |
| Issue of share capital | - | - |
| At 31 December 2018 | 75,000 | 750,000 |
| Issue of share capital | - | - |
| At 31 December 2019 | 75,000 | 750,000 |

B. Other Equity

| | Attributable to owners of the company | | | Non-controlling interest | Total |
|--|---------------------------------------|-------------------|--|--------------------------|-------------|
| | Reserves and Surplus | | Total attributable to owners of the equity | | |
| | Capital reserve | Retained Earnings | | | |
| Balance at 01 January 2018 | - | 170,500,259 | 170,500,259 | 62,370,405 | 232,870,664 |
| Profit/(loss) for the year | - | 63,529,776 | 63,529,776 | 22,308,250 | 85,838,025 |
| Other comprehensive income for the year (net of taxes) | - | 327,069 | 327,069 | 114,916 | 441,985 |
| Balance at 31 December 2018 | - | 234,357,104 | 234,357,104 | 84,793,571 | 319,150,675 |
| Profit/(loss) for the year | - | 98,644,279 | 98,644,279 | 34,620,148 | 133,264,427 |
| Other comprehensive income for the year (net of taxes) | - | (289,374) | (289,374) | (101,672) | (391,046) |
| Exercise of share options | - | - | - | - | - |
| Share-based payments | - | - | - | - | - |
| Consolidation adjustment | - | - | - | - | - |
| Dividends | - | - | - | - | - |
| Transfer to retained earnings | - | - | - | - | - |
| Any other change | - | - | - | - | - |
| Balance at 31 December 2019 | - | 332,712,008 | 332,712,008 | 119,312,048 | 452,024,056 |

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached.

For APAS & Co
Firm Registration No. 000340C
Chartered Accountants

Sumit Kathuria
Partner
Membership No. 520078

Place : New Delhi
Date : 23-01-2020



For and on behalf of the Board of Directors of
Angelica Technologies Private Limited

Kamlesh Kumar Jain

Director
DIN : 01822576
(Kamlesh Kumar Jain)

Vivek Gupta

Director
DIN : 00061354
(Vivek Gupta)

2. Property, plant and equipment

| PARTICULAR | Free Hold Land & Site Development | Building Renovation | Plant & Equipment | Office Equipment | Airconditioner | Furniture & Fixtures | Generator | Computers | Lab Equipment | Vehicles | Total |
|--------------------------------------|-----------------------------------|---------------------|-------------------|------------------|----------------|----------------------|-----------|-----------|---------------|----------|-------------|
| Gross carrying amount | | | | | | | | | | | |
| As at Jan 01, 2018 | 17,627,150 | 8,601,316 | 488,920,400 | 466,732 | 1,593,345 | 1,346,550 | 1,604,007 | 629,771 | 1,702,537 | 43,050 | 522,534,857 |
| Additions | - | - | 1,644,213 | - | - | 53,950 | - | 13,250 | - | - | 1,711,413 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - |
| As at December 31, 2018 | 17,627,150 | 8,601,316 | 490,564,613 | 466,732 | 1,593,345 | 1,400,500 | 1,604,007 | 643,021 | 1,702,537 | 43,050 | 524,246,270 |
| Additions | - | - | 3,342,551 | 526,412 | - | 45,618 | - | 11,000 | - | - | 3,925,581 |
| Disposals | 9,132,618 | - | - | - | - | - | - | - | - | - | 9,132,618 |
| As at November 3, 2019 | 8,494,532 | 8,601,316 | 493,907,164 | 993,144 | 1,593,345 | 1,446,118 | 1,604,007 | 654,021 | 1,702,537 | 43,050 | 519,039,233 |
| Additions | - | - | - | - | - | 32,900 | - | - | - | - | 32,900 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - |
| As at December 31, 2019 | 8,494,532 | 8,601,316 | 493,907,164 | 993,144 | 1,593,345 | 1,479,018 | 1,604,007 | 654,021 | 1,702,537 | 43,050 | 519,072,133 |
| Depreciation and amortisation | | | | | | | | | | | |
| As at Jan 01, 2018 | - | 2,634,595 | 237,289,392 | 307,255 | 1,515,408 | 711,010 | 1,092,872 | 552,292 | 1,060,917 | 33,336 | 245,197,077 |
| Depreciation charge for the year | - | 860,132 | 45,326,252 | 41,273 | 4,358 | 146,031 | 206,690 | 22,182 | 211,997 | 4,860 | 46,823,775 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - |
| As at December 31, 2018 | - | 3,494,726 | 282,615,645 | 348,528 | 1,519,766 | 857,041 | 1,299,562 | 574,474 | 1,272,914 | 38,196 | 292,020,852 |
| Depreciation charge for the year | - | 725,002 | 37,298,894 | 92,680 | - | 120,440 | 154,410 | 16,811 | 161,256 | 2,107 | 38,571,580 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - |
| As at November 3, 2019 | - | 4,219,728 | 319,914,539 | 441,188 | 1,519,766 | 977,481 | 1,453,972 | 591,285 | 1,434,171 | 40,303 | 330,592,432 |
| Depreciation charge for the year | - | 133,359 | 6,483,819 | 55,451 | -6,091 | 25,505 | 26,752 | 2,472 | 32,480 | 221 | 6,753,968 |
| Disposals | - | - | - | - | - | - | - | - | - | - | - |
| As at December 31, 2019 | - | 4,353,087 | 326,398,358 | 496,639 | 1,513,675 | 1,002,986 | 1,480,724 | 593,757 | 1,466,650 | 40,524 | 337,346,400 |
| Net carrying amount: | | | | | | | | | | | |
| As at December 31, 2019 | 8,494,532 | 4,248,228 | 167,508,806 | 496,505 | 79,670 | 476,032 | 123,283 | 60,264 | 235,886 | 2,526 | 181,725,733 |
| As at November 3, 2019 | 8,494,532 | 4,381,588 | 173,992,625 | 551,956 | 73,579 | 468,637 | 150,035 | 62,736 | 268,366 | 2,747 | 188,446,801 |
| As at December 31, 2018 | 17,627,150 | 5,106,589 | 207,948,968 | 118,204 | 73,579 | 543,459 | 304,445 | 68,547 | 429,622 | 4,854 | 232,225,418 |



| PARTICULARS | As at December 31, 2019 ₹ | As at November 3, 2019 ₹ | As at December 31, 2018 ₹ |
|--|---------------------------------|--------------------------------|---------------------------------|
| 3 Financial assets | | | |
| Loans | | | |
| Loans at amortised cost (Unsecured, considered good) | | | |
| Security deposits | 8,446,908 | 8,346,784 | 6,717,480 |
| TOTAL | 8,446,908 | 8,346,784 | 6,717,480 |
| 4 Other non current assets | | | |
| Deferred Lease Expenses | 559,289 | 666,387 | 702,087 |
| Capital Advance | 21,293,481 | 18,897,432 | 1,020,000 |
| TOTAL | 21,852,770 | 19,563,819 | 1,722,087 |
| 5 Inventories (As certified by the management) | | | |
| Raw Material | 34,862,231 | 49,924,535 | 57,683,960 |
| Raw Material Inventories in transit (Bonded Warehouse) | 19,948,912 | 27,250,513 | 32,576,980 |
| Packing Material | 778,063 | 651,680 | 719,360 |
| Semi Finished Goods | 3,532,005 | 7,354,509 | 9,548,924 |
| Finished Goods | 46,620,779 | 16,484,224 | 249,341 |
| Stores, Spares and Others | 6,543,328 | 7,304,917 | 2,922,655 |
| TOTAL | 112,285,317 | 108,950,378 | 103,701,219 |
| 6 Financial assets | | | |
| 6(a) Trade receivables | | | |
| I) Secured, Considered Good | | | |
| Unsecured, Considered Good | 113,240,175 | 174,782,029 | 167,448,664 |
| II) Doubtful | - | - | - |
| Less: Provision for doubtful receivables | - | - | - |
| TOTAL | 113,240,175 | 174,782,029 | 167,448,664 |
| Note: | | | |
| 6(b) Cash and cash equivalents | | | |
| Balances with banks | | | |
| -In Current Account | 93,520,591 | 63,606,266 | 504,298 |
| -Deposits with maturity with in three months (Held as margin by bank against credit facilities) | 28,313,554 | 3,313,554 | 3,136,364 |
| -Cheques/Remittance in transit | 5,545,802 | - | - |
| Cash on hand | 81,855 | 87,300 | 35,518 |
| TOTAL | 127,461,602 | 67,007,120 | 3,676,200 |
| 6(c) Other financial assets | | | |
| Interest receivable | 409,536 | 5,880 | 34,908 |
| Insurance claim recoverable | 3,308,366 | - | - |
| TOTAL | 3,717,922 | 5,880 | 34,908 |
| 7 Other current assets (Unsecured considered, unless otherwise stated) | | | |
| Prepaid expenses | 1,389,036 | 1,359,797 | 589,137 |
| Advances to Suppliers, Contractors & Others | 1,671,022 | 1,161,002 | 1,714,640 |
| Amount receivable from NHAI(Delhi baroda highway) | 1,291,714 | 1,291,714 | - |
| Balance With GST Authorities | 4,203,264 | 10,292,897 | 25,985,787 |
| TOTAL | 8,555,036 | 14,105,410 | 28,289,565 |



Angelica Technologies Private Limited

Summary of significant accounting policies and other explanatory information for the year ended December 31, 2019

8 Share capital

Authorised Share Capital

| | Equity shares | |
|-------------------------------------|---------------|-------------|
| | No. of shares | Amount in ₹ |
| At 01 Jan 2018 | 100,000 | 1,000,000 |
| Increase/(decrease) during the year | - | - |
| At 31 December 2018 | 100,000 | 1,000,000 |
| Increase/(decrease) during the year | - | - |
| At 31 December 2019 | 100,000 | 1,000,000 |

Issued equity capital

Equity shares of ₹ 10 each issued, subscribed and fully paid

| | Equity shares | |
|-------------------------------------|---------------|-------------|
| | No. of shares | Amount in ₹ |
| At 01 Jan 2018 | 75,000 | 750,000 |
| Increase/(decrease) during the year | - | - |
| At 31 December 2018 | 75,000 | 750,000 |
| Increase/(decrease) during the year | - | - |
| At 31 December 2019 | 75,000 | 750,000 |

b) Details of shareholders holding more than 5% shares in the company

| | As at December 31, 2019 | | As at December 31, 2018 | |
|--|----------------------------|--------|----------------------------|--------|
| | No. of shares | % held | No. of shares | % held |
| Equity shares of ₹ 10 each fully paid up | | | | |
| Varun Beverages Ltd. | 35,474 | 47.30% | 35,474 | 47.30% |
| Sh. Vivek Gupta | 39,506 | 52.68% | 39,506 | 52.68% |

c) The Company has not issued Bonus Share, Share for consideration other than Cash and has not bought back shares during the period of five years immediately preceding the reporting date.

d) Terms/rights attached to equity shares

The company has only one class of equity shares having par value of ₹ 10 per share. The holders of the equity shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.



| PARTICULARS | As at December 31, 2019 ₹ | As at November 3, 2019 ₹ | As at December 31, 2018 ₹ |
|--|---------------------------------|--------------------------------|---------------------------------|
| 9 Other equity | | | |
| Retained Earning | | | |
| As per Last balance Sheet | 234,357,104 | 234,357,104 | 170,500,259 |
| Add: Net Profit after Tax | 98,844,279 | 87,770,911 | 63,529,776 |
| Add: Remeasurement gains/losses on defined employment benefit (net of taxes) | (289,374) | - | 327,069 |
| | 332,712,008 | 322,128,015 | 234,357,104 |
| Total | 332,712,008 | 322,128,015 | 234,357,104 |
| 10 Borrowings | | | |
| Term loan | | | |
| From Banks | | | |
| Secured | | | |
| - Foreign Currency Loans | - | - | 23,652,798 |
| Indian rupees Loan | - | - | - |
| TOTAL | - | - | 23,652,798 |
| <p>a) The term loans are repayable in instalments as per the terms of the respective agreements, which is as follows: HDFC Bank-Foreign Currency Loan 1- (Repayable as bullet payment in August 2018) and Rate of interest is 12 month euribor+220 bps. HDFC Bank Foreign Currency Loan 2- (Repayable as bullet payment in January 2020) and Rate of interest is 12 month euribor+175 bps. HDFC Bank Rupee Loan- (Repayable in 12 quarterly instalments wef July 2016), ROI :9.50%.</p> | | | |
| <p>b) There has been no default in repayment of any of the loans or interest thereon as at the end of the year.</p> | | | |
| <p>c) The term loan from HDFC Bank are secured against following securities 1) Against first Pari passu charge over current assets and entire movable fixed assets of the company, both present and future. 2) Against first Pari passu charge over entire movable & immovable fixed assets of the company, both present and future. 3) Negative lien on Land at Nuh, Haryana.</p> | | | |
| 11 Provision For Employee Benefits(Refer Note 28) | | | |
| Provision for Gratuity Obligation | | | |
| As per last balance sheet | 2,048,511 | 2,048,511 | 1,813,918 |
| Additions during the year | 948,211 | 327,353 | 234,593 |
| | 2,996,722 | 2,375,864 | 2,048,511 |
| Provision for Earned Leave Liability | | | |
| As per last balance sheet | 774,396 | 725,603 | 725,603 |
| Additions during the year | 147,051 | 47,053 | 48,793 |
| | 921,447 | 772,656 | 774,396 |
| TOTAL | 3,918,169 | 3,148,520 | 2,822,907 |
| 12 Deferred tax liabilities (net) | | | |
| Timing Difference of Fixed Assets depreciation and Amortisation | | | |
| As at beginning of the year | 19,404,109 | 19,404,109 | 20,781,565 |
| Adjustment during the year | (3,259,766) | (3,475,560) | (1,377,456) |
| Total | 16,144,343 | 15,928,549 | 19,404,109 |



| PARTICULARS | As at December 31, 2019 ₹ | As at November 3, 2019 ₹ | As at December 31, 2018 ₹ |
|---|---------------------------------|--------------------------------|---------------------------------|
| 13 Financial liabilities | | | |
| 13(a) Borrowings | | | |
| <u>LOANS REPAYABLE ON DEMAND</u> | | | |
| Working Capital Facility (secured) | | | |
| - From Banks | | | |
| -Secured | | | |
| -Foreign Currency Loans | - | - | 35,832,603 |
| -Rupee Loans | - | - | 28,349,486 |
| - From Others | | | |
| -Unsecured | | | |
| - Rupee Loans | | | |
| -From Related Parties | 6,365,480 | 6,365,480 | 6,364,540 |
| TOTAL | 6,365,480 | 6,365,480 | 70,546,629 |
| Notes: | | | |
| a) There has been no default on the balance sheet date in repayment of loan and interest. | | | |
| b) The Working capital limit taken from HDFC Bank are secured against following securities | | | |
| 1) Against first Pari passu charge over current assets and entire movable fixed assets of the company, both present and future. | | | |
| 2) Against first Pari passu charge over entire movable & immovable fixed assets of the company, both present and future. | | | |
| 3) Negative lien on Land at Nuh, Haryana. | | | |
| c) The borrowings carry an interest rate ranging from 9.25% to 11.15%. | | | |
| d) The unsecured loans are interest free and repayable on demand. | | | |
| 13(b) Trade payables | | | |
| Outstanding dues of Micro Enterprises and Small Enterprises | 8,349,964 | - | - |
| Other trade payables | 39,157,925 | 49,720,886 | 73,842,573 |
| TOTAL | 47,507,889 | 49,720,886 | 73,842,573 |
| 13(c) Other Financial liabilities | | | |
| Current maturities of long term debts | 23,743,006 | 23,357,226 | 8,333,333 |
| Interest accrued but not due on borrowings | 475,594 | 381,271 | 849,113 |
| TOTAL | 24,218,600 | 23,738,497 | 9,182,446 |
| 14 Other Current liabilities | | | |
| Statutory Dues Payable | 697,202 | 5,173,665 | 7,663,964 |
| Advances from customers and others | 203,401 | 200,371 | 110,843 |
| TOTAL | 900,603 | 5,374,036 | 7,774,807 |
| 15 Provisions | | | |
| Provision for Gratuity Obligation | | | |
| As per last balance sheet | 83,132 | 83,132 | 484,990 |
| Additions during the year | 266,508 | (2,809) | (401,858) |
| Provision for Gratuity Obligation | 349,640 | 80,323 | 83,132 |
| Provision for Earned Leave Liability | | | |
| As per last balance sheet | 17,579 | 17,579 | 487,738 |
| Additions during the year | 123,229 | 39,744 | (470,159) |
| Provision for Earned Leave Liability | 140,808 | 57,323 | 17,579 |
| TOTAL | 490,448 | 137,646 | 100,711 |
| 16 Current tax liabilities (Net) | | | |
| Provision for current tax | | | |
| Income tax provision (net of income tax advances) | 24,965,875 | 38,328,045 | 16,587,886 |
| Provision for current tax (Net) | 24,965,875 | 38,328,045 | 16,587,886 |
| TOTAL | 24,965,875 | 38,328,045 | 16,587,886 |



| PARTICULARS | For the year ended December 31, 2019 | For the period January 1, 2019 to November 3, 2019 | Year Ended December 31, 2018 |
|---|---|--|---------------------------------|
| 17 Revenue from operations | | | |
| Sale of Products | 731,194,286 | 627,173,281 | 771,001,790 |
| Other Operating revenue | | | |
| Export Incentive | 8,579,283 | 8,481,772 | 8,281,086 |
| Scrap Sales | 1,635,774 | 1,186,770 | 1,834,622 |
| | <u>741,409,342</u> | <u>636,841,823</u> | <u>781,117,498</u> |
| 18 Other income | | | |
| Interest On Fixed Deposits | 306,268 | 169,969 | 185,622 |
| Commission Received | 228,750 | 228,750 | 178,449 |
| Interest Received on Electricity Security | 267,358 | - | 365,361 |
| Interest Received on Loan given | 14,483,562 | 14,483,562 | - |
| Net Gain in Foreign Currency Transactions | 8,456,976 | 6,824,166 | 9,348,826 |
| Discount received | - | - | 1,258,940 |
| Profit on Sale of Fixed assets | 30,307,720 | 30,307,720 | - |
| Interest Income on Lease rental | 130,860 | 30,736 | 198,484 |
| | <u>54,181,493</u> | <u>52,044,903</u> | <u>11,535,682</u> |
| 19 Cost of material consumed | | | |
| Raw Material Consumed | | | |
| Inventories at Beginning of the Year | 57,683,960 | 57,683,960 | 62,584,725 |
| Add : Purchases during the year (Net) | 403,805,235 | 349,838,760 | 442,841,528 |
| | <u>461,489,195</u> | <u>407,522,720</u> | <u>505,426,254</u> |
| Less : Sale of Raw material | 3,042,940 | 3,052,335 | 2,182,747 |
| Less : Inventories at the end of the year | 34,862,231 | 49,924,535 | 57,683,960 |
| | <u>423,584,024</u> | <u>354,545,849</u> | <u>445,559,547</u> |
| Consumed | <u>423,584,024</u> | <u>354,545,849</u> | <u>445,559,547</u> |
| Packing Material Consumed | 15,851,323 | 13,254,365 | 15,845,289 |
| TOTAL | <u>439,435,347</u> | <u>367,800,214</u> | <u>461,404,836</u> |
| 20 Changes in stock of finished goods, stock-in-trade and work-in-progress | | | |
| AS AT THE BEGINNING OF THE YEAR | | | |
| FINISHED GOODS | 249,341 | 249,341 | 1,488,003 |
| SEMI FINISHED GOODS | 9,548,924 | 9,548,924 | 3,992,071 |
| | <u>9,798,265</u> | <u>9,798,265</u> | <u>5,480,074</u> |
| AS AT THE CLOSING OF THE YEAR | | | |
| FINISHED GOODS | 46,620,779 | 16,464,224 | 249,341 |
| SEMI FINISHED GOODS | 3,532,005 | 7,354,509 | 9,548,924 |
| | <u>50,152,783</u> | <u>23,818,733</u> | <u>9,798,265</u> |
| Excise Duty adjustment on inventories | - | - | - |
| TOTAL | <u>(40,354,519)</u> | <u>(14,020,469)</u> | <u>(4,318,191)</u> |
| 21 Excise duty on sale of goods | | | |
| Excise duty | - | - | - |
| TOTAL | <u>-</u> | <u>-</u> | <u>-</u> |
| 22 Employee benefit expenses | | | |
| Salaries and wages * | 42,195,707 | 34,458,514 | 39,113,187 |
| Contribution to provident and other funds | 1,214,753 | 1,031,828 | 1,008,740 |
| Staff welfare expenses | 1,284,775 | 1,043,579 | 2,064,845 |
| TOTAL | <u>44,695,235</u> | <u>36,533,921</u> | <u>42,186,772</u> |
| * Managerial Remuneration paid to Directors | 8,400,000 | 7,000,000 | 8,400,000 |



| PARTICULARS | For the year ended December 31, 2019 | For the period January 1, 2019 to November 3, 2019 | Year Ended December 31, 2018 |
|--|---|--|---------------------------------|
| 23 Finance costs | | | |
| Interest on : | | | |
| - On term loans | 247,089 | 247,089 | 2,250,401 |
| - On Working capital Loans | 1,889,421 | 1,895,099 | 2,060,329 |
| - Others | 545,402 | 192,592 | 78,599 |
| Exchange difference regarded as an adjustment to borrowing costs | 682,628 | 296,848 | 2,598,259 |
| Other Borrowing Costs : | | | |
| Bank charges on Buyers credit | 500 | 500 | 35,792 |
| | 3,465,040 | 2,632,128 | 7,023,379 |
| 24 Other expenses | | | |
| Power and Fuel | 54,782,104 | 47,183,561 | 74,714,842 |
| Stores & Spares Consumed | 9,064,931 | 6,983,936 | 3,682,048 |
| Repair and maintenance | | | |
| - Plant & Machinery | 5,508,385 | 5,192,973 | 4,524,561 |
| - Building | 4,484,733 | 3,255,237 | 4,707,719 |
| - Miscellaneous | 1,435,321 | 1,258,485 | 998,138 |
| Bank Charges | 391,425 | 336,110 | 438,939 |
| Rent, Rates & Taxes | 6,371,000 | 5,158,429 | 7,268,809 |
| Printing & Stationery | 139,110 | 120,481 | 151,607 |
| Communication Expenses | 298,924 | 277,882 | 316,732 |
| Conveyance & Travelling | 2,682,683 | 2,257,636 | 2,303,549 |
| Insurance | 620,640 | 531,877 | 586,817 |
| Legal & Professional Charges | 8,413,603 | 7,909,274 | 1,222,567 |
| General Office & Misc. Expenses | 1,023,310 | 827,055 | 1,642,788 |
| Computer Expenses | 42,080 | 17,470 | 126,945 |
| Vehicle Running & Maintenance | 1,593,611 | 1,325,661 | 1,387,747 |
| Payment to auditors | | | |
| - As Audit Fees | 150,273 | 118,579 | 179,255 |
| - For Tax Audit, tax representation and certification | 62,500 | - | - |
| - For Other Services | 461,227 | 327,130 | 353,635 |
| Company Social Responsibility Expenses | 350,000 | 350,000 | 1,054,000 |
| Freight, Octroi and insurance paid (net) | 21,190,503 | 10,028,455 | 7,763,030 |
| | 119,066,363 | 93,460,631 | 113,423,728 |



25 Income Taxes

The major components of income tax expense for the year ended 31 December 2019 and 31 December 2018 are:

A. Statement of profit and loss:

(i) Profit & loss section

| | 31 December 2019 | 31 December 2018 |
|--|-------------------|-------------------|
| Current income tax charge | 52,400,000 | 39,420,000 |
| Adjustments in respect of current income tax of previous year | 1,418,393 | 2,449,809 |
| Deferred tax: | | |
| Relating to origination and reversal of temporary differences | (3,125,000) | (1,598,953) |
| Income tax expense reported in the statement of Profit & loss | 50,693,393 | 40,270,855 |

(ii) OCI Section

| | | |
|--|------------------|----------------|
| Deferred tax related to items recognised in OCI during the year: | | |
| Net loss/(gain) on remeasurements of defined benefit plans | (134,766) | 221,497 |
| Income tax charged to OCI | (134,766) | 221,497 |

B. Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for FY ended 31 December 2019 and 31 December 2018:

| | 31 December 2019 | 31 December 2018 |
|---|--------------------|--------------------|
| Accounting profit before tax from continuing operations | 183,957,820 | 126,108,881 |
| Profit/(loss) before tax from a discontinued operation | - | - |
| Accounting profit before income tax | 183,957,820 | 126,108,881 |
| At India's statutory income tax rate of 26.13% (31 December 2018: 29.12%) | 48,068,178 | 36,722,906 |
| Adjustments in respect of current income tax of previous years | | |
| Adjustments in respect of current income tax of previous year | 1,418,393 | 2,449,809 |
| Others | 1,206,822 | 1,098,141 |
| Effective income tax expenses | 50,693,393 | 40,270,855 |
| Income tax expense reported in the statement of profit and loss | 50,693,393 | 40,270,855 |

C. Deferred tax

Deferred tax relates to the following:

| | Balance sheet | | Statement of profit and loss | |
|--|-------------------|-------------------|------------------------------|--------------------|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| Accelerated depreciation for tax purposes | 16,144,343 | 19,404,109 | (3,125,000) | (1,598,953) |
| Tax (income)/expense during the period recognised in OCI | - | - | (134,766) | 221,497 |
| Deferred tax expense/(income) | - | - | (3,259,766) | (1,377,456) |
| Net deferred tax assets/(liabilities) | 16,144,343 | 19,404,109 | - | - |

Reflected in the balance sheet as follows:

| | 31 December 2019 | 31 December 2018 |
|--|-------------------|-------------------|
| Deferred tax assets (continuing operations) | - | - |
| Deferred tax liabilities (continuing operations) | 16,144,343 | 19,404,109 |
| Deferred tax liabilities, net | 16,144,343 | 19,404,109 |

Reconciliation of deferred tax liabilities (net):

| | 31 December 2019 | 31 December 2018 |
|--|-------------------|-------------------|
| Opening balance as of 1st January | 16,144,343 | 19,404,109 |
| Tax (income)/expense during the period recognised in Profit & loss | (3,125,000) | (1,598,953) |
| Tax (income)/expense during the period recognised in OCI | (134,766) | 221,497 |
| Discontinued operation | - | - |
| Closing balance as at 31st December | 12,884,578 | 18,026,653 |



26. Earnings / (loss) per share (EPS)

| | For the year ended 31 December 2019 | For the year ended 31 December 2018 |
|--|--|--|
| Profit/(loss) attributable to equity shareholders for calculation of basic and diluted EPS | 98,644,279 | 63,529,776 |
| Weighted average number of equity shares for the calculation of basic EPS | 75,000 | 75,000 |
| Weighted average number of equity shares for calculation of diluted EPS | 75,000 | 75,000 |
| Earnings/(loss) per share : | | |
| Basic | 1,315.26 | 847.06 |
| Diluted | 1,315.26 | 847.06 |
| Nominal value of equity shares | 10.00 | 10.00 |

27. Contingent liabilities and commitments

| | 31 December 2019 | 31 December 2018 |
|--|------------------|------------------|
| Contingent liabilities: | | |
| Guarantees issued on behalf of a limited company | Nil | Nil |
| Counter guarantees given in respect of guarantees issued by Group's bankers. | Nil | Nil |
| Claim against the Group not acknowledged as debts (being contested) -In respect of excise matters | Nil | Nil |
| Capital commitments: | | |
| Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) | Nil | Nil |

28. Employee benefit

A) Defined contribution plans

Contribution to defined contribution plans, recognised as expense for the year is as under:

Employer's contribution to provident and other funds ₹ 1,214,753 (31 December 2018 ₹ 1,008,740)

B) Defined benefit scheme

The Group operates a gratuity plan wherein every employee is entitled to the benefit. Gratuity is payable to all eligible employees of the Group on retirement, separation, death or permanent. The following table sets out the status of the gratuity plan as required under Ind AS 19 - Employee Benefits as at 31 December 2019 and 31 December 2018:

i. Changes in present value are as follows:

| Particulars | 31 December 2019 | 31 December 2018 |
|---------------------------------------|------------------|------------------|
| Balance at the beginning of the year | 2,131,643 | 2,298,908 |
| Interest cost | 161,365 | 137,890 |
| Current service cost | 527,542 | 358,327 |
| Benefits settled | - | - |
| Actuarial loss/(gain) | 525,812 | (663,482) |
| Balance at the end of the year | 3,346,362 | 2,131,643 |

ii. Expense recognised in the Statement of Profit and Loss:

| Particulars | 31 December 2019 | 31 December 2018 |
|----------------------|------------------|------------------|
| Current service cost | 527,542 | 358,327 |
| Interest cost | 161,365 | 137,890 |
| Total | 688,907 | 496,217 |

Amount recognised in Other Comprehensive Income:

| Particulars | 31 December 2019 | 31 December 2018 |
|---|------------------|------------------|
| Actuarial changes arising from changes in financial assumptions | (525,812) | 663,482 |
| Experience adjustments | - | - |
| Amount recognised | (525,812) | 663,482 |

Amount recognised in the balance sheet

| Particulars | 31 December 2019 | 31 December 2018 |
|---|------------------|------------------|
| Present value of defined benefit obligation | 3,346,362 | 2,131,643 |
| Fair value of plan assets | - | - |
| Net liability | 3,346,362 | 2,131,643 |

Bifurcation of closing net liability at the end of year

| | 31 December 2019 | 31 December 2018 |
|-------------|------------------|------------------|
| Current | 349,640 | 83,132 |
| Non-Current | 2,996,722 | 2,048,511 |



iii. Actuarial assumptions

a) Economic assumptions

| Particulars | 31 December 2019 | 31 December 2018 |
|-----------------------------|------------------|------------------|
| i) Discounting rate | 7.12% | 7.57% |
| ii) Future salary increase* | 6.00% | 6.00% |

*The estimates of future salary increases considered in the actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

b) Demographic assumption

| Particulars | 31 December 2019 | 31 December 2018 |
|---------------------------|---------------------|---------------------|
| i) Retirement age (years) | 58 | 58 |
| ii) Mortality table | IALM(2006-08) | IALM(2006-08) |
| iii) Ages | Withdrawal rate (%) | Withdrawal rate (%) |
| Up to 30 years | 3 | 3 |
| From 31 to 44 years | 2 | 2 |
| Above 44 years | 1 | 1 |

A quantitative sensitivity analysis for significant assumption as at 31 December 2019 is as shown below:

| | Gratuity 31 December 2019 | Gratuity 31 December 2018 |
|-----------------|------------------------------|------------------------------|
| Discount rate | (210,911) | (128,929) |
| Salary increase | 232,303 | 141,728 |
| | (213,997) | (131,333) |
| Withdrawal rate | Not Material | Not Material |
| | Not Material | Not Material |

The sensitivity analysis above has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions

Risk associated:

| | |
|------------------------------------|---|
| Investment risk | If plan is funded then assets liabilities mismatch and actual investment return on assets lower than the discount rate assumed at the last valuation date can impact the liability. |
| Interest risk (discount rate risk) | Reduction in discount rate in subsequent valuations can increase the plan's liability. |
| Mortality risk | Actual deaths and disability cases proving lower or higher than assumed in the valuation can impact the liabilities. |
| Salary risk | Actual salary increases will increase the Plan's liability. Increase in salary increase rate assumption in future valuations will also increase the liability. |
| Withdrawals | Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact Plan's liability. |

C) Compensated absences (Other benefits)

The Group recognises the compensated absences expenses in the Statement of Profit and Loss based on actuarial valuation. Actuarial valuation of compensated absences has been performed by an independent actuary using the following assumptions:

i. Changes in present value are as follows:

| Particulars | 31 December 2019 | 31 December 2018 |
|--|------------------|------------------|
| Balance at the beginning of the year | 791,975 | 1,213,341 |
| Add: Interest cost | 59,953 | 36,857 |
| Add: Current service cost | 181,366 | (454,573) |
| Less: Benefits paid | - | - |
| Add: Net actuarial gain/loss during the year | 28,961 | (3,650) |
| Balance at the end of the year | 1,062,255 | 791,975 |

ii. Change in the fair value of plan assets:

The scheme does not have any assets as at the valuation date to meet the compensated absence liability.

iii. Amount recognised in the balance sheet

| Particulars | 31 December 2019 | 31 December 2018 |
|---|------------------|------------------|
| Present value of defined benefit obligation | 1,062,255 | 791,975 |
| Fair value of plan assets | - | - |
| Net liability | 1,062,255 | 791,975 |



iv. Expense recognised in the Statement of Profit and Loss

| Particulars | 31 December 2019 | 31 December 2018 |
|--|------------------|------------------|
| Current service cost | 181,366 | (454,573) |
| Interest on defined benefit obligation | 59,953 | 36,857 |
| Net actuarial gain/loss in the year | 28,961 | (3,650) |
| Total | 270,280 | (421,366) |

Actuarial assumptions

a) Economic assumptions

| Particulars | 31 December 2019 | 31 December 2018 |
|-----------------------------|------------------|------------------|
| i) Discounting rate | 7.12% | 7.57% |
| ii) Future salary increase* | 6.00% | 6.00% |

*The estimates of future salary increases considered in the actuarial valuation take into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.

b) Demographic assumption

| Particulars | 31 December 2019 | 31 December 2018 |
|---------------------------|---------------------|---------------------|
| i) Retirement age (years) | 58 | 58 |
| ii) Mortality table | IALM(2006-08) | IALM(2006-08) |
| iii) Ages | Withdrawal rate (%) | Withdrawal rate (%) |
| Up to 30 years | 3 | 3 |
| From 31 to 44 years | 2 | 2 |
| Above 44 years | 1 | 1 |

Bifurcation of closing net liability

| | 31 December 2019 | 31 December 2018 |
|-------------|------------------|------------------|
| Current | 140,808 | 17,579 |
| Non-current | 921,447 | 774,396 |

A quantitative sensitivity analysis for significant assumption as at 31 December 2019 and 31 December 2018 is as shown below:

| | Compensated absences | Compensated absences |
|-----------------|----------------------|----------------------|
| | 31 December 2019 | 31 December 2018 |
| Discount rate | (60,677) | (44,931) |
| Salary increase | 65,736 | 49,138 |
| | (61,170) | (45,772) |
| Withdrawal rate | Not Material | Not Material |
| | Not Material | Not Material |

The sensitivity analysis above has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

Risk associated:

Investment risk

If plan is funded then assets liabilities mismatch and actual investment return on assets lower than the discount rate assumed at the last Reduction in discount rate in subsequent valuations can increase the plan's liability.

Interest risk (discount rate risk)

Mortality risk

Actual deaths and disability cases proving lower or higher than assumed in the valuation can impact the liabilities.

Salary risk

Actual salary increases will increase the Plan's liability. Increase in salary increase rate assumption in future valuations will also increase the

Withdrawals

Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact



29. In compliance with Ind AS – 110 “Consolidated Financial Statements” referred to in the Companies (Indian Accounting Standards) Rules 2015, as amended issued by the Central Government in exercise of the power conferred Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Indian Accounting Standards) Rules, 2015 as amended read with the General Circular 15/2013 dated September 13, 2013 of the Ministry of Corporate Affairs in respect of section 133 of the Companies Act, 2013, the Parent Company has prepared the accompanying consolidated financial statements, which include the financial statements of the Parent Company and its subsidiary listed below:

| Name of the subsidiaries | Country of incorporation | Country of incorporation |
|--|--------------------------|--------------------------|
| Lunarmech Technologies Private Limited | India | India |

30. Related party disclosures

Following are the related parties and transactions entered with related parties for the relevant financial year and previous year:

(I) List of related parties and nature of relationship where control exists:

| Nature of relationship | Name of parties |
|---|--|
| Holding Company : | Varun Beverages Limited (wef 04 November 2019) |
| Key management personnel : | Mr. Kamlesh Jain (Director) Mr. Vivek Gupta (Director) Mr. Satya Narayan Sharma (Director) (wef 04 November 2019) |
| Individuals/ Enterprises having significant influence : | Vivek Gupta (HUF) Varun Beverages Limited (upto 03 November 2019) Pinnacle Infracon Limited SVS India Pvt Ltd |
| Relatives of KMP : | Mrs Shalini Gupta |
| Fellow Subsidiaries Companies : | Varun Beverages Lanka (Pvt.) Ltd. (wef 04 November 2019) Varun Beverages Morocco SA (wef 04 November 2019) Varun Beverages (Zimbabwe) Pvt. Ltd. (wef 04 November 2019) |
| Entities where KMPs or relatives of KMPs exercise significant influence : | Lunarmech Investments and Holdings American Precoat Speciality Pvt. Ltd. (Formally known as Sriram Compunds Pvt. Ltd) Empire Stock Pvt Ltd |

(II) List of related parties and nature of relationship with whom transactions have taken place during the current / previous year:

| Nature of relationship | Name of parties |
|---|--|
| Holding Company : | Varun Beverages Limited (wef 04 November 2019) |
| Key management personnel : | Mr. Kamlesh Jain (Director) Mr. Vivek Gupta (Director) Mr. Satya Narayan Sharma (Director) (wef 04 November 2019) |
| Individuals/ Enterprises having significant influence : | Vivek Gupta (HUF) Varun Beverages Limited (upto 03 November 2019) Pinnacle Infracon Limited SVS India Pvt Ltd |
| Relatives of KMP : | Mrs Shalini Gupta |
| Fellow Subsidiaries Companies : | Varun Beverages Lanka (Pvt.) Ltd. (wef 04 November 2019) Varun Beverages Morocco SA (wef 04 November 2019) Varun Beverages (Zimbabwe) Pvt. Ltd. (wef 04 November 2019) |
| Entities where KMPs or relatives of KMPs exercise significant influence : | Lunarmech Investments and Holdings American Precoat Speciality Pvt. Ltd. (Formally known as Sriram Compunds Pvt. Ltd) Empire Stock Pvt Ltd |



30.

Transactions during the year

| Description | Holding Company | | Key Management Personnel/ Relatives of KMP | | Fellow subsidiary company | | Entities where KMPs or relatives of KMPs exercise significant influence | | Enterprises having significant influence | |
|--|---------------------|---------------------|---|---------------------|---------------------------|---------------------|---|---------------------|---|---------------------|
| | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 | 31 December 2019 | 31 December 2018 |
| Sale of Finished Goods | | | | | | | | | | |
| Varun Beverages Limited | 99,376,177 | - | - | - | - | - | - | - | 491,345,924 | 512,872,568 |
| Varun Beverages Lanka (Private) Limited | - | - | - | - | 2,321,814 | - | - | - | - | - |
| Purchase of material | | | | | | | | | | |
| Varun Beverages Limited | 2,612,620 | - | - | - | - | - | - | - | 12,170,293 | 16,695,695 |
| American Precoat Speciality Pvt. Ltd. (Formally known as Sriram Compunds Pvt. Ltd) | - | - | - | - | - | - | 89,134,250 | 71,261,288 | - | - |
| Director's Remuneration Paid | | | | | | | | | | |
| Mr Vivek Gupta | - | - | 8,400,000 | 8,400,000 | - | - | - | - | - | - |
| Reimbursement of expenses | | | | | | | | | | |
| Varun Beverages Limited | - | - | - | - | - | - | - | - | 14,146 | 32,242 |
| American Precoat Speciality Pvt. Ltd. (Formally known as Sriram Compunds Pvt. Ltd) | - | - | - | - | - | - | 291,430 | 287,011 | - | - |
| Interest Paid | | | | | | | | | | |
| American Precoat Speciality Pvt. Ltd. (Formally known as Sriram Compunds Pvt. Ltd) | - | - | - | - | - | - | - | 155,786 | - | - |
| Empire Stock Pvt Ltd | - | - | - | - | - | - | - | - | 940 | - |
| Loan Repaid | | | | | | | | | | |
| Varun Beverages Limited | - | - | - | - | - | - | - | - | - | 49,150,200 |
| Lunarmech Investments and Holdings | - | - | - | - | - | - | - | 18,750,000 | - | - |
| Ms. Shalini Gupta | - | - | - | 5,550,000 | - | - | - | - | - | - |
| Mr. Vivek Gupta | - | - | - | 9,995,260 | - | - | - | - | - | - |
| Mr. Vivek Gupta(HUF) | - | - | - | - | - | - | - | - | - | 10,500,000 |
| Pinnacle Infracon Limited | - | - | - | - | - | - | - | - | 2,860,000 | - |
| Loan Taken | | | | | | | | | | |
| Empire Stock Pvt Ltd | - | - | - | - | - | - | - | - | 2,860,000 | - |
| Rent Paid | | | | | | | | | | |
| SVS India Pvt Ltd | - | - | - | - | - | - | - | - | 3,000 | 3,000 |
| Balances outstanding as at the year end receivables/ (payables) | | | | | | | | | | |
| Pinnacle Infracon Limited | - | - | - | - | - | - | - | - | - | (2,860,000) |
| Empire Stock Pvt Ltd | - | - | - | - | - | - | - | - | (2,860,940) | - |
| American Precoat Speciality Pvt. Ltd. (Formally known as Sriram Compunds Pvt. Ltd) | - | - | - | - | - | - | 7,493,000 | - | - | - |
| Varun Beverages Limited | 89,982,491 | - | - | - | - | - | - | - | - | 35,672,689 |
| Varun Beverages Lanka (Pvt.) Ltd. | - | - | - | - | 2,329,729 | - | - | - | - | - |
| Varun Beverages Morocco SA | - | - | - | - | 9,534,385 | - | - | - | - | - |
| Varun Beverages (Zimbabwe) Pvt. Ltd | - | - | - | - | 5,368,046 | - | - | - | - | - |
| Shalini Gupta | - | - | - | - | - | - | - | - | - | - |
| Mr. Vivek Gupta | - | - | (3,504,540) | (3,504,540) | - | - | - | - | - | - |

31 The subsidiary company is engaged in manufacturing of Plastic (PP) Closures. The subsidiary company is managed organizationally as a unified entity with various functional heads reporting to the top management and is not organized along product lines. There are therefore, no separate segments within the company as defined by Ind AS-108 (operating segment) issued by ICAI.



32. Additional information as required in pursuant to compliance with Schedule III of Companies Act 2013 in respect of Consolidated financial statements :

| S.No. | Name of the entities included in Consolidated financial Statements | Net Assets (Total assets minus total liabilities) as on 31.12.2019 | | Share in profit or (loss) for the year ended 31.12.2019 | | Net Assets (Total assets minus total liabilities) as on 31.12.2018 | | Share in profit or (loss) for the year ended 31.12.2018 | |
|----------|--|---|-------------|---|-------------|---|-------------|---|------------|
| | | As % of consolidated net Assets | Amount | As % of consolidated net Assets | Amount | As % of consolidated net Assets | Amount | As % of consolidated net Assets | Amount |
| 1 | Parent Company | | | | | | | | |
| | Angelica Technologies Private Limited | 0.28% | 1,286,954 | 0.08% | 110,010 | 0.37% | 1,176,944 | 0.04% | 37,065 |
| 2 | Subsidiaries (Indian) | | | | | | | | |
| | Lunarmech Technologies Private Limited | 73.36% | 332,175,054 | 73.94% | 98,244,894 | 73.13% | 233,930,160 | 73.97% | 63,819,780 |
| | Minority Interest in all subsidiaries | 26.35% | 119,312,048 | 25.98% | 34,518,476 | 26.51% | 84,793,571 | 25.99% | 22,423,166 |
| 3 | Associates (Investment as per Equity method) | NIL | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| | | 100.00% | 452,774,056 | 100.00% | 132,873,381 | 100.00% | 319,900,675 | 100.00% | 86,280,011 |

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33. Financial instrument-fair valuation and risk management

a. Financial instruments - by category and fair values hierarchy

Fair value hierarchy

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

(i) As on 31 December 2019

| | Note | Carrying value/ Fair Value | | | Fair value measurement using | | | |
|-----------------------------------|------|--|---|----------------|------------------------------|---------|---------|-------------|
| | | Fair value through profit and loss ('FVTPL') | Fair value through other comprehensive income ('FVOCI') | Amortised cost | Total | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | | | | |
| Non current | | | | | | | | |
| (i) Loans | 3 | - | - | 8,446,908 | 8,446,908 | - | - | 8,446,908 |
| Current | | | | | | | | |
| (i) Trade receivables | 6 | - | - | 113,240,175 | 113,240,175 | - | - | 113,240,175 |
| (ii) Cash and Cash equivalents | | - | - | 127,461,602 | 127,461,602 | - | - | 127,461,602 |
| (iii) Other financial assets | | - | - | 3,717,922 | 3,717,922 | - | - | 3,717,922 |
| Financial liabilities | | | | | | | | |
| Non current | | | | | | | | |
| (i) Borrowings | 10 | - | - | - | - | - | - | - |
| Current | | | | | | | | |
| (i) Borrowings | 13 | - | - | 6,365,480 | 6,365,480 | - | - | 6,365,480 |
| (ii) Trade payables | | - | - | 47,507,889 | 47,507,889 | - | - | 47,507,889 |
| (iii) Other financial liabilities | | - | - | 24,218,600 | 24,218,600 | - | - | 24,218,600 |

(i) As on 31 December 2018

| | Note | Carrying value/ Fair Value | | | Fair value measurement using | | | |
|-----------------------------------|------|--|---|----------------|------------------------------|---------|---------|-------------|
| | | Fair value through profit and loss ('FVTPL') | Fair value through other comprehensive income ('FVOCI') | Amortised cost | Total | Level 1 | Level 2 | Level 3 |
| Financial assets | | | | | | | | |
| Non current | | | | | | | | |
| (i) Loans | 3 | - | - | 6,717,480 | 6,717,480 | - | - | 6,717,480 |
| Current | | | | | | | | |
| (i) Trade receivables | 6 | - | - | 167,448,664 | 167,448,664 | - | - | 167,448,664 |
| (ii) Cash and Cash equivalents | | - | - | 3,676,200 | 3,676,200 | - | - | 3,676,200 |
| (iii) Other financial assets | | - | - | 34,908 | 34,908 | - | - | 34,908 |
| Financial liabilities | | | | | | | | |
| Non current | | | | | | | | |
| (i) Borrowings | 10 | - | - | 23,652,798 | 23,652,798 | - | - | 23,652,798 |
| Current | | | | | | | | |
| (i) Borrowings | 13 | - | - | 70,546,629 | 70,546,629 | - | - | 70,546,629 |
| (ii) Trade payables | | - | - | 73,842,573 | 73,842,573 | - | - | 73,842,573 |
| (iii) Other financial liabilities | | - | - | 9,182,446 | 9,182,446 | - | - | 9,182,446 |

The fair value of the financial asset/liability is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The carrying amount of trade receivables, trade payables, current borrowings, cash and cash equivalents, bank balances other than cash and cash equivalents and other current financial assets and other current financial liabilities approximates their fair values, due to their short term nature.

The fair values of the long term borrowings, non-current loans are determined by using discounted cash flow method using the appropriate discount rate. The discount rate is determined using other similar instruments incorporating the risk associated.

There has been no transfer between level 1, level 2 and level 3 for the years ended 31 December 2019 and 31 December 2018.



b. Financial risk management

Financials risk management objectives and policies

The Group is exposed to various risks in relation to financial instruments. The main types of financial risks are market risk, credit risk and liquidity risk.

The management of the Group monitors and manages the financial risks relating to the operations of the Group on a continuous basis. The Group's risk management is coordinated at its head office, in close cooperation with the management, and focuses on actively securing the Group's short to medium-term cash flows and simultaneously minimising the exposure to volatile financial markets. Long-term financial investments are managed to generate lasting returns.

The Group does not engage in the trading of financial assets for speculative purposes. The most significant financial risks to which the Group is exposed are described below.

i. Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers, loans and investments in debt securities.

The Group's maximum exposure to credit risk is limited to the carrying amount of financial assets recognised at end of each reporting period, as summarised below:

| | 31 December 2019 | 31 December 2018 |
|---------------------------------|------------------|------------------|
| (i) Loans | 8,446,908 | 6,717,480 |
| (ii) Trade receivables | 113,240,175 | 167,448,664 |
| (iii) Cash and Cash equivalents | 127,461,602 | 3,676,200 |
| (iv) Other financial assets | 3,717,922 | 34,908 |

Trade receivables and loans:

The Group's exposure to credit risk is influenced by the individual characteristics of each customer. However the management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and the country in which the customer operates. The Group continuously monitors receivables and defaults of customers and other counterparties. Appropriate security deposits are kept against the supplies to customers and balances are reconciled at regular intervals. The Group's policy is to deal only with creditworthy counterparties.

On adoption of Ind AS 109, the Group uses expected credit loss model to assess the impairment loss or gain. The Group uses a provision matrix to compute the expected credit loss allowance for trade receivables. The provision matrix takes into account internal credit risk factors such as the Group's historical experience for customers.

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty. Trade receivables consist of a large number of customers of various scales and in different geographical areas. Based on historical information about customer default rates, management considers the credit quality of trade receivables. In case the receivables are not recovered even after regular follow up, measures are taken to stop providing further services to the concerned customer.

The credit risk for cash and cash equivalents, bank deposits including interest accrued thereon is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach of managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due under normal and stressed conditions, without incurring unexpected loss or risking damage to the Group's reputation.

The Group believes that its liquidity position, including total cash and bank, anticipated future internally generated funds from operations, support from parent company, and its fully available revolving undrawn credit facility will enable it to meet its ongoing capital, operating and other liquidity requirements.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities on 31 December 2019 and 31 December 2018

As at 31 December 2019

| | 1 to 12 months | 1 to 5 years | Later than 5 years |
|-----------------------------|----------------|--------------|--------------------|
| Borrowings | 6,365,480 | - | - |
| Trade Payables | 47,507,889 | - | - |
| Other financial liabilities | 24,218,600 | - | - |

As at 31 December 2018

| | 1 to 12 months | 1 to 5 years | Later than 5 years |
|-----------------------------|----------------|--------------|--------------------|
| Borrowings | 70,546,629 | 23,652,798 | - |
| Trade Payables | 73,842,573 | - | - |
| Other financial liabilities | 9,182,446 | - | - |



(iii) Market risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising return.

A. 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 Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates. However the risk is very low due to negligible borrowings by the Group.

| | As at 31 December 2019 | As at 31 December 2018 |
|------------------------------------|---------------------------|---------------------------|
| Variable - rate instruments | | |
| Indian rupee loans from banks | - | 8,333,333 |

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

| | Profit for the year | | Equity | |
|------------------|---------------------|--------|----------|--------|
| | +0.5% | -0.5% | +0.5% | -0.5% |
| 31 December 2019 | - | - | - | - |
| 31 December 2018 | (41,667) | 41,667 | (41,667) | 41,667 |

B. Foreign Currency Risk

Foreign currency risk is the risk that the fair value of future cash flows of an exposure will fluctuate because of changes in exchange rates. Foreign currency risk sensitivity is the impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. The following tables demonstrate the sensitivity to a reasonably possible change in USD and EURO exchange rates, with all other variables held constant.

| | As at 31 December 2019 | As at 31 December 2018 |
|--|---------------------------|---------------------------|
| Variable - rate instruments | | |
| HDFC Bank Buyer's Credit (CG)-Loan-1 | 23,743,006 | 23,652,798 |

The movement in the pre-tax effect on profit and loss is a result of a change in the fair value of derivative financial instruments not designated in a hedge relationship and monetary assets and liabilities denominated in INR, where the functional currency of the entity is a currency other than INR.

| | Profit for the year | | Equity | |
|------------------|---------------------|-------------|-----------|-------------|
| | +5% | -5% | +5% | -5% |
| 31 December 2019 | 1,187,150 | (1,187,150) | 1,187,150 | (1,187,150) |
| 31 December 2018 | 1,182,640 | (1,182,640) | 1,182,640 | (1,182,640) |

Commodity price risk

The Group is exposed to risk of price fluctuation in few raw materials/commodities being used to manufacture food products. However, there is a limited price risk attached to these raw materials/commodities, as the commodity linked raw materials form only a part of the value added products that we source.

The Group is mitigating these risks by proactively entering into yearly/half-yearly/quarterly contracts with suppliers depending upon volatility and seasonality of the base commodity. The commodities are tracked regularly on Indian/International markets (wherever applicable) and latest industry trends to define short and long term strategy for mitigating the risk.

(iv) Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.



34 Derivative Instruments and unhedged foreign currency exposure

The Group has no outstanding derivative instrument at the year end. The amount of foreign currency exposure that are not hedged by derivative instruments or otherwise are as under -

| Particulars | Currency | 31 December 2019 | 31 December 2019 | 31 December 2018 | 31 December 2018 |
|----------------------|----------|------------------|------------------|------------------|------------------|
| | | Foreign Currency | (in ₹) | Foreign Currency | (in ₹) |
| Liabilities | | | | | |
| HDFC BANK (RM) | USD | - | - | 514,800 | 35,832,603 |
| HDFC BANK (CAPEX) | EURO | 296,640 | 23,743,006 | 296,640 | 23,652,798 |
| Interest Payable | USD | - | - | 2,050 | 142,719 |
| Interest Payable | EURO | 5,249 | 470,168 | 5,136 | 409,555 |
| Trade Payable | USD | 252,450 | 17,997,716 | 515,045 | 35,849,636 |
| Assets | | | | | |
| Trade Receivable | USD | 275,885 | 19,668,471 | 1,851,147 | 128,848,898 |
| Capital Advance | EURO | 240,000 | 19,209,552 | - | - |
| HDFC Bank (EEFC A/c) | USD | 744,541 | 53,079,974 | 4,205 | 202,668 |

35 Capital Management:

The objective of the Group's capital management structure is to ensure that there remains sufficient liquidity within the Group to carry out committed work programme requirements. The Group monitors the long term cash flow requirements of the business in order to assess the requirement for changes to the capital structure to meet that objective and to maintain flexibility.

The Group manages its capital structure and makes adjustments to it, in light of changes to economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital, issue new shares for cash, repay debt, put in place new debt facilities or undertake other such restructuring activities as appropriate.

No changes were made in the objectives, policies or processes during the year ended 31 December 2019.

| | 31 December 2019 | 31 December 2018 |
|-------------------------------|------------------|------------------|
| Total borrowings | 30,108,488 | 102,532,760 |
| Less: Cash & Cash Equivalents | 127,461,802 | 3,678,200 |
| Net debts | -97,353,115 | 98,856,560 |
| Total equity | 333,482,008 | 235,107,104 |
| Gearing ratio (%) | -29.19% | 42.05% |

36. The Company has taken various premises and other fixed assets on operating leases. The lease agreements generally have a lock-in-period of 1-5 years and are cancellable at the option of the lessee thereafter. Majority of the leases have escalation terms after certain years and are extendable by mutual consent on expiry of the lease. There are no sub-leases. During the year, lease payments under operating leases amounting to ₹ 6,371,000 (31 December 2018: ₹ 5,158,429) have been recognised as an expense in the Statement of Profit and Loss.

Non-cancellable operating lease rentals payable (minimum lease payments) for those leases are as follows:

| | As at 31 December 2019 | As at 31 December 2018 |
|------------------------------------|---------------------------|---------------------------|
| Payable within one year | 8,226,372 | 8,226,372 |
| Payable between one and five years | 23,253,274 | 31,479,646 |
| Payable after five years | - | - |
| Total | 31,479,646 | 39,706,018 |

37. Dues to Micro and Small Enterprises

The dues to Micro and Small Enterprises as required under the Micro, Small and Medium Enterprises Development Act, 2006 to the extent information available with the Company is given below:

| Particulars | 31 December 2019 | 31 December 2018 |
|---|------------------|------------------|
| (₹ in millions) | | |
| The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year | | |
| Principal amount due to micro and small enterprises | 8,349,964 | - |
| Interest due on above | - | - |
| The amount of interest paid by the buyer in terms of section 16 of the MSMED Act 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year | - | - |
| The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act 2006 | - | - |
| The amount of interest accrued and remaining unpaid at the end of each accounting year | - | - |
| The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act 2006 | - | - |

37. Significant accounting policies, statutory and explanatory information of the Group are disclosed in the respective separate financial statements. Policies and information which have material bearing on the true and fair view of the consolidated financial statement have been disclosed in the consolidated financial statements.

38. In the opinion of the management the "Current Assets", "Loans & Advances" have a value on realization in the ordinary course of business at least equal to the amount at which they are stated in the Consolidated Financial Statement unless otherwise stated.

Summary of significant accounting policies

The accompanying notes are an integral part of the consolidated financial statements.

As per our report of even date attached.

For APAS & Co
Firm Registration No. 000340C
Chartered Accountants

Sumit Bathuria
Partner
Membership No. 52008

Place : New Delhi
Date : 23-01-2020



For and on behalf of the Board of Directors of
Angelica Technologies Private Limited

(Signature)
Director
DIN : 01822576
(Kamlesh Kumar Jain)

(Signature)
Director
DIN : 00061334
(Vivek Gupta)