



**AUDITED FINANCIAL STATEMENTS OF SUBSIDIARIES OF VARUN  
BEVERAGES LIMITED AS AT DECEMBER 31, 2020**

- 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 (ZIMBABWE) (PRIVATE) LIMITED
- LUNARMECH TECHNOLOGIES PRIVATE LIMITED

Varun Beverages (Nepal) Pvt. Ltd.  
Balance sheet As At 31st December, 2020

	Note	Post Ind AS NPR 31 December 2020	Post Ind AS NPR 31 December 2019
<b>Assets</b>			
<b>1) Non - Current Assets</b>			
(a) Property, Plant and Equipment	1A	4,032,941,745	4,021,514,856
(b) Capital Work In Progress	1B	151,626,925	70,544,266
(c) Deferred Tax Assets	2	22,705,116	68,902,595
(d) Other Non - Current Assets	3	141,587,896	135,862,430
<b>Total Non - Current Assets</b>		<b>4,348,861,680</b>	<b>4,296,824,147</b>
<b>2) Current Assets</b>			
(a) Inventories	4	440,523,463	504,945,319
(b) Financial Assets			
(i) Trade Receivables	5	138,418,373	96,809,938
(ii) Cash and Cash Equivalents	6	465,253,122	779,100,434
(iii) Bank Balances Other Than (ii) above	7	882,907,329	96,790,728
(iv) Others	8	24,042,161	27,094,649
(c) Current Tax Assets (Net)	9	11,873,253	16,375,468
(d) Other Current Assets	10	131,598,246	132,388,556
<b>Total Current Assets</b>		<b>2,094,615,946</b>	<b>1,653,505,092</b>
<b>Total Assets</b>		<b>6,443,477,626</b>	<b>5,950,329,240</b>
<b>Equity &amp; Liabilities</b>			
<b>Equity</b>			
(a) Equity Share Capital	11	1,080,000,000	1,080,000,000
(b) Other Equity	12	2,511,941,363	2,361,394,959
<b>Total Equity</b>		<b>3,591,941,363</b>	<b>3,441,394,959</b>
<b>Liabilities</b>			
<b>1) Non - Current Liabilities</b>			
(a) Financial Liabilities			
(i) Borrowings		0	0
(ii) Other Financial Liabilities		86,123,697	-
(b) Provisions	13	94,569,889	81,764,955
(c) Other Non - Current Liabilities	14	-	-
<b>Total Non - Current Liabilities</b>		<b>180,693,586</b>	<b>81,764,955</b>
<b>2) Current Liabilities</b>			
(a) Financial Liabilities			
(i) Borrowings	15	4,713,024	167,883,729
(ii) Trade Payables	16	1,314,317,242	1,103,609,760
(iii) Other financial Liabilities	17	688,904,760	1,066,614,262
(b) Other Current Liabilities	18	658,341,237	85,933,423
(c) Provisions	13	4,566,413	3,128,153
(d) Current Tax Liability (Net)	19	-	-
<b>Total Current Liabilities</b>		<b>2,670,842,677</b>	<b>2,427,169,326</b>
<b>Total Liabilities</b>		<b>2,851,536,263</b>	<b>2,508,934,281</b>
<b>Total Equity &amp; Liabilities</b>		<b>6,443,477,626</b>	<b>5,950,329,240</b>

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

CA. S. K. Jhunjhunwala  
Partner  
Place: Kathmandu  
Dated: 2021-01-28



*[Signature]*  
Director

*[Signature]*  
Director



Varun Beverages (Nepal) Pvt. Ltd.

Profit & Loss For The Period Ended 31st December, 2020

	Note	Post Ind AS		Post Ind AS	Post Ind AS	
		NPR	NPR	NPR	NPR	
		31 December 2020	31 December 2019	H2   Dec 2020	Q4   Dec 2020	
<b>Income</b>						
I Revenue From Operations	20	6,266,785,567	7,614,625,414	3,629,180,490	1,392,938,448	
II Other Income	21	429,405,496	53,336,675	44,688,213	26,027,948	
Branch Transfer						
III		<b>Total Income (I + II)</b>	<b>6,696,191,063</b>	<b>7,667,962,089</b>	<b>3,673,868,703</b>	<b>1,418,966,395</b>
<b>IV Expenses</b>						
(a) Cost of Materials Consumed	22	2,037,210,419	2,456,269,387	1,136,286,223	419,323,646	
(b) Excise Duty		971,794,888	1,094,012,574	556,453,038	216,241,420	
(c) Purchase of Stock in Trade	23	69,498	829,457	(157,160)	42,840	
(d) Changes in inventories of finished goods, stock-in-trade & WIP	24	(23,348,198)	34,113,579	93,942,515	38,857,575	
(e) Employee Benefits Expense	25	425,902,994	429,494,396	242,585,896	150,769,754	
(f) Finance Costs	26	192,760,784	34,840,821	21,775,772	17,623,908	
(g) Depreciation & Amortisation Expenses	27	335,449,759	302,224,118	174,195,407	87,085,103	
(h) Other Expenses	28	1,938,218,898	2,274,408,928	981,494,186	350,620,619	
IV		<b>Total Expenses (IV)</b>	<b>5,878,059,042</b>	<b>6,626,193,261</b>	<b>3,206,575,879</b>	<b>1,280,564,865</b>
V Profit/(loss) Before Prior Period Items (III-IV)		818,132,021	1,041,768,828	467,292,824	138,401,530	
VI Prior Period Items	29	-	-	-	-	
VII Profit/(loss) Before Tax (V-VI)		818,132,021	1,041,768,828	467,292,824	138,401,530	
Earnings Before Interest, Tax, Depn & Amortization (EBITDA)		916,937,068	1,325,497,092	618,575,791	217,082,593	
<b>VIII Tax Expense:</b>						
(1) Current Tax		126,014,810	115,934,920	33,550,577	14,956,516	
(2) Adjustment of Tax Related to Earlier Periods		171,373,327	-	-	-	
(3) Deferred Tax		46,197,479	32,252,488	45,900,215	46,653,986	
Total Tax Expenses		343,585,616	148,187,408	79,450,792	61,610,502	
IX Profit (Loss) For the Year (VII-VIII)		474,546,405	893,581,420	387,842,032	76,791,028	
<b>X OTHER COMPREHENSIVE INCOME</b>						
A <u>Items That Will Not to be Reclassified to Profit or Loss</u>	30					
(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)		474,546,405	893,581,420	387,842,032	76,791,028	

In Terms of Our Report of Even Date Annexed

SUBHASH & CO.

CHARTERED ACCOUNTANTS

CA. S. K. Jhunjhunwala

Partner

Place: Kathmandu

Dated: 2021-01-28



*[Signature]*  
Director

*[Signature]*  
Director





Varun Beverages (Nepal) Pvt. Ltd.  
Summary of Significant Accounting Policies and Other Explanatory Information For The Year Ended 31st December, 2020

**1A VBL Nepal in NPR**  
**Property, Plant & Equipment**

	Gross Block							Total			
	Land Freehold	Land Leasehold	Buildings	Plant and Equipment	Furniture And Fixtures	Vehicles	Office Equipment		Computers	Containers	PM Vending Machines & Refrig (Visi Cooler)
<b>Gross Block</b>											
Balance as at 1st January, 2019	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	-	-	-	(6,639,106)	-	(10,651,371)	-	-	-	-	(17,290,477)
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31st December, 2019</b>	<b>222,349,518</b>	<b>-</b>	<b>1,047,938,822</b>	<b>2,179,846,262</b>	<b>16,234,797</b>	<b>175,213,548</b>	<b>12,186,552</b>	<b>5,369,099</b>	<b>654,679,666</b>	<b>520,853,150</b>	<b>4,834,671,415</b>
Lease Transition Impact as at 01/01/2020	-	105,133,314	-	-	-	-	-	-	-	-	105,133,314
Additions	-	-	40,649,270	19,857,098	133,875	2,736,975	1,130,644	241,743	103,192,491	74,032,546	241,374,643
Disposals & Reversals	-	-	-	-	-	(4,626,182)	-	-	-	-	(4,626,182)
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31st December, 2020</b>	<b>222,349,518</b>	<b>105,133,314</b>	<b>1,088,588,093</b>	<b>2,199,703,360</b>	<b>16,368,672</b>	<b>173,324,342</b>	<b>13,317,196</b>	<b>5,610,842</b>	<b>757,872,158</b>	<b>594,885,696</b>	<b>5,177,153,191</b>
<b>Accumulated Depreciation</b>											
Balance as at 1st January, 2019	-	-	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	-	-	32,539,350	91,100,936	1,098,685	7,271,401	2,283,768	956,059	96,904,587	56,704,956	288,859,742
Ind AS Adj - Depn - Jan 2019 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)
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-	-
<b>Balance as at 31st December, 2019</b>	<b>-</b>	<b>-</b>	<b>140,382,452</b>	<b>576,055,469</b>	<b>8,378,959</b>	<b>136,320,914</b>	<b>3,400,819</b>	<b>(3,837,322)</b>	<b>18,000,541</b>	<b>(65,545,273)</b>	<b>813,156,560</b>
Depreciation Charge for the Period Ended	-	-	34,705,141	92,845,991	1,165,195	4,345,775	2,666,787	1,134,459	112,841,031	65,655,935	315,360,315
Ind AS Adj - Depn - Jan To Dec 2020	-	8,410,665	1,085,917	12,055,424	358,993	252,762	(57,422)	(46,412)	(2,018,885)	48,403	20,089,445
Reversal on Disposal of Assets	-	-	-	-	-	(4,394,873)	-	-	-	-	(4,394,873)
<b>Balance as at 31st December, 2020</b>	<b>-</b>	<b>8,410,665</b>	<b>176,173,511</b>	<b>680,956,884</b>	<b>9,903,147</b>	<b>136,524,578</b>	<b>6,010,184</b>	<b>(2,749,275)</b>	<b>128,822,687</b>	<b>159,065</b>	<b>1,144,211,446</b>

**Net Block**

Balance as at 31st December, 2019	222,349,518	-	907,556,370	1,603,790,793	7,855,838	38,892,635	8,785,734	9,206,821	636,679,125	586,398,423	4,021,514,856
Balance as at 31st December, 2020	222,349,518	96,722,649	912,414,581	1,518,746,476	6,465,526	36,799,764	7,307,012	8,360,117	629,049,471	594,726,631	4,032,941,745

**1B Capital Work In Progress**

Particulars	Amount
Balance as at 1st January, 2019	32,241,936
Additions During the Year	388,773,503
Capitalisation During the Year	(350,471,172)
<b>Balance as at 31st December, 2019</b>	<b>70,544,266</b>
Additions During the Period	314,725,250
Capitalisation During the Period	(233,642,592)
<b>Balance as at 31st December, 2020</b>	<b>151,626,925</b>






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

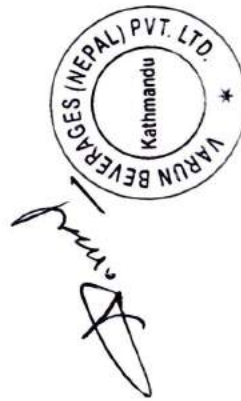
12 Equity Share Capital

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

Particulars	No. of Shares	Amount
Balance as at 1st January, 2019	1,080,000	1,080,000,000
Changes in Share Capital During the Year 2019	-	-
Balance as at 31st December, 2019	1,080,000	1,080,000,000
Changes in Share Capital During the Period	-	-
Balance as at 31st December, 2020	1,080,000	1,080,000,000

13 Other Equity

Particulars	Share Premium	Retained Earnings	Capital Reserve	Total
Balance as at 1st January, 2019	53,600,356	1,650,141,341	88,071,842	1,791,813,539
Profit for the Year 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
Profit for the Period Ended		474,546,405		474,546,405
Dividend Paid		(324,000,000)		(324,000,000)
Transferred During the Year				-
Balance as at 31st December, 2020	53,600,356	2,370,269,166	88,071,842	2,511,941,363



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, 2020

	Note	Post Ind AS NPR 31 December 2020	Post Ind AS NPR 31 December 2019
<b>1A) Property, plant and equipment</b>	R.N. 1A	4,032,941,745	4,021,514,856
<b>1B) Capital work in progress</b>	R.N. 1B	151,626,925	70,544,266
<b>2. Deferred Tax Assets/(Liability) (Net)</b>			
Unabsorbed Depn & Carry Forward Losses - Deffered Tax		(129,717,102)	(80,039,367)
Provision For Doubtful Debts - Deffered Tax		134,068,864	133,374,752
Provision For Retirement Benefits - Deffered Tax		18,353,354	15,567,210
		<u>22,705,116</u>	<u>68,902,595</u>
<b>3. Other Non - Current Assets</b>			
Capital advances		137,548,113	777,876,331
Less: Provision for Doubtful Advances		-	(644,354,202)
		<u>137,548,113</u>	<u>133,522,128</u>
<b>Advances other than capital advances</b>			
(a) Security Deposits		4,039,783	2,340,302
(b) Advances to Related Parties		-	-
(c) Other Advances		-	-
		<u>141,587,896</u>	<u>135,862,430</u>
<b>4. Inventories</b>			
(a) Raw material		205,207,573	280,187,875
(b) Raw Material in transit		2,470,829	3,961,081
(c) Work-in-progress		845,892	-
(d) Intermediate goods		-	-
(e) Finished goods		94,511,908	72,009,601
(f) Stores and spares		137,487,261	148,786,761
		<u>440,523,463</u>	<u>504,945,319</u>
<b>5. Trade receivables</b>			
Trade Receivable, Considered Good - Unsecured		6,074,209	8,268,751
Trade Receivable, Considered Good - Secured		132,344,164	88,541,188
Trade Receivable - Credit Impaired		27,771,787	24,301,222
		<u>166,190,160</u>	<u>121,111,160</u>
(-) Allowances For Expected Credit Losses		(27,771,787)	(24,301,222)
		<u>138,418,373</u>	<u>96,809,938</u>
<b>6. Cash and cash equivalents</b>			
Balance with banks:			
- On current accounts		14,046,750	21,540,985
- Deposits with original maturity of less than 3 months		450,000,000	756,000,000
Cheques/drafts on hand		-	-
Cash on hand		1,206,372	1,559,448
		<u>465,253,122</u>	<u>779,100,434</u>



**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, 2020**

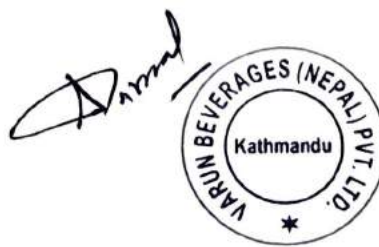
	Post Ind AS NPR 31 December 2020	Post Ind AS NPR 31 December 2019
<b>7. Other Bank Balances</b>		
Deposits with original maturity > 3 months but < 12 months *	882,907,329	96,790,728
	<u>882,907,329</u>	<u>96,790,728</u>
*Pledged as security with Banks & Statutory Authorities		
<b>8. Other Current Financial Assets</b>		
Interest accrued on:		
Term deposits	15,129,626	15,774,891
Others	4,547,118	10,641,124
Claims Receivable	4,365,417	678,634
	<u>24,042,161</u>	<u>27,094,649</u>
<b>9. Current Tax Assets</b>		
Advance Tax (Net of Provisions)	11,873,253	16,375,468
<b>10. Other Current Assets</b> (Unsecured Considered Good, Unless Otherwise Stated)		
Other Advances:		
Employees****	6,257,727	5,242,432
Contractors & Suppliers***	90,038,396	46,815,295
Prepaid Expenses	13,397,500	7,394,400
Balance With Statutory/Government Authorities	9,007,800	58,468,926
Others	12,896,823	14,467,503
	<u>131,598,246</u>	<u>132,388,556</u>
<b>11. Equity Share Capital</b>		
<b>Authorised Share Capital</b>		
3,380,451 Equity Shares of '1000/- Each	3,380,451,000	3,380,451,000
<b>Issued, Subscribed &amp; Fully Paid - Up</b>		
100,000 Ordinary Shares of '1000/- Each	1,080,000,000	1,080,000,000
8,000 Bonus Shares of '1000/- Each	-	-
	<u>1,080,000,000</u>	<u>1,080,000,000</u>
<b>12. Other Equity</b>		
<b>Revaluation Reserve</b>		
Balance At Beginning of Reporting Period/Year	-	-
Add: Transferred during the year*	-	-
Balance at the End of the Year	<u>-</u>	<u>-</u>
<b>Securities Premium Reserve</b>		
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	<u>53,600,356</u>	<u>53,600,356</u>
<b>Capital Reserve</b>	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, 2020**

	Post Ind AS NPR	Post Ind AS NPR
Note	31 December 2020	31 December 2019
<b>Surplus in the Statement of Profit and Loss</b>		
Balance At Beginning of the Year	2,219,722,761	1,650,141,341
Less: Transfer to Debenture Redemption Reserve		
Less: Dividend Paid	(307,800,000)	(307,800,000)
Less: Taxes on Dividend Paid	(16,200,000)	(16,200,000)
Add: Profit For the Year	474,546,405	893,581,420
Balance at the End of the Year	<u>2,370,269,166</u>	<u>2,219,722,761</u>
<b>Foreign Currency Monetary Item Translation Diff. Account</b>		
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	<u>2,511,941,363</u>	<u>2,361,394,959</u>
<b>Non - Current Financial Liabilities</b>		
Loan From Others	0	0
Lease Liabilities	86,123,697	-
	<u>86,123,697</u>	<u>0</u>
<b>13. Provisions</b>		
<b>Non - Current</b>		
Gratuity	74,474,646	65,816,152
Compensated Absences	20,095,243	15,948,803
	<u>94,569,889</u>	<u>81,764,955</u>
<b>Current</b>		
Gratuity	-	-
Compensated Absences	4,566,413	3,128,153
	<u>4,566,413</u>	<u>3,128,153</u>
<b>14. Other Non - Current Liabilities</b>		
Provision for Contingent Liability (Net of tax paid under protest)	-	-
<b>15. Current borrowings</b>		
Loans repayable on demand from:		
A Body Corporate (unsecured)*		
Banks - Working Capital Facilities (Secured)	4,713,024	167,883,729
Banks - Working Capital Facilities (Unsecured)		
	<u>4,713,024</u>	<u>167,883,729</u>
<b>16. Trade Payables</b>		
<b>Trade Payables</b>		
Total Outstanding Dues to Micro Enterprises & Small Enterprises		
Total outstanding dues of creditors other than micro enterprises & small enterprises	1,314,317,242	1,103,609,760
	<u>1,314,317,242</u>	<u>1,103,609,760</u>



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**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, 2020

	Post Ind AS	
	Post Ind AS NPR 31 December 2020	Post Ind AS NPR 31 December 2019
<b>17. Other Financial Liabilities</b>		
Current Maturities of Long Term Debts	-	-
Current Maturities of Lease Liabilities	14,400,000	-
Interest Accrued But Not Due on Borrowings	1,076,455	1,980,809
Payable for Capital Expenditure	9,063,770	38,412,324
Employee Related Payables	27,493,534	41,849,308
Unpaid Dividend	307,800,000	307,800,000
BG Commission Payable to Parent Company	-	10,307,142
Security Deposits	329,071,001	666,264,678
	<b>688,904,760</b>	<b>1,066,614,262</b>
<b>18. Other Current Liabilities</b>		
Advances From Customers	13,434,251	22,952,695
Statutory Dues Payable	644,906,986	62,980,728
	<b>658,341,237</b>	<b>85,933,423</b>
<b>19. Current Tax Liabilities (Net)</b>		
Provision For Income Tax (Net of Taxes Paid)	-	-
	<b>-</b>	<b>-</b>
<b>20. Revenue From Operations</b>		
Revenue From Operations (Gross)		
Sale of Products	6,256,642,442	7,602,743,336
Other Operating Revenue	10,143,126	11,882,079
	<b>6,266,785,567</b>	<b>7,614,625,414</b>
<b>21. Other Income</b>		
Interest On:		
- Bank Deposits	63,702,904	30,039,351
- Others	13,179,630	19,199,110
Net Gain on Foreign Currency Transactions & Translations	55,978	1,077,243
Excess Provisions Written Back	94,397	2,237,084
Gain on Sale of Fixed Assets (Net)	742,983	347,387
Miscellaneous	351,629,604	436,500
	<b>429,405,496</b>	<b>53,336,675</b>
<b>22. Cost of Materials Consumed</b>		
Raw Material & Packing Material Consumed		
Inventories at beginning of the year	284,148,956	390,574,062
Purchases during the year (net)	1,966,843,026	2,349,953,984
	<b>2,250,991,982</b>	<b>2,740,528,047</b>
Sold during the year	6,103,161	109,704
Inventories at end of the year	207,678,402	284,148,956
	<b>2,037,210,419</b>	<b>2,456,269,387</b>

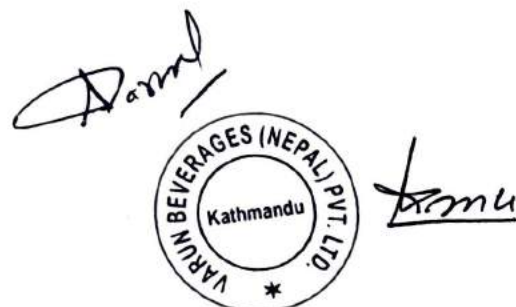


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**Varun Beverages (Nepal) Pvt. Ltd.**

Summary Of Significant Accounting Policies And Other Explanatory  
Information On The Standalone Financial Statements For The Year  
Ended 31st December, 2020

	Note	Post Ind AS NPR 31 December 2020	Post Ind AS NPR 31 December 2019
<b>23. Purchases of Traded Goods</b>			
Beverages			
Others		69,498	829,457
		<u>69,498</u>	<u>829,457</u>
<b>24. Changes in Inventories of Finished Goods</b>			
<b>As At the Beginning of The Year</b>			
Finished Goods		72,009,601	106,123,181
Intermediate Goods		-	-
Work In Progress		-	-
		<u>72,009,601</u>	<u>106,123,181</u>
<b>As At the Closing of The Year</b>			
Finished Goods		94,511,908	72,009,601
Intermediate Goods		-	-
Work In Progress		845,892	-
		<u>95,357,800</u>	<u>72,009,601</u>
		<u>(23,348,198)</u>	<u>34,113,579</u>
<b>Excise Paid</b>		<u>971,794,888</u>	<u>1,094,012,574</u>
		<u>971,794,888</u>	<u>1,094,012,574</u>
<b>25. Employee Benefits Expense</b>			
Salaries & Wages		385,909,385	386,614,990
Contribution to Provident & Other Funds		12,056,418	11,568,912
Staff Welfare Expenses		27,937,191	31,310,493
		<u>425,902,994</u>	<u>429,494,396</u>
<b>26. Finance Costs</b>			
<b>Interest On:</b>			
Term Loans		-	14,144,000
Working Capital Facilities		6,320,422	13,507,292
Financial Liabilities		9,790,383	-
Others		149,763,469	-
<b>Other Borrowing Costs:</b>			
Processing Fees		1,489,010	1,447,063
Bank Guarantee Fees to Others		25,397,500	-
Bank Guarantee Fees to Parent Company		-	5,742,467
		<u>192,760,784</u>	<u>34,840,821</u>
<b>27. Depreciation &amp; Amortisation Expense</b>			
Depreciation on Tangible Assets		335,449,759	302,224,118
Amortisation of Intangible Assets		-	-
		<u>335,449,759</u>	<u>302,224,118</u>





**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, 2020

	Note	Post Ind AS NPR 31 December 2020	Post Ind AS NPR 31 December 2019
<b>28. Other Expenses</b>			
Power and fuel		153,167,350	197,135,303
Repair to Plant & Equipment		93,049,793	122,167,937
Repair to Buildings		26,880,020	41,094,762
Repair to Others		15,055,327	21,357,352
Consumption of Stores & Spares		41,536,839	58,105,417
Rent		11,039,923	28,212,259
Rates and Taxes		875,290	1,247,631
Insurance		20,428,132	15,487,839
Printing and stationery		2,573,937	3,579,888
Communication		3,543,677	5,806,795
Travelling and Conveyance		17,908,241	32,982,597
Payment to the Auditors As			
Audit & Reviews		1,700,000	2,000,000
Taxation Matters			
Other Matters			
Reimbursement of Expenses			
Vehicle Running & Maintenance		11,103,298	13,552,075
Lease and hire charges		-	-
Security and service charges		20,973,123	29,764,078
Professional charges and consultancy		12,554,759	14,014,424
Bank charges		2,250,327	13,653,953
Advertisement and sales promotion		286,880,555	186,583,854
Meeting and conference		51,735	-
Freight, octroi and insurance paid (net)		363,671,221	406,450,465
Delivery vehicle running and maintenance		46,075,285	198,315,101
Distribution expenses		60,420,966	81,663,178
Loading and unloading charges		17,878,002	25,739,549
Donations		306,100	561,100
Property, Plant & Equipment Written Off		-	343,101
Loss on disposal of Property, Plant & Equipment (Net)		-	-
Bad Debts & Advances Written Off		-	-
Allowance for Doubtful Debts		3,470,565	165,383,294
Net loss on foreign currency transactions and translations		-	-
General office and other miscellaneous expenses		247,004,512	11,563,854
Management Fee		477,819,921	597,643,123
		<b>1,938,218,898</b>	<b>2,274,408,928</b>
<b>29. Prior Period Items</b>			
Depreciation of Leasehold Land for Earlier Years		-	-
<b>30. Other Comprehensive Income</b>			
Remeasurement of the defined benefit plans			
IT relating to items that will not be reclassified to P & L			



*Signature*

**VARUN BEVERAGES LANKA (PRIVATE)  
LIMITED**

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

**FOR THE YEAR ENDED  
31 DECEMBER 2020**

**VARUN BEVERAGES LANKA (PRIVATE) LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

		Company Year Ended 31.12.2020	Group Year Ended 31.12.2020	Company Year Ended 31.12.2019	Group Year Ended 31.12.2019
	Note	Rs.	Rs.	Rs.	Rs.
Revenue	4	2,691,094,526	4,032,505,846	2,355,936,073	3,883,846,622
Cost of sales	5	<u>(1,749,124,028)</u>	<u>(2,342,564,090)</u>	<u>(1,544,309,508)</u>	<u>(2,292,475,797)</u>
Gross profit		941,970,498	1,689,941,756	811,626,564	1,591,370,825
Other income	6	<u>101,797,214</u>	<u>126,471,760</u>	<u>141,092,810</u>	<u>166,096,265</u>
<b>Less: Expenditure</b>		1,043,767,712	1,816,413,516	952,719,375	1,757,467,090
Administrative expenses		(145,886,830)	(195,142,114)	(174,188,948)	(231,484,256)
Selling and distribution expenses		<u>(948,162,275)</u>	<u>(1,357,032,424)</u>	<u>(973,382,706)</u>	<u>(1,364,380,919)</u>
Profit / (loss) from operations		(50,281,392)	264,238,978	(194,852,279)	161,601,915
Finance and other costs	8	<u>(64,677,375)</u>	<u>(186,876,643)</u>	<u>(91,036,221)</u>	<u>(178,496,333)</u>
Profit / (loss) before tax	7	(114,958,767)	77,362,335	(285,888,500)	(16,894,418)
Income tax expense/ (reversal)	9	80,792,019	26,955,787	-	(12,590,977)
<b>Profit / (loss) for the year</b>		<u>(34,166,748)</u>	<u>104,318,122</u>	<u>(285,888,500)</u>	<u>(29,485,395)</u>
<b>Other comprehensive income/ (expense)</b>		-	-	-	-
Actuarial gain / (loss) on employee benefit obligations		4,104,826	4,941,332	(13,737,665)	(16,086,022)
Deferred tax on actuarial gain/loss		(615,724)	(849,945)	-	657,540
<b>Total comprehensive income/ (expense) for the year</b>		<u>(30,677,646)</u>	<u>108,409,509</u>	<u>(299,626,165)</u>	<u>(44,913,878)</u>
<b>Attributable to :</b>					
Owners of the parent		(30,677,646)	108,409,509	(299,626,165)	(44,913,878)
Non-controlling interest		<u>(30,677,646)</u>	<u>108,409,509</u>	<u>(299,626,165)</u>	<u>(44,913,878)</u>

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





## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VARUN BEVERAGES LANKA (PVT) LTD.**

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

#### **Qualified Opinion**

We have audited the financial statements of Varun Beverages Lanka ( Pvt) Ltd (the Company) and the consolidated financial statements of the Company and its subsidiaries ("Group") which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year 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 31 December 2020, and of their financial performance and cash flows for the year ended in accordance with Sri Lanka Accounting Standard for Small and Medium Sized Entities (SLFRS for SMEs).

#### **Basis for Qualified Opinion**

1. From 2013 to 2017 Borrowing costs and exchange losses amounting to Rs.658.8 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, 30 and 25 of the SLFRS for SMEs. Due to the misstatement, the loss of the Company for the year ended 31 December 2020 is overstated by Rs.24.2 million (2019- Rs.24.2 million) and the profit of the Group for the year ended 31 December 2020 is understated by Rs.24.2 million. (2019 -Rs.24.2 million) Further the net book value of property plant and equipment and retained earnings as of 31 December 2019 and 31 December 2020 of the Company and the Group have been overstated by Rs.536.1 and Rs.511.8 million respectively. The misstatements represent the net impact of borrowing costs and exchange losses capitalized and the depreciation charged on the capitalized costs.
2. As disclosed in note 15 to the financial statements, the Company's zero rated redeemable preference shares which met the definition of financial liability under SLFRS For SME up to the date of 16 March 2020 (Date of conversion) were carried at the cost of Rs. 5,870.8 million and recognized under equity up to the aforementioned date of conversion in the consolidated and separate financial statements of the Company. Due to the changes made to the contractual terms of such preference shares on date of conversion onwards such shares meet the definition of equity under SLFRS for SME. However, during the year of which the preference shares meet the definition of financial liability, as per section 11 of SLFRS for SME interest expense amounting to Rs.105.5 million (2019 - Rs.488.3 million) has to be recognized in the consolidated and separate statement of comprehensive income. Consequently, the Company and the Group has not recognized such interest expense in the financial statements. Due to the misstatement, the loss of the Company for the year ended 31 December 2020 is understated by Rs.105.5 million (2019 -Rs.488.3 million) and profit of the Group for the year ended 31 December 2020 is overstated by Rs.105.5 million (2019 -Rs.488.3 million)

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

29 January 2021



**VARUN BEVERAGES LANKA (PRIVATE) LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2020**

	Note	Company 31.12.2020 Rs.	Group 31.12.2020 Rs.	Company 31.12.2019 Rs.	Group 31.12.2019 Rs.
<b>Assets</b>					
<b>Non Current Assets</b>					
Property, plant and equipment	10	2,515,331,425	4,469,698,456	2,615,398,728	4,729,771,860
Capital work-in-progress	11	803,733	803,733	-	1,229,281
Deferred tax asset	9.2	80,176,295	80,176,295	-	-
		<u>2,596,311,454</u>	<u>4,550,678,485</u>	<u>2,615,398,728</u>	<u>4,731,001,141</u>
Investment in subsidiary - Ole Springs Bottlers (Pvt) Ltd		940,828,790	-	940,828,790	-
<b>Current Assets</b>					
Inventories	11	511,145,451	797,977,361	375,707,387	542,346,777
Trade and other receivables	12	204,085,834	535,138,929	354,402,178	733,454,468
Amounts due from related parties	22	1,840,903,332	60,886,079	1,874,278,591	38,113,298
Fixed deposits with banks	14	2,544,411	211,573,028	2,602,175	122,677,457
Cash and cash equivalents	13	107,078,875	121,803,513	16,965,270	26,496,520
		<u>2,665,757,903</u>	<u>1,727,378,910</u>	<u>2,623,955,601</u>	<u>1,463,088,520</u>
<b>Total Assets</b>		<u>6,202,898,147</u>	<u>6,278,057,395</u>	<u>6,180,183,120</u>	<u>6,194,089,661</u>
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Stated capital	15	6,438,536,700	6,438,536,700	6,438,536,700	6,438,536,700
Accumulated losses		(926,408,886)	(1,398,999,088)	(895,731,240)	(1,507,408,597)
<b>Total Equity</b>		<u>5,512,127,814</u>	<u>5,039,537,612</u>	<u>5,542,805,460</u>	<u>4,931,128,103</u>
<b>Non Current Liabilities</b>					
Bottle deposit payable	16	38,409,967	175,762,996	34,889,887	170,991,749
Retirement benefit obligations	17	69,134,974	107,181,921	60,497,304	99,283,566
Deferred tax liability	9.2	-	70,473,563	-	16,403,109
		<u>107,544,942</u>	<u>353,418,479</u>	<u>95,387,191</u>	<u>286,678,425</u>
<b>Current Liabilities</b>					
Borrowings	19	100,540,883	103,657,733	205,704,490	386,908,532
Trade and other payables	20	365,531,364	612,725,669	253,875,491	398,539,979
Amounts due to related parties	22	9,375,382	16,439,364	8,252,398	8,252,398
Bank overdraft	21	107,777,760	152,278,537	74,158,089	182,582,224
<b>Total Current Liabilities</b>		<u>583,225,390</u>	<u>885,101,303</u>	<u>541,990,468</u>	<u>976,283,133</u>
<b>Total Equity and Liabilities</b>		<u>6,202,898,147</u>	<u>6,278,057,395</u>	<u>6,180,183,120</u>	<u>6,194,089,661</u>

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

**Finance Officer**

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

**Director**  
29 January 2021



**Director**  
29 January 2021

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 31 DECEMBER 2020**

Company	Stated Capital Rs.	Accumulated Losses Rs.	Total Rs.
<b>Balance as at 01.01.2019</b>	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)
<b>Balance as at 31.12.2019</b>	<u>6,438,536,700</u>	<u>(895,731,240)</u>	<u>5,542,805,460</u>
Preference shares redeemed	-	-	-
Profit / (loss) for the year	-	(34,166,748)	(34,166,748)
Other comprehensive income / (loss) for the year	-	3,489,102	3,489,102
<b>Balance as at 31.12.2020</b>	<u>6,438,536,700</u>	<u>(926,408,886)</u>	<u>5,512,127,814</u>

Group	Stated Capital Rs.	Accumulated Losses Rs.	Total Rs.
<b>Balance as at 01.01.2019</b>	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)
<b>Balance as at 31.12.2019</b>	<u>6,438,536,700</u>	<u>(1,507,408,597)</u>	<u>4,931,128,103</u>
Profit / (loss) for the year	-	104,318,122	104,318,122
Other comprehensive income / (loss) for the year	-	4,091,387	4,091,387
<b>Balance as at 31.12.2020</b>	<u>6,438,536,700</u>	<u>(1,398,999,088)</u>	<u>5,039,537,612</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 CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Company Year Ended 31.12.2020 Rs.	Group Year Ended 31.12.2020 Rs.	Company Year Ended 31.12.2019 Rs.	Group Year Ended 31.12.2019 Rs.
<b>Cash Flows from Operating Activities</b>				
Profit / (loss) before taxation	(114,958,767)	77,362,335	(285,888,500)	(16,894,418)
<b>Adjustment for:</b>				
Depreciation	198,225,436	379,732,833	223,937,693	403,859,735
Gain / (loss) on disposal of property, plant and equipment	-	-	-	(1,482,624)
ESC write off	14,192,566	75,414,313	28,026,201	45,542,846
Asset scrap loss	11,556,412	36,549,979	17,234,925	35,740,824
Expiries and breakages	3,004,431	10,029,154	13,586,189	30,613,904
Provision for bad and doubtful debt	3,951,726	57,612,559	44,506,958	128,005,971
Provision for gratuity	14,838,321	21,170,848	12,293,066	19,294,953
Operating profit before working capital changes	<u>130,810,126</u>	<u>657,872,020</u>	<u>53,696,532</u>	<u>644,681,190</u>
<b>Working Capital Changes</b>				
(Increase) / decrease in inventories	(138,442,495)	(265,659,740)	(109,769,780)	(166,199,565)
Increase / (decrease) in amounts due to related parties	1,122,984	8,186,965	1,628,015	(19,489,084)
(Increase) / decrease in amounts due from related parties	33,375,259	(22,772,781)	363,578,139	10,286,115
(Increase) / decrease in accounts receivable	132,172,052	65,288,694	(78,546,049)	287,950,076
Increase / (decrease) in accounts payable	115,175,954	218,956,937	(100,939,617)	(226,069,747)
Cash generated from / (used in) operations	<u>274,213,880</u>	<u>661,872,097</u>	<u>129,647,239</u>	<u>531,158,985</u>
Income tax paid	-	-	-	(5,682,182)
Gratuity paid	<u>(2,095,826)</u>	<u>(8,331,161)</u>	<u>(9,658,688)</u>	<u>(13,340,477)</u>
Cash flows from operating / (used in) activities	<u>272,118,055</u>	<u>653,540,936</u>	<u>119,988,552</u>	<u>512,136,327</u>
<b>Cash Flows from Investing Activities</b>				
Acquisition of property, plant and equipment	(111,466,037)	(156,158,889)	(98,279,954)	(235,288,491)
Disposal / settlement of investment	-	-	175,544,380	-
Expenditure on capital work in progress	(803,733)	(1,376,462)	-	(1,229,281)
Proceeds on sale of property, plant and equipment	1,751,493	1,751,466	1,157,393	7,032,393
Fixed deposits in banks	57,764	(88,895,571)	(2,400,000)	(105,403,000)
Net cash used in investing activities	<u>(110,460,514)</u>	<u>(244,679,457)</u>	<u>76,021,819</u>	<u>(334,888,379)</u>
<b>Cash Flows from Financing Activities</b>				
Net borrowings	(105,163,607)	(283,250,799)	(147,006,130)	(163,174,799)
Redemption of preference shares	-	-	(186,439,400)	(186,439,400)
Lease payments	-	-	(4,264,946)	(4,264,946)
Net cash flow from financing activities	<u>(105,163,607)</u>	<u>(283,250,799)</u>	<u>(337,710,476)</u>	<u>(353,879,145)</u>
Net increase / decrease in cash and cash equivalents	56,493,934	125,610,680	(141,700,106)	(176,631,198)
Cash and cash equivalents at the beginning of the year	<u>(57,192,819)</u>	<u>(156,085,704)</u>	<u>84,507,287</u>	<u>20,545,494</u>
Cash and cash equivalents at the end of the year (Note 13 & 21)	<u><u>(698,885)</u></u>	<u><u>(30,475,024)</u></u>	<u><u>(57,192,819)</u></u>	<u><u>(156,085,704)</u></u>
Analysis of cash and cash equivalents at the end of the year				
Cash in hand and cash at bank	107,078,875	121,803,513	16,965,270	26,496,520
Bank overdraft	<u>(107,777,760)</u>	<u>(152,278,537)</u>	<u>(74,158,089)</u>	<u>(182,582,224)</u>
	<u><u>(698,885)</u></u>	<u><u>(30,475,024)</u></u>	<u><u>(57,192,819)</u></u>	<u><u>(156,085,704)</u></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 31 DECEMBER 2020**

**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 and purified drinking water.

**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 29<sup>th</sup> January 2021

**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 and the group to continue as a going concern. The directors have a reasonable expectation that the company and the group has adequate resources to continue in operational existence for the foreseeable future. The company, and the group do 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 31 December 2020 includes 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.

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

#### **2.1.3.3 Investment in Subsidiary**

Investment in subsidiary is recognized at cost less impairment losses in separate financial statements.

### **2.2 Functional and Presentation Currency**

The financial statements are presented in Sri Lankan Rupees which is the company's and the group'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 is 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 year.

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



## 2.6.2 **Subsidiary**

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

## 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 year 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:

<b>Assets</b>	<b>Rate (%)</b>
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 finance and other costs 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

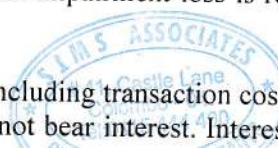
Cash and cash equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments which are readily convertible to known amounts of cash and subject to significant risk of changes in value.

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.

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 period 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.

### 3.4 **Judgments and Key Sources of Estimation Uncertainty**

The preparation of the company's and group's financial statements require management to make judgments, estimates and assumptions that effect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised or in the period of revision and future periods, only if the revision affects both current and future periods.

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 year are disclosed below.

#### a) **Defined benefit plans**

The carrying value of defined benefit plans is determined using a formula which considers the actuarial assumption. This involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, etc. Due to the complexity of the valuation, the underlying assumptions and their long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The assumptions used in the valuation and sensitivities there on are disclosed in note 17.





	Company Year Ended 31.12.2020 Rs.	Group Year Ended 31.12.2020 Rs.	Company Year Ended 31.12.2019 Rs.	Group Year Ended 31.12.2019 Rs.
<b>4. Revenue</b>				
Local sales	3,108,875,094	4,684,563,886	2,690,400,246	4,609,082,558
Export sales	101,141,451	103,868,127	170,380,151	172,314,095
Trade discount	(61,425,362)	(148,785,680)	(36,664,918)	(170,458,615)
	<u>3,148,591,182</u>	<u>4,639,646,333</u>	<u>2,824,115,479</u>	<u>4,610,938,037</u>
Nation Building Tax	-	-	(42,079,696)	(85,602,783)
Excise duty	(457,496,656)	(607,140,488)	(426,099,710)	(641,488,632)
	<u>2,691,094,526</u>	<u>4,032,505,846</u>	<u>2,355,936,073</u>	<u>3,883,846,622</u>
<b>5. Cost of Finished Goods Manufactured</b>				
Finished goods at the at the beginning of the year	60,049,567	81,983,229	54,962,649	73,142,657
Finished goods purchase	-	37,051,600	-	52,813,678
Factory cost transferred (Note 5.1)	1,764,222,855	2,343,208,905	1,549,396,426	2,248,502,691
Finished goods at the end of the year	(75,148,394)	(119,679,645)	(60,049,567)	(81,983,229)
	<u>1,749,124,028</u>	<u>2,342,564,090</u>	<u>1,544,309,508</u>	<u>2,292,475,797</u>
<b>5.1 Factory Cost Transferred</b>				
Raw materials at the beginning of the year	202,947,264	296,606,869	146,276,142	205,697,309
Raw material purchase	1,324,074,251	1,714,847,780	1,105,752,928	1,543,622,958
Raw material at the end of the year	(276,278,593)	(462,747,269)	(202,947,264)	(296,606,869)
Raw material consumed	1,250,742,922	1,548,707,380	1,049,081,806	1,452,713,397
Production overheads (Note 5.2)	513,479,933	794,501,525	500,314,620	795,789,294
	<u>1,764,222,855</u>	<u>2,343,208,905</u>	<u>1,549,396,426</u>	<u>2,248,502,691</u>
<b>5.2 Production Overheads</b>				
Salaries	96,878,159	121,171,893	79,257,482	106,019,466
Wages	11,531,436	25,802,147	12,809,528	26,863,330
Overtime	31,868,151	44,333,642	19,521,309	28,024,550
Bonus	11,026,393	13,490,546	11,491,142	14,099,827
Allowance	6,314,259	6,472,510	4,993,641	5,651,374
Employees' Provident Fund	11,975,948	14,829,897	9,980,694	13,219,611
Employees' Trust Fund	2,994,744	3,708,231	2,495,173	3,304,902
Staff welfare	8,553,668	8,635,632	4,118,805	6,933,355
Medical	2,115,777	2,368,528	1,700,960	2,084,836
Terminal gratuity	3,266,654	4,228,062	2,654,263	3,716,319
Fuel	42,067,721	42,780,592	48,421,245	52,651,941
Chemicals	22,468,439	37,888,590	27,830,409	51,011,748
Lab consumables	-	797,340	-	2,366,472
Lab testing charges	2,072,524	2,072,524	6,572,729	6,572,729
Staff uniforms	-	2,885,042	-	2,027,792
Electricity	83,286,844	109,791,175	89,117,845	110,128,970
Postage and courier charges	1,465,327	1,465,327	821,234	821,234
Telephone	252,266	1,436,148	46,368	945,889
General insurance	2,083,654	3,721,862	1,999,165	3,350,021
Printing and stationery	770,229	770,229	1,400,105	1,400,105
Security charges	5,236,388	12,400,644	5,761,481	13,336,482
Motor vehicle fuel	-	67,988	-	186,129
Depreciation				
- Factory building	-	3,592,731	-	3,160,620
- Plant and machinery	106,380,310	129,414,912	104,966,803	128,030,068
- Office equipment	-	51,451	-	19,141
- Furniture and fittings	-	73,706	-	327,264
- Motor vehicles and forklift	-	942,807	-	605,498
- Computers	-	180,228	-	327,447
- Bottles and crates	-	108,647,731	-	109,919,987
Building repair and maintenance	10,344,444	16,261,291	6,675,069	14,884,643
Equipment maintenance	49,635,841	73,276,879	56,721,598	82,270,757
Travelling and transport	890,759	890,759	957,573	957,573
Loading charges	-	50,483	-	569,212





	Company Year Ended 31.12.2020 Rs.	Group Year Ended 31.12.2020 Rs.	Company Year Ended 31.12.2019 Rs.	Group Year Ended 31.12.2019 Rs.
<b>6. Other Income</b>				
Foreign services income	98,495,493	98,495,493	137,555,319	137,555,319
Disposal of property, plant and equipment	-	-	-	1,482,624
Scrap sales	2,607,112	14,880,797	2,209,554	10,098,440
Miscellaneous income	88,500	88,500	456,158	456,158
Exchange gain	-	-	229,013	2,413,861
Interest income	606,109	13,006,969	642,766	14,089,863
	<u>101,797,214</u>	<u>126,471,760</u>	<u>141,092,810</u>	<u>166,096,265</u>
<b>7. Loss Before Tax is Stated after Charging all Expenses Including the Following:</b>				
Personnel cost	363,248,580	491,119,369	346,075,875	482,633,000
Defined contribution plan costs - EPF & ETF	44,396,544	53,145,726	41,018,210	49,277,466
Provision for gratuity	8,407,458	10,617,005	7,861,374	10,025,785
Bonus	24,908,047	28,803,321	30,001,604	35,317,957
Depreciation	198,225,436	379,732,833	223,937,693	403,859,735
Insurance	5,568,533	7,206,741	5,042,510	6,393,366
Auditor's fees	1,611,301	2,683,330	1,878,274	2,863,405
<b>8. Finance Cost &amp; Other Cost</b>				
Bank overdraft interest	6,233,638	10,677,588	16,701,410	24,062,421
Lease interest	-	-	727,916	727,916
Asset scrap loss	11,556,412	36,549,979	17,234,925	35,740,824
Short term loan interest	12,181,041	22,702,190	8,700,887	30,609,360
Expiries and breakages	3,004,431	10,029,154	13,586,189	30,613,904
Bank charges	1,120,652	3,179,696	763,662	1,929,895
ESC write off	14,192,566	75,414,313	28,026,201	45,542,846
Exchange loss	9,957,771	17,769,881	-	-
Interest on gratuity	6,430,863	10,553,843	5,295,031	9,269,168
	<u>64,677,375</u>	<u>186,876,643</u>	<u>91,036,221</u>	<u>178,496,333</u>
<b>9. Taxation</b>				
<b>Income tax expenses</b>				
Deferred tax expense / (benefit) (Note 9.2)	(80,176,295)	(26,105,842)	-	6,251,225
Deferred tax charge against other comprehensive income	(615,724)	(849,945)	-	657,570
Income tax expenses	-	-	-	-
Income tax payment for previous year	-	-	-	5,682,182
	<u>(80,792,019)</u>	<u>(26,955,787)</u>	<u>-</u>	<u>12,590,977</u>
<b>9.1 Reconciliation of the total tax charge</b>				
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 financial statement	(114,958,767)	77,362,335	(285,888,500)	(16,894,418)
Allowable credits	(154,664,688)	(214,714,520)	(191,813,358)	(451,837,737)
Non- deductible expenses	214,015,745	528,497,125	328,934,435	637,460,541
Interest income	606,109	13,006,969	642,766	14,089,863
Tax loss claimed	(606,109)	(459,759,618)	(642,766)	(331,585,672)
Tax loss removed for tax holiday period	55,607,710	55,607,710	148,767,423	148,767,423
Tax profit/ (loss) for the year of assessment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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



9.2 Deferred tax balances

Company

	Property, plant & equipment Rs.	Retirement benefit obligation Rs.	Bad Debt Provision Rs.	Unused tax losses Rs.	Total Rs.
Balance as at 1 January 2019	-	-	-	-	-
Recognised in changes in equity	-	-	-	-	-
Recognised in profit or loss	-	-	-	-	-
Balance as at 31 December 2019	-	-	-	-	-
Balance as at 1 January 2020	-	-	-	-	-
Recognised in profit or loss	(313,224,667)	10,370,246	2,734,928	380,295,788	80,176,295
Balance as at 31 December 2020	(313,224,667)	10,370,246	2,734,928	380,295,788	80,176,295

Deferred tax of the company has been calculated at the rate of 15% which is future tax rate applicable to the entity as per agreement with BOI.

Subsidiary

Deferred tax balances

	Property, plant & equipment Rs.	Retirement benefit obligation Rs.	Bad Debt Provision Rs.	Unused tax losses Rs.	Total Rs.
Recognised in changes in equity	(253,594,374)	12,642,524	-	466,863,807	225,911,957
Recognised in profit or loss	(236,063,811)	-	-	-	(236,063,811)
Balance as at 31 December 2019	5,107,005	(1,782,371)	-	(9,575,889)	(6,251,255)
	(484,551,180)	10,860,153	-	457,287,918	(16,403,109)
Balance as at 1 January 2020	(484,551,180)	10,860,153	-	457,287,918	(16,403,109)
Recognised in profit or loss	36,274,455	(207,008)	38,299,024	(128,436,925)	(54,070,453)
Balance as at 31 December 2020*	(448,276,725)	10,653,146	38,299,024	328,850,993	(70,473,563)

Deferred tax of the subsidiary has been calculated at the rate of 28% which is future tax rate applicable to the entity and substantially enacted as of the period end.



	Company 31.12.2020 Rs.	Group 31.12.2020 Rs.	Company 31.12.2019 Rs.	Group 31.12.2019 Rs.
<b>10. Property, Plant and Equipment</b>				
Freehold property, plant and equipment (Note 10.1 and 10.2)	2,515,331,425	4,469,698,456	2,615,398,728	4,729,771,860
Leasehold property, plant and equipment	-	-	-	-
	<u>2,515,331,425</u>	<u>4,469,698,456</u>	<u>2,615,398,728</u>	<u>4,729,771,860</u>

**10.1 Freehold Property, Plant and Equipment**

**Company**

	Balance at the beginning of the year Rs.	Additions Rs.	Disposals/ write off Rs.	Balance at the end of the year Rs.
<b>Cost</b>				
Building	901,088,006	536,950		901,624,956
Computers	12,015,416	4,048,380		16,063,796
Furniture and fittings	7,642,037	655,220		8,297,257
Machinery and other equipment	2,208,034,690	31,376,078	(597,231)	2,238,813,537
Motor vehicles	209,347,686	2,060,000		211,407,686
Office equipment	13,805,574	975,176		14,780,750
Bottle and crates	148,145,683	16,232,543	(18,836,413)	145,541,814
Trade equipment	424,299,247	55,581,689	(733,243)	479,147,693
Total	<u>3,924,378,339</u>	<u>111,466,037</u>	<u>(20,166,886)</u>	<u>4,015,677,489</u>
<b>Accumulated Depreciation</b>				
Buildings	169,573,798	29,963,038		199,536,836
Computers	7,767,539	2,158,344		9,925,883
Furniture & fittings	1,992,056	844,223		2,836,279
Machinery and other equipment	581,253,212	106,380,310	(264,131)	687,369,391
Motor vehicles	168,563,333	13,716,560		182,279,892
Office equipment	6,933,756	2,985,355		9,919,111
Bottle and crates	37,000,918	18,126,227	(6,411,784)	48,715,361
Trade equipment	335,895,024	24,051,380	(183,093)	359,763,310
Total	<u>1,308,979,636</u>	<u>198,225,436</u>	<u>(6,859,008)</u>	<u>1,500,346,063</u>
<b>Written Down Value</b>	<u>2,615,398,728</u>			<u>2,515,331,425</u>





## 10.2 Freehold Property, Plant and Equipment

### Group

	Balance at the beginning of the year Rs.	Additions Rs.	Disposals/ write off Rs.	Balance at the end of the year Rs.
<b>Cost</b>				
Land	972,314,280	-		972,314,280
Building	1,045,115,202	536,950	-	1,045,652,152
Computers	16,632,412	4,103,380	-	20,735,792
Furniture and fittings	12,396,053	683,178	-	13,079,232
Machinery and other equipment	2,689,418,501	33,538,274	(597,231)	2,722,359,544
Motor vehicles	238,925,236	2,060,000	-	240,985,236
Office equipment	16,248,927	1,609,513	-	17,858,440
Bottle and crates	1,507,654,549	56,898,601	(62,491,325)	1,502,061,826
Trade equipment	818,391,183	58,531,003	(733,243)	876,188,943
<b>Total</b>	<u>7,317,096,343</u>	<u>157,960,899</u>	<u>(63,821,798)</u>	<u>7,411,235,444</u>
<b>Accumulated Depreciation</b>				
Buildings	222,775,308	33,731,227	-	256,506,535
Computers	11,619,029	2,636,437	-	14,255,466
Furniture and fittings	6,163,644	978,234	-	7,141,878
Machinery and other equipment	756,066,228	129,414,912	(264,131)	885,217,009
Motor vehicles	192,606,666	14,932,123	-	207,538,789
Office equipment	8,545,164	3,499,865	-	12,045,028
Bottle and crates	901,616,252	126,773,958	(25,073,130)	1,003,317,081
Trade equipment	487,932,218	67,766,076	(183,093)	555,515,200
<b>Total</b>	<u>2,587,324,509</u>	<u>379,732,833</u>	<u>(25,520,354)</u>	<u>2,941,536,987</u>
<b>Written Down Value</b>	<u>4,729,771,834</u>			<u>4,469,698,456</u>

## 11. Capital Work-in-Progress

### 11.1 Company

Description	Balance at the beginning of the year Rs.	Additions Rs.	Transfers Rs.	Balance at the end of the year Rs.
Building	-	803,733	-	803,733
Plant and machinery	-	-	-	-
	<u>-</u>	<u>803,733</u>	<u>-</u>	<u>803,733</u>

### 11.2 Group

Building	-	803,733	-	803,733
Plant and machinery	1,229,281	572,729	(1,802,010)	-
	<u>1,229,281</u>	<u>1,376,462</u>	<u>(1,802,010)</u>	<u>803,733</u>



	Company 31.12.2020 Rs.	Group 31.12.2020 Rs.	Company 31.12.2019 Rs.	Group 31.12.2019 Rs.
<b>11. Inventories</b>				
Finished goods	75,148,394	119,679,645	60,049,567	81,983,229
Raw materials	276,278,593	462,747,269	202,947,264	296,606,869
Chemicals and fuel	17,529,989	27,872,798	17,598,918	25,413,268
Goods in transit	22,821,021	22,821,021	22,866,662	22,866,662
Spare parts	119,367,455	164,856,629	72,244,977	115,476,749
	<u>511,145,451</u>	<u>797,977,361</u>	<u>375,707,387</u>	<u>542,346,777</u>
<b>12. Trade and Other Receivables</b>				
Trade debtors	143,487,549	578,080,729	306,057,696	677,565,071
Less: Impairment provision for trade debtors	(18,232,852)	(155,015,082)	(44,857,772)	(129,111,566)
	<u>125,254,696</u>	<u>423,065,646</u>	<u>261,199,924</u>	<u>548,453,505</u>
Other receivables	18,615,179	26,993,207	21,399,439	29,283,466
Deposits and prepayments	52,119,605	64,517,389	38,810,394	58,253,244
Staff loans and festival advances	3,268,415	3,618,952	2,906,680	3,335,199
VAT receivable	4,715,261	1,523,365	15,780,497	3,272,664
NBT receivable	-	-	-	21,708
Income tax and economic service charge receivables	112,677	15,420,369	14,305,243	90,834,682
	<u>204,085,834</u>	<u>535,138,929</u>	<u>354,402,178</u>	<u>733,454,468</u>
<b>13. Cash and Cash Equivalents</b>				
Standard Chartered Bank - Fort Branch	-	-	-	506,461
Nations Trust Bank PLC	2,015,963	2,263,849	1,795,396	2,289,270
Hatton National Bank - Kaduwela	592,623	11,858,332	-	4,242,201
Sampath Bank	510,912	510,912	2,121,926	2,121,926
People's Bank - Hanwella	-	2,309,979	-	1,737,163
People's Bank - Corporate Division	3,115,502	3,141,686	1,447,578	1,476,012
Standard Chartered Bank - Fort Branch (USD)	89,979,416	89,979,416	-	-
Saving AC - Hatton National Bank	5,052,219	5,052,219	3,886,842	3,886,842
Marginal AC - Commercial Bank of Ceylon PLC	2,169,900	2,346,900	2,275,616	3,944,266
Cash in hand	3,642,340	4,340,220	5,437,912	6,292,379
	<u>107,078,875</u>	<u>121,803,513</u>	<u>16,965,270</u>	<u>26,496,520</u>
<b>14. Fixed Deposits in Banks</b>				
Fixed deposits - Nations Trust Bank PLC	2,544,411	116,274,076	2,602,175	118,665,998
Fixed deposits - Commercial Bank of Ceylon PLC	-	4,011,459	-	4,011,459
Fixed deposit - Hatton National Bank PLC	-	91,287,493	-	-
	<u>2,544,411</u>	<u>211,573,028</u>	<u>2,602,175</u>	<u>122,677,457</u>
<b>15. Stated Capital</b>				
<b>Issued and fully paid shares</b>				
	Value of a share	10	10	10
<b>Ordinary shares</b>	No. of shares	643,853,670	643,853,670	56,775,000
	Total value	<u>6,438,536,700</u>	<u>6,438,536,700</u>	<u>567,750,000</u>
<b>Redeemable preference shares *</b>	Value of a share	-	-	100
	No. of shares	-	-	58,707,867
	Total value*	-	-	<u>5,870,786,700</u>
<b>Total</b>		<u>6,438,536,700</u>	<u>6,438,536,700</u>	<u>6,438,536,700</u>

As per the agreement, the shares were zero rated redeemable shares at the point of issuance and redeemable at zero premium. The redemption of preference shares were to happen in seven years in 4 tranches starting from 4th year onwards. On 16 March 2020 company converted the preference shares into equity shares by issuing 587,078,670 ordinary shares. Accordingly as of 31 December 2020 such shares are included under ordinary shares.



	Company 31.12.2020 Rs.	Group 31.12.2020 Rs.	Company 31.12.2019 Rs.	Group 31.12.2019 Rs.
<b>16. Bottle Deposit Payable</b>				
Deposits against assets	37,109,967	149,279,417	33,589,887	143,766,013
Dealership deposits	1,300,000	26,483,579	1,300,000	27,225,737
	<u>38,409,967</u>	<u>175,762,996</u>	<u>34,889,887</u>	<u>170,991,749</u>
<b>17. Retirement Benefit Obligations</b>				
Balance at the beginning of the year	60,497,304	99,283,566	44,125,260	77,243,067
Current service cost	8,407,458	10,617,005	7,861,374	10,025,785
Interest charge for the year	6,430,863	10,553,843	5,295,031	9,269,168
	<u>75,335,625</u>	<u>120,454,414</u>	<u>57,281,665</u>	<u>96,538,020</u>
(Gains) / losses arising from changes in actuarial valuation	(4,104,826)	(4,941,332)	13,737,665	16,086,022
Present value of employees transferred	-	-	(863,339)	72,830
Payments during the year	(2,095,826)	(8,331,161)	(9,658,688)	(13,413,307)
Balance at the end of the year	<u>69,134,974</u>	<u>107,181,921</u>	<u>60,497,304</u>	<u>99,283,566</u>

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

Expected future salary increment	6%	6%	9%	9%
Discount rate	7.5%	7.5% & 6.75%	10.6%	10.6%
Staff turnover rate	3%	3%	3%	3%
Retirement age	55 Years	55 Years	55 Years	55 Years

**18. Lease creditors**

**Lease Liability - Nations Trust Bank-166473412**

Balance at the beginning of the year	-	-	3,469,473	3,469,473
Repayments during the year	-	-	(3,469,473)	(3,469,473)
Interest in suspense	-	-	-	-
Payable within one year	-	-	-	-
Payable after one year	-	-	-	-

**Lease Liability - Nations Trust Bank-166473519**

Balance at the beginning of the period	-	-	1,523,399	1,523,399
Repayments during the period	-	-	(1,523,399)	(1,523,399)
Interest in suspense	-	-	-	-
Payable within one year	-	-	-	-
Payable after one year	-	-	-	-

**19. Short Term Borrowings**

Commercial Bank of Ceylon PLC	100,540,883	103,657,733	205,704,490	386,908,532
	<u>100,540,883</u>	<u>103,657,733</u>	<u>205,704,490</u>	<u>386,908,532</u>

**20. Trade and Other Payables**

Trade payables	124,540,190	289,589,679	61,899,719	126,161,757
Stamp duty	37,100	67,700	58,175	99,525
Withholding tax payable	-	-	104,775	246,102
Excise duty	64,620,537	85,286,025	90,624,104	131,262,294
Accrued and other payables	32,564,773	94,013,497	40,101,374	77,110,648
Economic service charge payable	-	-	2,942,929	5,515,238
Other creditors	143,768,765	143,768,768	58,144,414	58,144,414



	Company 31.12.2020 Rs.	Group 31.12.2020 Rs.	Company 31.12.2019 Rs.	Group 31.12.2019 Rs.
<b>21. Bank Overdraft</b>				
Standard Chartered Bank-LKR A/C	58,037,504	58,984,552	23,228,152	23,228,152
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	49,740,257	93,293,985	26,587,885	135,012,020
	<u>107,777,760</u>	<u>152,278,537</u>	<u>74,158,089</u>	<u>182,582,224</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

#### 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 year, 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		Amount due to related parties	
	Company 31.12.2020 Rs.	Group 31.12.2020 Rs.	Company 31.12.2020 Rs.	Group 31.12.2020 Rs.
Ole Springs Bottlers (Pvt) Ltd - Subsidiary	1,780,017,252	-	-	-
Varun Beverages Ltd-Parent Company	-	-	8,432,509	15,496,491
Devyani Foods Industries(Kenya) Ltd	20,340,040	20,340,040	-	-
<b>Fellow Subsidiaries</b>				
Varun Beverages (Zambia) Limited	40,546,039	40,546,039	-	-
Lunarmech Technologies (Pvt) Ltd	-	-	942,873	942,873
	<u>1,840,903,332</u>	<u>60,886,079</u>	<u>9,375,382</u>	<u>16,439,364</u>

	Amount due from related		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
<b>Fellow Subsidiaries</b>				
Varun Beverages (Zambia) Limited	38,113,298	38,113,298	-	-
Lunarmech Technologies (Pvt) Ltd	-	-	5,975,660	5,975,660
	<u>1,874,278,591</u>	<u>38,113,298</u>	<u>8,252,398</u>	<u>8,252,398</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>	2020	2019
	Rs.	Rs.
<b>Ole Springs Bottlers (Pvt) Ltd-Subsidiary</b>		
Sale of finished goods	2,406,062,526	1,969,413,437
Purchase of raw materials	18,367,447	37,960,821
Payments/ settlements	2,068,440,000	1,851,146,600
Land lease expense	3,110,400	3,007,200
Discounts & other expenses	372,292,719	430,590,840
<b>Varun Beverages Ltd, India -Parent Company</b>		
Purchase of spare parts and raw materials	22,364,829	85,343,787
Sales	4,237,239	5,705,187
Export receipt	4,367,964	5,705,187
Software license fee	11,130,160	7,334,593
Payments/ settlements	27,789,135	96,482,484
<b>Varun Beverages Zambia Ltd-Fellow Subsidiary</b>		
Export sales	55,472,896	114,273,372
Payments received for export sales	53,059,844	120,490,345
Adjustment for damaged stocks	-	2,138,179
<b>Varun Beverages Zimbabwe (Pvt) Ltd-Fellow Subsidiary</b>		
Sales	20,379,984	27,295,172
Export receipt	20,379,984	27,295,172
<b>Lunarmech Technologies (Pvt) Ltd-Fellow Subsidiary</b>		
Purchase	50,007,112	35,105,337
Payments	55,958,579	29,424,792
<b>Devyani Food International (Pvt) Ltd - Fellow Subsidiary</b>		
Sales	20,617,767	-
Payments received for export sales	18,771,022	-
<b>Group</b>		
<b>Varun Beverages Ltd, India -Parent Company</b>		
Purchase of spare parts and raw materials	53,645,330	139,046,282
Sales	4,237,239	5,705,187
Export receipt	4,367,964	5,705,187
Software license fee	11,130,160	7,334,593
Payments/ settlements	52,005,655	171,302,077
<b>Varun Beverages Zambia Ltd-Fellow Subsidiary</b>		
Export sales	55,472,896	114,273,372
Payments received for export sales	53,059,844	120,490,345
Adjustment for damaged stocks	-	2,138,179
<b>Varun Beverages Zimbabwe (Pvt) Ltd-Fellow Subsidiary</b>		
Sales	20,379,984	27,295,172
Export receipt	20,379,984	27,295,172
<b>Lunarmech Technologies (Pvt) Ltd-Fellow Subsidiary</b>		
Purchase	55,427,028	35,105,337
Payments	61,378,495	29,424,792
<b>Devyani Food International (Pvt) Ltd</b>		
Sales	20,617,767	-
Payments received for export sales	18,771,022	-



**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:

	<b>Company Year Ended 31.12.2020 Rs.</b>	<b>Group Year Ended 31.12.2020 Rs.</b>	<b>Company Year Ended 31.12.2019 Rs.</b>	<b>Group Year Ended 31.12.2019 Rs.</b>
Directors emoluments	<u>18,778,552</u>	<u>32,790,760</u>	<u>16,958,455</u>	<u>26,125,756</u>
	<u>18,778,552</u>	<u>32,790,760</u>	<u>16,958,455</u>	<u>26,125,756</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 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/-

Estimated amount of the contracts remaining to be executed on capital commitments not provided for (net of advance) is Rs 3,068,111/-

Legal cases have been filed against the company and against the subsidiary Ole Spring Bottlers (Pvt) Ltd up to Rs. 1,741,000/- 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 and Impact of COVID 19**

**24.1 Impact of COVID 19**

The spread of COVID 19 has severely impacted the many economies and businesses are being forced to cease or limit their operations.

The duration and impact of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of the effect of this pandemic, as well as the impact on the financial position and results of the Company and Group for future periods.

However, based on management assessment the impact may not severely affect the business of the Company and Group.

**24.2 Events after the Reporting Period End**

There were no significant events after the balance sheet date which require adjustments to or disclosures in the financial statements.





**VARUN BEVERAGES LANKA (PRIVATE) LIMITED**

**DETAILED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**VARUN BEVERAGES LANKA (PRIVATE) LIMITED**  
**DETAIL NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Company Year Ended 31.12.2020 Rs.	Group Year Ended 31.12.2020 Rs.	Company Year Ended 31.12.2019 Rs.	Group Year Ended 31.12.2019 Rs.
<b>1. Administrative Expenses</b>				
Salaries - staff	31,429,697	54,129,393	39,346,980	57,057,669
Wages	1,314,344	2,065,904	1,201,115	1,785,193
Overtime	1,743,864	4,035,331	6,017,566	8,322,167
Allowances	-	1,497,756	-	1,025,765
Staff training expenses	-	20,000	-	-
Bonus	2,711,557	3,515,170	4,099,381	5,825,771
Compensation	-	771,344	-	-
Tea and flooding	-	2,583,011	-	1,367,959
Medical expenses	4,236,940	4,740,283	2,487,110	3,013,772
Terminal gratuity	1,059,784	1,958,109	1,317,695	2,020,549
Employees' Provident Fund	4,469,964	7,352,946	5,110,362	7,338,947
Employees' Trust Fund	1,117,488	1,838,233	1,322,114	1,879,261
Lease rental	2,880,000	-	2,880,000	-
Foreign travelling	547,500	787,534	1,300,474	9,699,442
External auditor's remuneration	1,611,301	2,683,330	1,878,274	2,863,405
Internal auditor's remuneration	1,558,259	1,558,259	2,159,062	2,159,062
Telephone	212,962	1,655,311	1,076,094	2,954,913
Printing and stationery	964,981	3,049,375	1,665,502	4,894,202
Postage and telegrams	-	133,029.42	-	154,355
Stamp duty	48,425	180,725	129,075	332,925
Repairs and maintenance - vehicles	-	9,480	-	371,612
Depreciation - Building	29,963,038	30,138,496	29,652,924	30,243,268
- Furniture and fittings	844,223	904,528	550,792	725,964
- Office equipment	2,985,355	3,448,414	2,844,816	3,385,993
- Motor vehicle	13,716,560	13,989,316	22,848,458	24,059,980
- Computer & Software	2,158,344	2,456,209	1,590,837	2,245,733
Computer maintenance	12,353,378	13,362,718	10,370,418	11,300,818
Fees and penalties	-	12,650	-	1,730,708
Motor vehicle insurance	18,090	353,090	-	582,243
Staff welfare	3,930,609	4,188,329	6,127,270	7,215,050
Rent and accommodation charges	3,557,771	3,557,771	8,117,145	9,719,195
Courier charges	915,212	915,212	27,389	27,389
Staff recruitment	306,420	306,420	321,880	321,880
Subscriptions and periodicals	1,644,505	1,971,284	1,495,654	2,250,742
Electricity charges	899,083	1,237,656	1,277,504	1,502,418
Staff insurance	3,484,879	3,484,879	3,043,345	3,043,345
Other allowance to staff	6,341,375	6,341,375	6,891,640	6,891,640
Legal and professional charges	3,867,163	7,425,137	4,416,754	7,461,491
Travelling and transport	541,390	1,564,851	1,156,570	2,405,037
Other taxes	76,462	362,379	1,359,517	1,986,018
Sundry balances written off	2,338,930	2,338,930	51,761	51,761
Water	36,979	86,260	53,468	70,703
Fuel	-	2,131,688	-	1,195,912
	<u>145,886,830</u>	<u>195,142,114</u>	<u>174,188,948</u>	<u>231,484,256</u>





	Company Year Ended 31.12.2020 Rs.	Group Year Ended 31.12.2020 Rs.	Company Year Ended 31.12.2019 Rs.	Group Year Ended 31.12.2019 Rs.
<b>2. Selling and distribution expenses</b>				
Salaries - staff	121,029,569	129,868,987	116,139,719	126,206,459
Wages	10,329,188	36,748,172	10,956,722	47,651,457
Overtime	8,562,160	21,179,151	12,199,277	29,220,955
Bonus	11,170,097	11,797,606	14,411,081	15,392,359
Employees' Provident Fund	19,070,723	20,333,139	17,678,636	18,774,411
Employees' Trust Fund	4,767,677	5,083,281	4,431,231	4,760,334
Medical expenses	5,611,732	5,830,354	6,777,823	7,208,201
Conference and meeting expenses	286,212	301,937	868,513	868,513
Terminal gratuity	4,081,020	4,430,834	3,889,416	4,288,917
Telephone	2,323,322	2,323,322	7,593,453	7,593,453
Printing and stationery	998,473	998,473	2,723,079	2,723,079
Sales promotion and discounts	397,064,808	584,277,282	375,831,922	488,708,734
Leakage and breakages	9,230,769	25,270,195	-	15,924,190
Meals expenses	14,043,403	17,322,915	12,733,788	14,798,228
Other allowance to staff	42,247,754	43,814,483	43,632,536	44,804,615
Staff Incentive	43,735,240	44,572,740	37,958,597	38,365,882
Rent and accommodation expenses	6,682,625	9,192,625	5,879,620	7,144,620
Staff welfare	3,078,166	3,094,801	3,676,688	3,699,555
Travelling expenses	5,981,208	6,016,017	10,796,789	11,041,135
Transport expenses	84,704,088	110,279,646	73,390,708	106,819,363
Foreign travelling	2,093,488	2,093,488	1,134,959	1,134,959
Vehicle maintenance expenses	24,980,703	29,780,147	31,254,309	45,189,832
Motor vehicle fuel	18,985,699	29,894,622	19,888,654	28,231,815
Staff recruitment charges	-	-	67,500	67,500
Export handling charges	18,491,313	18,548,551	24,398,707	24,448,533
Contract outlet expenses	35,334,206	35,498,653	24,514,131	33,062,777
Bad debt/Impairment	3,951,726	57,612,559	44,506,958	128,005,971
Depreciation - trade equipment	42,177,607	85,892,303	61,483,064	100,808,772
Trade equipment maintenance	7,149,298	14,976,140	4,564,824	7,436,301
	<u>948,162,275</u>	<u>1,357,032,424</u>	<u>973,382,706</u>	<u>1,364,380,919</u>



**OLE SPRINGS BOTTLERS (PRIVATE)  
LIMITED**

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

**FOR THE YEAR ENDED  
31 DECEMBER 2020**



## **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 31 December 2020, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year 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 2020, and of its financial performance and its cash flows for the year ended in accordance with Sri Lanka Accounting Standard 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 Standard for Small and Medium-sized Entities (SLFRS for SME), 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.

*SJMS Associates*

**SJMS ASSOCIATES**

Chartered Accountants

Colombo

29 January 2021





**OLE SPRINGS BOTTLERS (PVT) LTD**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Notes	Year ended 31.12.2020 Rs.	Year ended 31.12.2019 Rs.
Revenue		3,525,765,444	3,254,782,111
Cost of sales		<u>(2,755,791,709)</u>	<u>(2,476,569,717)</u>
Gross profit		769,973,736	778,212,394
Other income	4	27,554,545	27,883,455
Administrative expenses		(52,135,284)	(60,175,308)
Selling and distribution expenses		(408,870,149)	(390,998,215)
Profit from operations	5	<u>336,522,848</u>	<u>354,922,325</u>
Finance and other costs	6	(122,199,269)	(87,460,112)
Profit before tax		<u>214,323,580</u>	<u>267,462,214</u>
Income tax	7	(53,836,232)	(12,590,977)
<b>Profit for the year</b>		<u>160,487,348</u>	<u>254,871,237</u>
<b>Other comprehensive income / (expenses)</b>			
<i>(Other comprehensive income will not be reclassified subsequently to profit or loss)</i>			
Actuarial gain / (loss) on employee benefit obligations		836,506	(2,348,357)
Deferred tax on actuarial gain/loss		(234,222)	657,540
<b>Total comprehensive income for the year</b>		<u><u>161,089,632</u></u>	<u><u>253,180,420</u></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 31 DECEMBER 2020**

	Notes	31.12.2020 Rs.	31.12.2019 Rs.
<b>Assets</b>			
<b>Non current assets</b>			
Property, plant and equipment	8	1,576,367,030	1,736,373,130
Investment property	9	378,000,000	378,000,000
Capital work-in progress	8.2	-	1,229,281
		1,954,367,030	2,115,602,411
<b>Current assets</b>			
Inventories	10	315,842,852	173,647,855
Trade and other receivables	11	321,847,207	372,117,277
Deposits and prepayments	12	12,397,784	19,442,850
Fixed deposits with banks	13	209,028,617	120,075,282
Cash and cash equivalents		14,724,638	9,531,250
		873,841,097	694,814,513
<b>Total assets</b>		2,828,208,128	2,810,416,924
<b>Equity and liabilities</b>			
Stated capital	14	802,872,070	802,872,070
Accumulated losses		(305,622,532)	(466,712,164)
		497,249,538	336,159,906
<b>Non current liabilities</b>			
Deposits payable	15	137,353,029	136,101,861
Retirement benefit obligations	16	38,046,947	38,786,262
Deferred tax liability	7.2	70,473,562	16,403,109
		245,873,539	191,291,232
<b>Current liabilities</b>			
Borrowings	17	3,116,850	181,204,042
Trade and other payables	18	250,386,190	157,172,318
Amounts due to related parties	20	1,787,081,234	1,836,165,292
Bank overdrafts	19	44,500,777	108,424,135
<b>Total current liabilities</b>		2,085,085,051	2,282,965,786
<b>Total equity and liabilities</b>		2,828,208,128	2,810,416,924

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

.....  
Finance Officer

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

.....  
Director

29 January 2021



.....  
Director

29 January 2021



**OLE SPRINGS BOTTLERS (PVT) LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Stated capital Rs.	Accumulated losses Rs.	Total Rs.
<b>Balance as at 01.01.2019</b>	978,416,450	(483,828,773)	494,587,677
Redemption of preference shares	(175,544,380)	-	(175,544,380)
<b>Total comprehensive income for the year</b>			
Profit for the year	-	254,871,237	254,871,237
Other comprehensive expense for the year	-	(1,690,817)	(1,690,817)
Deferred tax adjustment of revalued gain on land	-	(236,063,811)	(236,063,811)
<b>Balance as at 31.12.2019</b>	802,872,070	(466,712,165)	336,159,905
<b>Total comprehensive income for the period</b>			
Profit for the year	-	160,487,348	160,487,348
Other comprehensive income for the year	-	602,284	602,284
<b>Balance as at 31.12.2020</b>	802,872,070	(305,622,532)	497,249,538

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 31 DECEMBER 2020**

	Note	Year Ended 31.12.2020 Rs.	Year Ended 31.12.2019 Rs.
<b>Cash flows from operating activities</b>			
Operating profit before interest and taxation		214,323,580	267,462,214
<i>Adjustments for:</i>			
Interest			
Depreciation	8	181,507,396	179,922,042
Profit on disposal of property, plant and equipment		-	(1,482,624)
ESC Write off	6	61,221,747	17,516,645
Assets scrapped	6	24,993,566	18505898.67
Breakages	6	7,024,723	17027714.2
Bad debt write off		1,132,397	895874.24
Allowance for impairment of trade receivables		52,528,436	82,603,139
Provision for gratuity	16	6,332,527	7,074,717
Operating profit before working capital changes		<u>549,064,372</u>	<u>589,525,620</u>
Increase in inventories		(149,219,721)	(54,897,917)
(Increase) / decrease in trade and other receivables		(64,612,509)	450,395,731
Decrease in deposits and prepayments		7,045,066	4,607,981
Increase / (decrease) in trade and other payables		94,465,041	(213,637,717)
Decrease in amounts due to related parties		(49,084,058)	(374,409,122)
Cash generated from operations		<u>387,658,190</u>	<u>401,584,576</u>
Income tax paid	7.1	-	(5,682,182)
Gratuity paid	16	(6,235,336)	(3,754,619)
Cash flows from operating activities		<u>381,422,854</u>	<u>392,147,775</u>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	8	(45,265,582)	(137,008,537)
Fixed deposit with bank		(88,953,335)	(103,003,000)
Expenditure on capital working progress		-	(1,229,281)
Proceeds on sale of property, plant and equipment	8.2	-	5,875,000
Net cash flows utilized in investing activities		<u>(134,218,917)</u>	<u>(235,365,818)</u>
<b>Cash flows from financing activities</b>			
Preference share redemption		-	(175,544,379)
Net movement in borrowings		(178,087,192)	(16,168,668)
Net cash flows utilized in financing activities		<u>(178,087,192)</u>	<u>(191,713,047)</u>
Net increase in cash and cash equivalents		69,116,745	(34,931,090)
Cash and cash equivalents at the beginning of the year		(98,892,885)	(63,961,795)
Cash and cash equivalents at the end of the year		<u>(29,776,138)</u>	<u>(98,892,885)</u>
<b>Analysis of cash and cash equivalents at the end of the year</b>			
Cash in hand and cash at bank		14,724,638	9,531,250
Bank overdraft		(44,500,777)	(108,424,135)
		<u>(29,776,138)</u>	<u>(98,892,885)</u>





**OLE SPRINGS BOTTLERS (PVT) LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**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 and purified drinking water.

**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 Corporation Ltd. Intermediate parent and ultimate parent 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 29 January 2021.

**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 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 year presentation. The current year figures cannot be directly compared with comparative figures in relation to Statetement of changes in equity due to the difference in reporting periods.

**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 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 Interest income**

Interest income is recognized on an 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 Rent income and other revenues**

Rent income and other revenues are 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 year.

### **2.5 Leases**

Leases are classified as finance leases 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 leases.

Rights to assets held under finance leases 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 Borrowing cost**

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

### **2.7. 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.



## 2.8 Stated capital

### 2.8.1 Ordinary shares

Ordinary shares are classified as equity.

## 2.9 Tangible assets

### 2.9.1 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 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 year 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.

### 2.9.2 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.

### 2.9.3 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.

### 2.9.4 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.



**2.9.4 Impairment of non-financial assets – (Contd..)**

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

**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.

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.

**3.2.1 Defined benefit plan – Gratuity**

The cost of the defined benefit plan, the gratuity obligation, is determined using the projected unit credit method which involves making assumptions regarding discount rates and future salary increases. Due to the long-term nature of these plans, such estimates are subject to uncertainty. All assumptions are reviewed at each reporting date.

**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.

**3.3 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



### **3.4 Judgments and Key Sources of Estimation Uncertainty**

The preparation of the company's financial statements require management to make judgments, estimates and assumptions that effect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities at the reporting date. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised or in the period of revision and future periods, only if the revision affects both current and future periods.

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 year are disclosed below.

#### **a) Defined benefit plans**

The carrying value of defined benefit plans is determined using a formula which considers the actuarial assumption. This involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, etc. Due to the complexity of the valuation, the underlying assumptions and their long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The assumptions used in the valuation and sensitivities there on are disclosed in note 16.





	2020 Rs.	2019 Rs.
<b>4. Other income</b>		
Scrap sales	12,273,685	7,888,886
Rent income	2,880,000	2,880,000
Profit on sales of fixed asset	-	1,482,624
Exchange gain	-	2,184,849
Interest income	12,400,860	13,447,097
	<u>27,554,545</u>	<u>27,883,455</u>
<b>5. Profit before tax is stated after charging all expenses including the following:</b>		
Personnel cost	55,832,848	54,539,413
Defined contribution plan costs - EPF &ETF	8,749,183	8,259,256
Provision for gratuity	2,209,547	2,164,411
Bonus	3,895,275	5,316,353
Depreciation	181,507,396	179,922,042
Auditor's fees - Audit related	1,072,029	985,131
<b>6. Finance and other costs</b>		
Bank overdraft interest	4,443,950	7,361,011
Bank charges	2,059,044	1,166,233
Exchange loss	7,812,110	-
Unclaimable ESC	61,221,747	17,516,645
Assets scrapped	24,993,566	18,505,899
Breakages	7,024,723	17,027,714
Loan interest	10,521,149	21,908,473
Interest charge on gratuity	4,122,980	3,974,137
	<u>122,199,269</u>	<u>87,460,111</u>
	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>Rs.</b>	<b>Rs.</b>
<b>7. Taxation</b>		
<b>7.1 Income tax expense / (benefit)</b>		
Deferred tax expense / (benefit)	54,070,453	6,251,255
Deferred tax charge against other comprehensive income	(234,222)	657,540
Income tax- previous year	-	5,682,182
	<u>53,836,232</u>	<u>12,590,977</u>
<b>7.2 Reconciliation of the total tax charge</b>		

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

	2020 Rs.	2019 Rs.
Accounting profit / (loss) as per income tax computation	214,323,580	267,462,214
Tax at the applicable tax rate of 28%		-
Allowable credits	(82,052,310)	(258,492,511)
Non - deductible expenses	314,481,379	308,526,106
Interest income - Gross	12,400,860	13,447,097
Tax loss claimed	(459,153,509)	(330,942,906)
Taxable profit for the year of assessment	<u>-</u>	<u>-</u>
Tax expense at 28%	<u>-</u>	<u>-</u>



	Property, plant & equipment Rs.	Impairment of trade Rs.	Retirement benefit obligation Rs.	Unused tax losses Rs.	Total Rs.
<b>7.3 Deferred tax</b>					
Balance as at 1 January 2019	(253,594,374)	-	12,642,524	466,863,807	225,911,957
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 December 2019	<u>(484,551,180)</u>	<u>-</u>	<u>10,860,153</u>	<u>457,287,918</u>	<u>(16,403,109)</u>
Recognized in profit or loss	36,274,455	38,299,024	(207,008)	(128,436,925)	(54,070,453)
Balance as at 31 December 2020	<u>(448,276,725)</u>	<u>38,299,024</u>	<u>10,653,145</u>	<u>328,850,993</u>	<u>(70,473,562)</u>

Deferred tax has been calculated at the rate of 28% which is the future tax rate applicable to the entity and substantially enacted as of the year end.





	31.12.2020 Rs.	31.12.2019 Rs.
<b>8. Property, plant and equipment</b>		
Freehold property, plant and equipment (Note 8.1)	1,576,367,030	1,736,373,130
	<u>1,576,367,030</u>	<u>1,736,373,130</u>

**8.1 Freehold property, plant and equipment**

Cost	Balance as at 01.01.2020 Rs.	Additions/ transfers Rs.	Disposals/ write off Rs.	Balance as at 31.12.2020 Rs.
Land	594,314,280	-	-	594,314,280
Buildings	144,027,196	-	-	144,027,196
Plant and machinery	481,383,810	2,162,196	-	483,546,006
Office equipment	2,443,353	634,337	-	3,077,690
Furniture & fittings	4,754,016	27,958	-	4,781,974
Computers	4,616,996	55,000	-	4,671,996
Trade equipment	347,897,747	2,949,314	-	350,847,061
Motor vehicles	29,577,550	-	-	29,577,550
Bottles and crates	1,063,027,956	40,666,058	(43,654,912)	1,060,039,101
<b>Total</b>	<u>2,672,042,904</u>	<u>46,494,863</u>	<u>(43,654,912)</u>	<u>2,674,882,855</u>

Accumulated depreciation	Balance as at 01.01.2020 Rs.	Depreciation charged Rs.	Disposals/ write off Rs.	Balance as at 31.12.2020 Rs.
Buildings	53,201,510	3,768,189	-	56,969,699
Plant and machinery	174,813,016	23,034,603	-	197,847,619
Office equipment	1,611,408	514,509	-	2,125,917
Furniture and fittings	4,171,588	134,011	-	4,305,599
Computers	3,851,490	478,093	-	4,329,583
Trade equipment	105,843,005	43,714,696	-	149,557,701
Motor vehicles	24,043,334	1,215,564	-	25,258,897
Bottles and crates	568,134,424	108,647,731	(18,661,346)	658,120,810
<b>Total</b>	<u>935,669,774</u>	<u>181,507,396</u>	<u>(18,661,346)</u>	<u>1,098,515,825</u>

<b>Net book value</b>	<u>1,736,373,130</u>			<u>1,576,367,030</u>
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**8.2 Capital work-in-progress**

	Balance as at 01.01.2020 Rs.	Additions Rs.	Transfers Rs.	Balance as at 31.12.2020 Rs.
Plant and machinery	1,229,281	572,729	(1,802,010)	-
	<u>1,229,281</u>	<u>572,729</u>	<u>(1,802,010)</u>	<u>-</u>



	2020 Rs.	2019 Rs.
<b>9. Investment property</b>		
Land	378,000,000	378,000,000
<b>10. Inventories</b>		
Finished goods	73,542,193	28,942,127
Raw materials	186,468,676	93,659,605
Chemicals and fuel	10,342,809	7,814,350
Spare parts	45,489,174	43,231,772
	<u>315,842,852</u>	<u>173,647,855</u>
<b>11. Trade and other receivables</b>		
Trade debtors	434,593,180	371,507,378
Less: Impairment of trade debtors	(136,782,230)	(84,253,794)
	<u>297,810,950</u>	<u>287,253,584</u>
Other receivables	8,378,028	7,884,027
Receivable from CGIR - ESC & Advance tax payment	15,307,692	76,551,147
Staff loans and festival advances	350,536	428,519
	<u>321,847,207</u>	<u>372,117,277</u>
<b>12. Deposits and prepayments</b>		
Security deposits and prepayments	12,397,784	19,442,850
	<u>12,397,784</u>	<u>19,442,850</u>
<b>13. Fixed deposits with bank</b>		
Fixed deposit - Commercial Bank of Ceylon PLC	4,011,459	4,011,459
Fixed deposit - Nations Trust Bank PLC	113,729,665	116,063,823
Fixed deposit - Hatton National Bank PLC	91,287,493	-
	<u>209,028,617</u>	<u>120,075,282</u>
	<i>No. of shares</i>	
<b>14. Stated capital</b>		
Fully paid ordinary shares	126	1,260
Fully paid Class "A" ordinary shares	80,287,081	802,870,810
		<u>802,872,070</u>
<b>15. Deposit payables</b>		
Deposits against assets	112,169,450	110,176,126
Dealership deposits	25,183,579	25,925,735
	<u>137,353,029</u>	<u>136,101,861</u>



	2020 Rs.	2019 Rs.
<b>16. Retirement benefit obligations</b>		
Balance at the beginning of the year	38,786,262	33,117,807
Gratuity charge for the year	2,209,547	2,164,411
Present value of employee transferred	-	936,169
Interest charge for the year	4,122,980	3,974,137
Payments made during the year	(6,235,336)	(3,754,619)
Actuarial (gain) / loss	(836,506)	2,348,357
Balance at the end of the year	<u>38,046,947</u>	<u>38,786,262</u>

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

Expected future salary increment	6%	9%
Discount rate	6.75%	10.63%
Retirement age	55 years	55 years
Employee turnover ratio	3%	3%

**17. Borrowings**

Commercial Bank of ceylon PLC	<u>3,116,850</u>	<u>181,204,042</u>
	<u>3,116,850</u>	<u>181,204,042</u>

**17.1 Securities pledged for short term loans and bank overdrafts**

**Name of the bank and nature of the security**

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.
Standard Chartered Bank	Primary concurrent mortgage over stock and receivable for Rs 450Mn, Located at No 140, Low Level Road, Embulgama Ranala.

	2020 Rs.	2019 Rs.
<b>18. Trade and other payables</b>		
Trade payables	165,049,489	64,262,038
Stamp duty	30,600	41,350
Excise duty	20,665,489	40,638,189
Economic Service Charge	-	2,572,309
Value Added Tax	3,191,896	12,507,833
Withholding Tax	-	141,327
Accrued and other payables	61,448,716	37,009,279
	<u>250,386,190</u>	<u>157,172,318</u>
<b>19. Bank overdraft</b>	<u>44,500,777</u>	<u>108,424,135</u>



Securities pledged for overdraft facilities have been disclosed in note 17.1.



## 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.

	31.12.2020 Rs.	31.12.2019 Rs.
<b>20.2 Amount due to related parties</b>		
Varun Beverages Lanka (Pvt) Ltd (Parent)	1,780,017,253	1,836,165,292
Varun Beverages Ltd India (Intermediate parent)	7,063,981	-
	<u>1,787,081,234</u>	<u>1,836,165,292</u>

### 20.3 The company entered into the following transactions with the related parties on agreed commercial term basis.

	31.12.2020 Rs.	31.12.2019 Rs.
<b>Varun Beverages Lanka (Pvt) Ltd (Parent)</b>		
Purchase of goods	2,406,062,526	1,969,413,437
Sale of raw materials	18,367,447	37,960,821
Settlements / payment	2,068,440,000	1,851,146,600
Discounts and expenses reimbursements	372,292,719	430,590,840
Land lease income	3,110,400	3,007,200
<b>Varun Beverages Ltd - India (Intermediate Parent)</b>		
Purchase of finished goods and raw materials	31,280,501	53,702,495
Settlements	24,216,520	74,819,593
<b>Lunarmech Technologies (Pvt) Ltd. (Affiliate)</b>		
Purchase goods	5,419,916	-
Settlements	5,419,916	-

### 20.4 Remuneration to key management personnel

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

Compensation paid to key management personnel during the year is Rs. 14,012,208/= (Year ended 31 December 2019 Rs. 9,167,301/=).



**21. Capital commitments and contingencies**

There were no any capital commitments as at the reporting date.

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

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.

**22. Events after the Reporting Period End and Impact of COVID 19**

**22.1 Events after the reporting period end**

There were no significant events after the balance sheet date which require adjustments to or disclosures in the financial statements.

**22.2 Impact of COVID 19**

The spread of COVID 19 has severely impacted the many economies and businesses are being forced to cease or limit their operations.

The duration and impact of the COVID-19 pandemic remains unclear at this time. It is not possible to reliably estimate the duration and severity of the effect of this pandemic, as well as the impact on the financial position and results of the Company for future periods.

However, based on management assessment the impact may not severely affect the business of the company.



**OLE SPRINGS BOTTLERS (PRIVATE) LIMITED**

**DETAILED NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**



**OLE SPRINGS BOTTLERS (PVT) LTD**  
**DETAILED NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	2020 Rs.	2019 Rs.
<b>1. Revenue</b>		
Local sales	3,820,541,277	3,645,553,873
Export sales	2,726,677	1,933,944
Trade discounts	(147,858,678)	(133,793,697)
	<u>3,675,409,276</u>	<u>3,513,694,119</u>
Nation Building Tax	-	(43,523,087)
Excise duty	(149,643,831)	(215,388,922)
	<u>3,525,765,444</u>	<u>3,254,782,111</u>
<b>2. Cost of sales</b>		
Finished goods at the beginning of the year	28,942,127	26,720,339
Finished goods purchase during the year	2,158,839,395	1,746,525,519
Factory cost transferred ( <i>Schedule 2.1</i> )	641,552,380	732,265,986
	<u>2,829,333,901</u>	<u>2,505,511,844</u>
Finished goods at the end of the year	(73,542,193)	(28,942,127)
	<u>2,755,791,709</u>	<u>2,476,569,717</u>
<b>2.1 Cost of finished goods manufactured</b>		
Raw materials at the beginning of the year	93,659,605	59,421,167
Raw materials purchase during the year	453,339,859	471,029,750
Raw materials at the end of the year	(186,468,676)	(93,659,605)
Raw materials consumed during the year	360,530,788	436,791,312
Production overheads ( <i>Schedule 2.2</i> )	281,021,592	295,474,674
	<u>641,552,380</u>	<u>732,265,986</u>



	2020 Rs.	2019 Rs.
<b>2.2 Production overheads</b>		
Salaries	24,293,734	26,761,984
Wages	14,270,711	14,053,803
Overtime	12,465,491	8,503,241
Bonus	2,464,153	2,608,685
Allowance	158,251	657,733
Employees' Provident Fund	2,853,949	3,238,917
Employees' Trust Fund	713,487	809,729
Staff welfare	81,964	2,814,549
Medical	252,751	383,876
Terminal gratuity	961,408	1,062,056
Fuel	712,871	4,230,696
Chemicals	15,420,151	23,181,340
Lab consumables	797,340	2,366,472
Staff uniforms	2,885,042	2,027,792
Electricity	26,504,332	21,011,126
Telephone	1,183,882	899,522
General insurance	1,638,208	1,350,856
Security charges	7,164,256	7,575,001
Motor vehicle fuel	67,988	186,129
Depreciation - Factory building	3,592,731	3,160,620
- Plant and machinery	23,034,603	23,063,265
- Office equipment	51,451	19,141
- Furniture and fittings	73,706	327,264
- Motor vehicles and forklift	942,807	605,498
- Computers	180,228	327,447
- Bottles and crates	108,647,731	109,919,987
Building repairs and maintenance	5,916,847	8,209,574
Equipment maintenance	23,641,037	25,549,159
Loading charges	50,483	569,212
	<u>281,021,592</u>	<u>295,474,674</u>



	2020 Rs.	2019 Rs.
<b>3. Administrative expenses</b>		
Salaries - staff	22,699,696	17,710,689
Wages	751,560	584,078
Overtime	2,291,467	2,304,601
Staff training expenses	20,000	32,780
Allowance	1,497,756	1,025,765
Bonus	803,613	1,726,390
Employees' Provident Fund	2,882,982	2,228,585
Employees' Trust Fund	720,746	557,147
Medical	503,343	526,662
Staff welfare	257,720	1,055,000
Terminal gratuity	898,325	702,853
Tea and food	2,583,011	1,367,959
Compensation	771,344	-
External auditor's remuneration	1,072,029	985,131
Electricity	338,572	224,914
Telephone	1,442,349	1,878,818
Printing and stationery	2,084,394	3,228,700
Postage and telegrams	133,029	154,355
Stamp duty	132,300	203,850
Depreciation - Building	175,458	590,344
- Furniture and fittings	60,305	175,172
- Office equipment	463,058	541,176
- Motor vehicle	272,756	1,211,522
- Computer	297,865	654,896
Computer maintenance	1,009,340	930,400
Fees and penalties	12,650	1,730,708
Motor vehicle insurance	335,000	582,243
Rent	-	1,602,050
Foreign travelling	240,034	8,398,968
Consultancy fees	2,831,474	1,803,237
Legal fees	726,500	1,241,500
Subscriptions and periodicals	326,779	755,088
Water	49,281	17,235
Motor vehicle maintenance and repairs	9,480	371,612
Motor vehicle fuel	2,131,688	1,195,912
Other tax	285,917	626,501
Travelling and transport	1,023,461	1,248,467
	<u>52,135,284</u>	<u>60,175,308</u>





	2020 Rs.	2019 Rs.
<b>4. Selling and distribution expenses</b>		
Salaries - staff	8,839,418	10,066,740
Wages	26,418,984	36,694,735
Staff welfare	16,635	22,867
Allowance	1,566,729	1,172,079
Overtime	12,616,991	17,021,677
Bonus	627,509	981,278
Staff incentives	837,500	407,285
Employees' Provident Fund	1,262,415	1,095,775
Employees' Trust Fund	315,604	329,103
Terminal gratuity	349,814	399,501
Medical	218,622	430,378
Motor vehicle fuel	10,908,923	8,343,161
Freight expenses	57,238	49,826
Tea and food	3,279,512	2,064,440
Discount and claims	187,212,474	112,876,812
Rent expenses	2,510,000	1,265,000
Conferences and meetings expenses	15,725	-
Leakage breakage	16,039,426	15,924,190
Bad debt write off	1,132,397	895,874
Allowance for impairment of trade receivables	52,528,436	82,603,139
Motor vehicle maintenance and repairs	4,799,444	13,935,522
Transport charges	25,575,558	33,428,654
Contract outlet expenses	164,447	8,548,646
Trade equipment maintenance	7,826,842	2,871,478
Travelling	34,809	244,345
Depreciation - trade equipment	43,714,696	39,325,709
	<u>408,870,149</u>	<u>390,998,215</u>



	AS at 31.12.2020 Rs.	AS at 31.12.2019 Rs.
<b>5. Cash at bank and cash in hand</b>		
<b>Cash at bank</b>		
Margin money Commercial Bank of Ceylon	177,000	1,668,650
People's Bank - Hanwella	2,309,979	1,737,163
Hatton National Bank - Kaduwela	11,265,709	4,242,201
Standard Chartered Bank - Fort Branch 3	-	506,461
Nations Trust Bank PLC	247,886	493,874
People's Bank - International	26,184	28,434
Cash in hand	697,880	854,467
	<u>14,724,638</u>	<u>9,531,250</u>
<b>6. Bank overdrafts</b>		
Standard Chartered Bank - Fort Branch 3	947,048	-
Commercial Bank of Ceylon	43,553,728	108,424,135
	<u>44,500,777</u>	<u>108,424,135</u>
<b>7. Accrued and other payables</b>		
Electricity	2,349,832	-
Other payables	57,593,546	35,288,894
Auditor's remuneration	413,438	350,000
Telephone payable	20,000	133,000
Transport	871,900	1,087,385
Staff incentive	200,000	150,000
	<u>61,448,716</u>	<u>37,009,279</u>



**VARUN  
BEVERAGES  
MOROCCO S.A**

**GENERAL REPORT OF  
AUDIT  
For the year ended 31  
December 2020**



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

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**VARUN BEVERAGES MOROCCO S.A**  
**Bouskoura Casablanca**

<p style="text-align: center;"><b>GENERAL REPORT OF AUDIT</b> <b>For the year ended 31 December 2020</b></p>
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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 2020. These financial statements show an amount of equity to 290.224.892,16 MAD and include a loss of -19.088.753,37 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 2020 in accordance with accounting standards admitted in Morocco.



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

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### **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 23, 2021**

M. Ahmed CHAHBI  
EXPERT COMPTABLE DPLE  
421, Bd Abdelmoumen 4<sup>ème</sup> étage N° 16  
CASABLANCA



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

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**VARUN  
BEVERAGES  
MOROCCO S.A**

**FINANCIAL STATEMENTS**  
**For the year ended 31**  
**December 2020**



Tableau n°1

**BILAN (ACTIF)**

Société VARUN BEVERAGES MOROCCO S.A

EXERCICE CLOS LE 31/12/2020

	ACTIF	EXERCICE			Net 31/12/2019
		Brut	Amortissements et Provisions	Net 31/12/2020	
	<b>IMMOBILISATION EN NON VALEUR (a)</b>	<b>4 930 079,38</b>	<b>2 629 905,12</b>	<b>2 300 174,26</b>	<b>3 286 190,14</b>
	Frais préliminaires				
	Charges à répartir sur plusieurs exercices	4 930 079,38	2 629 905,12	2 300 174,26	3 286 190,14
	Primes de remboursement des obligations		-		
	<b>IMMOBILISATIONS INCORPORELLES (b)</b>	<b>35 941,00</b>	<b>32 934,26</b>	<b>3 006,74</b>	<b>9 117,77</b>
	Immobilisations en recherche et développement				
	Brevets, marques, droits et valeurs similaires	35 941,00	32 934,26	3 006,74	9 117,77
	Fonds commercial				
	Autres immobilisations incorporelles		-		
	<b>IMMOBILISATIONS CORPORELLES (c)</b>	<b>651 077 730,08</b>	<b>266 963 319,86</b>	<b>384 114 410,22</b>	<b>395 626 100,10</b>
	Terrains	53 561 350,00		53 561 350,00	53 561 350,00
	Constructions	64 030 120,58	21 923 789,34	42 106 331,24	43 733 019,01
	Installations techniques, matériel et outillage	502 748 104,01	224 515 285,24	278 232 818,77	291 152 921,71
	Matériel de transport	19 241 555,46	16 549 252,13	2 692 303,33	4 854 416,21
	Mobiliers, matériel de bureau et aménagements divers	6 437 212,24	3 974 993,15	2 462 219,09	2 324 393,17
	Autres immobilisations corporelles				
	Immobilisations corporelles en cours	5 059 387,79		5 059 387,79	
	<b>IMMOBILISATIONS FINANCIERES (d)</b>	<b>2 139 412,28</b>		<b>2 139 412,28</b>	<b>1 958 522,28</b>
	Prêts immobilisés				
	Autres créances financières	2 139 412,28		2 139 412,28	1 958 522,28
	Titres de participation		-		
	Autres titres immobilisés				
	<b>ECARTS DE CONVERSION - ACTIF (e)</b>				<b>25 798 261,43</b>
	Diminution des créances immobilisées				
	Augmentation des dettes de finance				25 798 261,43
	<b>TOTAL I ( a+b+c+d+e)</b>	<b>658 183 162,74</b>	<b>269 626 159,24</b>	<b>388 557 003,50</b>	<b>426 678 191,72</b>
	<b>STOCKS (f)</b>	<b>64 342 248,52</b>		<b>64 342 248,52</b>	<b>68 947 716,58</b>
	Marchandises	3 957 691,84		3 957 691,84	10 109 503,50
	Matières et fournitures consommables	38 223 692	-	38 223 692,13	41 001 461,88
	Produits en cours				
	Produits interm. et produits resid.				
	Produits finis	22 160 865		22 160 865	17 836 751
	<b>CREANCES DE L'ACTIF CIRCULANT (g)</b>	<b>116 917 461,81</b>	<b>7 473 481,29</b>	<b>109 443 980,52</b>	<b>110 577 636,93</b>
	Fournis. débiteurs, avances et acomptes	8 165 201,03		8 165 201,03	1 041 014,02
	Clients et comptes rattachés	79 289 009,01	7 473 481,29	71 815 527,72	82 496 445,60
	Personnel	918 773,31		918 773,31	873 708,46
	Etat	10 783 443,17		10 783 443,17	8 579 440,78
	Comptes d'associés				
	Autres débiteurs	1 127,18		1 127,18	7 482,56
	Compte de régularisation actif	17 759 908,11		17 759 908,11	17 579 545,51
	<b>TITRES ET VALEUR DE PLACEMENT (h)</b>				
	<b>ECART DE CONVERSION - ACTIF (i)</b>	<b>214 017,59</b>		<b>214 017,59</b>	<b>461 222,09</b>
	(Eléments circulants )				
	<b>TOTAL II ( f+g+h+i)</b>	<b>181 473 727,92</b>	<b>7 473 481,29</b>	<b>174 000 246,63</b>	<b>179 986 575,60</b>
	<b>TRESORERIE - ACTIF</b>	<b>4 156 251,19</b>		<b>4 156 251,19</b>	<b>2 992 531,74</b>
	Chèques et valeurs à encaisser	3 163 967,46		3 163 967,46	2 477 509,76
	Banques, T.G & CP	958 359,92		958 359,92	465 202,43
	Caisses, régies d'avances et accreditifs	33 924		33 923,81	49 819,55
	<b>TOTAL III</b>	<b>4 156 251,19</b>		<b>4 156 251,19</b>	<b>2 992 531,74</b>
	<b>TOTAL GENERAL I+II+III</b>	<b>843 813 141,85</b>	<b>277 099 640,53</b>	<b>566 713 501,32</b>	<b>609 657 299,06</b>

Tableau n°1

**BILAN ( PASSIF )**

Société VARUN BEVERAGES MOROCCO S.A

EXERCICE CLOS LE 31/12/2020

	PASSIF	Exercice 31/12/2019	Exercice 31/12/2018
	<b>CAPITAUX PROPRES</b>		
	Capital social ou personnel (1)	869 638 000,00	714 212 000,00
	moins: Actionnaires, capital souscrit non appele dont vers..		
	Moins : Capital appelé		
	Moins : Dont versé		
F	Prime d'emission, de fusion, d'apport		
I	Ecarts de reevaluation		
N	Reserve legale		
A	Autres reserves		
N	Report à nouveau (2)	-560 324 354,47	-535 658 958,45
	Résultat net en instance d'affectation (2)		
C	Resultat net de l'exercice (2)	-19 088 753,37	-24 665 397,02
E	<b>TOTAL DES CAPITAUX PROPRES (a)</b>	<b>290 224 892,16</b>	<b>153 887 644,53</b>
M	<b>CAPITAUX PROPRES ASSIMILES (b)</b>		
E	Subventions d'investissement		
N	Provisions reglementees		
T	CAPITAUX PROPRES ASSIMILES (Ajout) -		
P	<b>DETTES DE FINANCEMENT (c)</b>	<b>108 751 514,68</b>	<b>225 686 657,20</b>
E	Emprunts obligataires		
R	Autres dettes de financement	108 751 514,68	225 686 657,20
M	DETTES DE FINANCEMENT (Ajout) -		
A	<b>PROVISIONS DURABLES POUR RISQUES ET CHARGES (d)</b>		<b>25 798 261,43</b>
N	Provisions pour charges		
E	Provisions pour risques	-	25 798 261,43
N	<b>ECARTS DE CONVERSION - PASSIF (e)</b>	<b>5 859 676,91</b>	
T	Augmentation des creances immobilisees		
	Diminution des dettes de financement	5 859 676,91	
	<b>TOTAL I ( a+b+c+d+e )</b>	<b>404 836 083,75</b>	<b>405 372 563,16</b>
P	<b>DETTES DU PASSIF CIRCULANT (f)</b>	<b>128 303 254,47</b>	<b>180 994 353,80</b>
A	Fournisseurs et comptes rattaches	87 061 452,51	112 267 170,64
S	Clients crediteurs, avances et acomptes	9 717 740,87	9 617 024,50
S	Personnel	208 381,85	184 233,85
I	Organismes sociaux	1 985 484,16	2 358 664,36
F	Etat	21 111 781,99	23 043 324,34
	Comptes d'associes	7 700 740,56	33 422 841,33
C	Autres creances		
I	Comptes de regularisation - passif	517 672,53	101 094,78
R	<b>AUTRES PROVISIONS POUR RISQUES ET CHARGES (g)</b>	<b>214 017,59</b>	<b>461 222,09</b>
C	<b>ECARTS DE CONVERSION - PASSIF (h)( Elements circulants )</b>	<b>581 388,40</b>	<b>82 348,93</b>
U	<b>TOTAL II ( f+g+h )</b>	<b>129 098 660,46</b>	<b>181 537 924,82</b>
T	<b>TRESORERIE PASSIF</b>	<b>32 778 757,11</b>	<b>22 746 811,08</b>
R	Credits d'escompte	3 701 168,29	4 714 658,21
E	Credit de tresorerie		4 042 617,85
S	Banques ( soldes crediteurs )	29 077 588,82	13 989 535,02
	<b>TOTAL III</b>	<b>32 778 757,11</b>	<b>22 746 811,08</b>
	<b>TOTAL I+II+III</b>	<b>566 713 501,32</b>	<b>609 657 299,06</b>

(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 31/12/2020

		OPERATIONS		Totaux de	Totaux de
		Propres à	Concernant les	L'exercice	L'exercice
		L'exercice	exercices précédents	31/12/2020	31/12/2019
		1	2	3 = 1 + 2	3 = 1 + 2
	<b>I</b>	<b>PRODUITS D'EXPLOITATION</b>			
		Ventes de marchandises	25 887 599,22	25 887 599,22	30 102 279,82
		Ventes de biens et services produits	417 065 584,92	417 065 584,92	472 376 933,96
		Variation de stock de produits	-3 610 065,47	-3 610 065,47	8 933 448,69
		Immobilisations produites pour l'Ese p/elle-même			
		Subvention d'exploitation	4 081 366,67	4 081 366,67	6 657 214,19
		Autres produits d'exploitation			
		Reprises d'exploitation; transfert de charges	-		
		<b>TOTAL I</b>	<b>443 424 485,34</b>	<b>443 424 485,34</b>	<b>518 069 876,66</b>
	<b>II</b>	<b>CHARGES D'EXPLOITATION</b>			
		Achats revendus de marchandises	22 209 992,64	22 209 992,64	20 599 284,42
		Achat consommés de matières et de fournitures	161 715 464,14	161 715 464,14	208 407 785,64
		Autres charges externes	134 009 748,54	134 009 748,54	136 350 457,07
		Impôts et taxes	35 711 747,97	35 711 747,97	46 234 061,46
		Charges de personnel	58 523 607,80	58 523 607,80	61 023 615,25
		Autres charges d'exploitation			
		Dotations d'exploitation	45 252 760,72	45 252 760,72	43 778 129,29
		<b>TOTAL II</b>	<b>457 423 321,81</b>	<b>457 423 321,81</b>	<b>516 393 333,13</b>
	<b>III</b>	<b>RESULTAT D'EXPLOITATION ( I - II )</b>		<b>-13 998 836,47</b>	<b>1 676 543,53</b>
	<b>IV</b>	<b>PRODUITS FINANCIERS</b>			
		Produits des titres de participation et autres titres immobilisés			
		Gains de change	10 287 104,84	10 287 104,84	340 624,80
		Intérêts et autres produits financiers			
		Reprises financières; transfert de charges	26 259 003	26 259 003,23	44 501 568,56
		<b>TOTAL IV</b>	<b>36 546 108,07</b>	<b>36 546 108,07</b>	<b>44 842 193,36</b>
	<b>V</b>	<b>CHARGES FINANCIERES</b>			
		Charges d'intérêts	10 139 756,24	10 139 756,24	18 569 673,46
		Pertes de changes	27 152 150,53	27 152 150,53	22 346 398,23
		Autres charges financières			
		Dotations financières	214 017,59	214 017,59	26 259 003,23
		<b>TOTAL V</b>	<b>37 505 924,36</b>	<b>37 505 924,36</b>	<b>67 175 074,92</b>
	<b>VI</b>	<b>RESULTAT FINANCIER ( IV - V )</b>		<b>-959 816,29</b>	<b>-22 332 881,56</b>
	<b>VII</b>	<b>RESULTAT COURANT ( III - VI )</b>		<b>-14 958 652,76</b>	<b>-20 656 338,03</b>

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 31/12/2020 3 = 1 + 2	Totaux de L'exercice 31/12/2019 3 = 1 + 2
		Propres à L'exercice 1	Concernant les exercices précédents 2		
	VII	<b>RESULTAT COURANT ( Report )</b>		<b>-14 958 652,76</b>	<b>-20 656 338,03</b>
	VIII	<b>PRODUITS NON COURANTS</b>			
		Produits des cessions d'immobilisations	225 259,65	225 259,65	244 775,89
		Subventions d'équilibre			
		Reprises sur subventions d'investissement			
		Autres produits non courants	54 665,28	54 665,28	
		Reprises non courantes; transferts de charges			
		<b>TOTAL VIII</b>	<b>279 924,93</b>	<b>279 924,93</b>	<b>244 775,89</b>
	IX	<b>CHARGES NON COURANTES</b>			
		Valeurs nettes d'amort. des Immo cédées	383 446,29	383 446,29	
		Subventions accordées			
		Autres charges non courantes	1 707 492,31	1 707 492,31	1 196 969,33
		Dotations non courantes aux amortiss. et provision			
		<b>TOTAL IX</b>	<b>2 090 938,60</b>	<b>2 090 938,60</b>	<b>1 196 969,33</b>
	X	<b>RESULTAT NON COURANT ( VIII- IV )</b>		<b>-1 811 013,67</b>	<b>-952 193,44</b>
	XI	<b>RESULTAT AVANT IMPOTS ( VII+ X )</b>		<b>-16 769 666,43</b>	<b>-21 608 531,47</b>
	XII	<b>IMPOTS SUR LES RESULTATS</b>		<b>2 319 086,94</b>	<b>3 056 865,55</b>
	XIII	<b>RESULTAT NET ( XI - XII )</b>		<b>-19 088 753,37</b>	<b>-24 665 397,02</b>

	XIV	<b>TOTAL DES PRODUITS ( I + IV + VIII )</b>		<b>480 250 518,34</b>	<b>563 156 845,91</b>
	XV	<b>TOTAL DES CHARGES ( II + V + IX + XII )</b>		<b>499 339 271,71</b>	<b>587 822 242,93</b>
	XVI	<b>RESULTAT NET ( XIV - XV )</b>		<b>-19 088 753,37</b>	<b>-24 665 397,02</b>

**VARUN BEVERAGES (ZAMBIA) LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**Varun Beverages (Zambia) Limited**  
*Annual report and financial statements*  
*For the year ended 31 December 2020*

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Notes	10 - 20



**Varun Beverages (Zambia) Limited**

Annual report and financial statements

For the year ended 31 December 2020

**COMPANY INFORMATION**

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<b>BOARD OF DIRECTORS</b>	: Mr. Rajnish Gupta : Mr. Shankar Krishnan Iyer : Mr. Satyanarayan Sharma : Mr. Rajendra Kumar Dubey (Appointed on 21 June 2019)
<b>SHAREHOLDERS</b>	: 90.00% - Varun Beverages Limited, India : 1.68% - Africa Bottling Company Limited : 8.22 - Capital Infrastructure Ltd-Seychelles : 0.10% - Rajnish Gupta
<b>REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS</b>	: Plot No. 37426 Mungwi Road : Heavy Industrial Area : P.O. Box 30007 : Lusaka : Zambia
<b>INDEPENDENT AUDITOR</b>	: PKF Zambia Chartered Accountants : P.O. Box 31290 : Lusaka : Zambia
<b>COMPANY SECRETARY</b>	: PKF Consulting Zambia Limited : P.O. Box 31290 : Lusaka : Zambia
<b>PRINCIPAL BANKERS</b>	: Zambia National Commercial Bank Plc., Zambia : Indo-Zambia Bank Limited, Zambia : Standard Chartered Bank Plc., Zambia : Ecobank Zimbabwe Limited, Zimbabwe
<b>LEGAL ADVISORS</b>	: MMK : Plot No.11058 Zimbabwe House, : Haile Selassie Avenue, Long Acres : P.O. Box 34972 : Lusaka : Zambia
<b>ULTIMATE PARENT</b>	: Varun Beverages Limited, India

**Varun Beverages (Zambia) Limited**

Annual report and financial statements

For the year ended 31 December 2020

**REPORT OF THE DIRECTORS**

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The directors submit their report and the audited financial statements for the year ended 31 December 2020, which disclose the state of affairs of the Company.

**PRINCIPAL ACTIVITIES**

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

RESULTS	2020 ZMW	2019 ZMW
(Loss)/profit before tax	(96,012,762)	(19,125,323)
Tax (charge)	-	-
(Loss)/profit for the year	<u>(96,012,762)</u>	<u>(19,125,323)</u>

**DIRECTORS**

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

**INDEPENDENT AUDITOR**

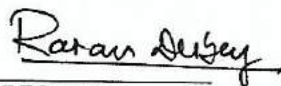
The Company's auditor, PKF Zambia Chartered Accountants, has indicated willingness to continue in office in accordance with the Companies Act, 2017.

**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 10,972,411 (2019 ZMW 12,520,106);

**BY ORDER OF THE BOARD**



DIRECTOR  
LUSAKA

23rd Jan 2021

**Varun Beverages (Zambia) Limited**

Annual report and financial statements

For the year ended 31 December 2020

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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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.

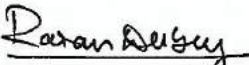
ements give a true and fair view of the financial position of the Company as at 31 December 2019 and of its financial performance and cash flows for the year then ended in accordance with *International Financial Reporting Standard for Small and Medium-sized Entities* and the requirements of the *Zambian 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 2021 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 2020, 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 2020, 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 International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) 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:

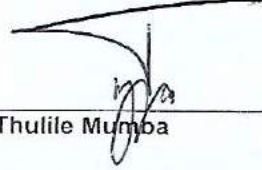
- i. there is no relationship, interest, or debt which we have in the Company;
- ii. there were no serious breaches of corporate governance principles or practices by the directors

The engagement partner responsible for the audit resulting in this report of the independent auditor is Thulile Mumba - membership number AUD/F008077.

PKF Zambia  
Chartered Accountants  
LUSAKA



23 JANUARY 2021

  
Thulile Mumba

AR/LSK/005/21



**Varun Beverages (Zambia) Limited**  
*Annual report and financial statements*  
*For the year ended 31 December 2020*

**STATEMENT OF PROFIT OR LOSS AND RETAINED EARNINGS**

	Notes	2020 ZMW	2019 ZMW
Revenue	3	399,375,357	326,601,941
Cost of sales	4	<u>(219,551,112)</u>	<u>(174,680,506)</u>
<b>Gross profit</b>		179,824,245	151,921,435
Other operating income	5	75,290	13,615,751
Administrative expenses		(46,427,574)	(29,265,207)
Selling and distribution expenses		(50,737,647)	(51,582,073)
Employment costs		(50,533,383)	(39,802,881)
Depreciation on property, plant and equipment	9	<u>(27,962,213)</u>	<u>(24,146,933)</u>
<b>Operating profit</b>		4,238,718	20,740,092
Finance costs	7	<u>(100,251,481)</u>	<u>(39,865,415)</u>
<b>(Loss)/profit before tax</b>		(96,012,762)	(19,125,323)
Tax charge	8	<u>-</u>	<u>-</u>
<b>(Loss)/profit for the year</b>		<u><u>(96,012,762)</u></u>	<u><u>(19,125,323)</u></u>
<b>Retained earnings</b>			
At start of year		(17,839,624)	10,035,699
Dividends paid		-	(8,750,000)
(Loss)/profit for the year		<u>(96,012,762)</u>	<u>(19,125,323)</u>
At end of year		<u><u>(113,852,386)</u></u>	<u><u>(17,839,624)</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 2020  
**STATEMENT OF FINANCIAL POSITION**

	Notes	As at 31 December	
		2020 ZMW	2019 ZMW
<b>Non-current assets</b>			
Property, plant and equipment	9	343,214,391	160,211,462
Trade and other receivables	11	-	82,347,658
		<u>343,214,391</u>	<u>242,559,120</u>
<b>Current assets</b>			
Inventories	10	80,898,021	40,110,095
Trade and other receivables	11	76,306,821	47,738,191
Cash and cash equivalents	12	7,100,858	10,535,223
		<u>164,305,700</u>	<u>98,383,509</u>
		<u>507,520,091</u>	<u>340,942,629</u>
<b>EQUITY</b>			
Share capital	13	207,890,000	35,000,000
(Accumulated loss)		(113,852,386)	(17,839,624)
<b>Equity attributable to the owners of the company</b>		<u>94,037,614</u>	<u>17,160,376</u>
<b>Non-current liabilities</b>			
Trade and other payables	14	23,664,284	21,896,786
Borrowings	15	205,640,983	214,256,033
		<u>229,305,267</u>	<u>236,152,819</u>
<b>Current liabilities</b>			
Trade and other payables	14	84,709,963	59,147,435
Borrowings	15	99,467,247	28,482,000
		<u>184,177,210</u>	<u>87,629,435</u>
		<u>507,520,091</u>	<u>340,942,629</u>

The financial statements on pages 7 to 20 were approved and authorised for issue by the board of Directors on 23rd Jan 2021 and were signed on its behalf by:

Varun Dutt 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 2020

**STATEMENT OF CASH FLOWS**

	Notes	2020 ZMW	2019 ZMW
<b>Cash flows from operating activities</b>			
(Loss) before tax		(96,012,762)	(19,125,323)
<b>Adjustments for:</b>			
Depreciation on property, plant and equipment	9	27,962,213	24,146,933
Interest expense	7	13,162,346	17,168,160
Foreign exchange (losses)	7	87,089,135	22,697,255
Net cash from operations before working capital changes		32,200,932	44,887,025
Changes in working capital:			
- inventories	10	(40,787,926)	5,602,185
- trade and other receivables	11	53,779,027	7,856,103
- trade and other payables	14	27,330,027	(50,199,806)
Interest paid	7	(13,162,346)	(17,168,160)
Net cash from operating activities after working capital changes		59,359,713	(9,022,653)
<b>Cash flows from investing activities</b>			
Cash paid for purchase of property, plant and equipment	9	(211,018,705)	(21,812,700)
Proceeds from the issuance of Shares		172,890,000	-
Proceeds from disposal of property, plant and equipment	9	53,564	10,915,758
Net cash (used in)/generated from investing activities		(38,075,141)	(10,896,942)
<b>Cash flows from financing activities</b>			
Dividends paid		-	(8,750,000)
Proceeds/(re-payment) of borrowings	15	62,370,197	54,540,742
Net cash from/(used in) financing activities		62,370,197	45,790,742
Increase in cash and cash equivalents		83,654,771	25,871,147
<b>Movement in cash and cash equivalents</b>			
At start of year		10,535,223	7,361,331
Increase in cash and cash equivalents		83,654,771	25,871,147
Effect of exchange rate changes	7	(87,089,135)	(22,697,255)
Total cash at end of the year	12	7,100,858	10,535,223

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.

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 2020

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**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.



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.

**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**

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For the year ended 31 December 2020

**NOTES (CONTINUED)**

	2020 ZMW	2019 ZMW
<b>3. Revenue</b>		
Carbonated soft drinks	202,033,591	226,357,533
Bottled drinking water	37,922,567	37,417,034
Other sales - Trading	73,038,189	65,805,414
Scrap sales	529,827	435,354
Sale of raw material	3,777,388	8,959,185
Sale of Dairy	93,645,729	-
Trade discount	(11,571,934)	(12,372,579)
	<u>399,375,357</u>	<u>326,601,941</u>
<b>4. Cost of sales</b>		
Consumption of raw materials	<u>219,551,112</u>	<u>174,680,506</u>
	<u>219,551,112</u>	<u>174,680,506</u>
<b>5. Other operating income</b>		
Profit on disposal of property, plant and equipment	<u>75,290</u>	<u>13,615,751</u>
	<u>75,290</u>	<u>13,615,751</u>
<b>6. Operating profit</b>		
The following items have been charged/(credited) in arriving at operating profit:		
Depreciation on property, plant and equipment (Note 9)	27,962,213	24,146,933
Auditor's remuneration	346,000	250,000
Directors' emoluments		4,499,469
Trade receivables - impairment	672,607	1,938,798
Staff costs		
- Salaries and wages	61,743,405	34,619,695
- Pension	1,365,416	2,225,262
- Other staff cost	4,370,100	2,957,924
<b>7. Finance costs</b>		
Net foreign exchange losses	87,089,135	22,697,255
Interest expense:		
- holding company	13,162,346	17,168,160
- others	-	-
	<u>100,251,481</u>	<u>39,865,415</u>



**Varun Beverages (Zambia) Limited**  
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 NOTES (CONTINUED)

8. Tax	2020 ZMW	2019 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
<b>Cost</b>					
At start of year	35,926,636	201,900,853	25,103,147	1,661,388	264,592,024
Additions	107,296,608	99,112,397	4,564,162	45,537	211,018,705
Disposals		(236,831)	(403,173)		(640,004)
At end of year	<u>143,223,245</u>	<u>300,776,418</u>	<u>29,264,136</u>	<u>1,706,925</u>	<u>474,970,724</u>
<b>Depreciation</b>					
At start of year	7,059,305	79,531,234	16,483,761	1,306,261	104,380,561
Disposals		(202,306)	(384,135)		(586,441)
Charge for the year	1,395,401	22,712,864	3,803,298	50,650	27,962,213
At end of year	<u>8,454,706</u> (7,059,212)	<u>102,041,793</u>	<u>19,902,924</u> (15,901,783)	<u>1,356,911</u>	<u>131,756,333</u>
<b>Net book value</b>					
<b>31 December 2020</b>	<u>134,768,539</u>	<u>198,734,626</u>	<u>9,361,212</u>	<u>350,014</u>	<u>343,214,391</u>
<b>31 December 2019</b>	<u>28,867,331</u>	<u>122,369,618</u>	<u>8,619,386</u>	<u>355,127</u>	<u>160,211,462</u>

**Varun Beverages (Zambia) Limited**  
*Annual report and financial statements*  
*For the year ended 31 December 2020*

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**NOTES (CONTINUED)**

	2020 ZMW	2019 ZMW
<b>10. Inventories</b>		
Finished goods	22,852,310	11,974,790
Consumables and advertising materials	29,950,839	24,521,417
Raw materials	28,094,872	3,613,888
	<u>80,898,021</u>	<u>40,110,095</u>
<b>11. Trade and other receivables</b>		
<b>Non-current</b>		
Receivables from related parties (Note 16)	-	82,347,658
	<u>-</u>	<u>82,347,658</u>
Trade receivables	74,153,744	18,375,605
Less: provision for impairment	(672,607)	(1,938,798)
Net trade receivables	73,481,137	16,436,807
Prepayments and other receivables	2,825,684	2,721,466
Receivables from related parties (Note 16)	-	28,579,917
	<u>76,306,821</u>	<u>47,738,191</u>
	<u>76,306,821</u>	<u>130,085,849</u>
<b>12. Cash and cash equivalents</b>		
Cash and bank balances	<u>7,100,858</u>	<u>10,535,223</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>7,100,858</u>	<u>10,535,223</u>
	<u>7,100,858</u>	<u>10,535,223</u>
<b>13. Share capital</b>		
<b>Authorised, issued and fully paid</b>		
20,789,000 (2020) Ordinary shares of ZMW 10 each	<u>207,890,000</u>	-
3,500,000 (2019) Ordinary shares of ZMW 10 each	<u>-</u>	<u>35,000,000</u>

**Varun Beverages (Zambia) Limited**  
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**NOTES (CONTINUED)**

	2020 ZMW	2019 ZMW
<b>14. Trade and other payables</b>		
<b>Non-current</b>		
Security deposits	23,664,284	21,896,786
	<u>23,664,284</u>	<u>21,896,786</u>
<b>Current</b>		
Trade payables	(36,582,313)	2,437,179
Deferred VAT	-	13,190,908
Payables to related parties (Note 16)	65,180,976	18,843,470
Other payables and accruals	56,111,300	24,675,877
	<u>84,709,963</u>	<u>59,147,434</u>
<b>Total trade and other payables</b>	<u>108,374,247</u>	<u>81,044,220</u>
<b>Deferred VAT</b>		
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.		
<b>Security deposits</b>		
Security deposits relate to amounts paid by distributors for empty containers and surety.		
<b>15. Borrowings</b>		
<b>Non-current</b>		
Loans from related parties (Note 16)	31,786,337	188,076,666
Loans from directors (Note 16)	-	120,625
	<u>31,786,337</u>	<u>164,403,695</u>
<b>Current</b>		
Loans from related parties (Note 16)	28,482,000	19,885,914
	<u>28,482,000</u>	<u>19,885,914</u>
<b>Total borrowings</b>	<u>60,268,337</u>	<u>184,289,609</u>



**Varun Beverages (Zambia) Limited**

Annual report and financial statements

For the year ended 31 December 2020

**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:

	2020 ZMW	2019 ZMW
<b>i) Sale of goods and services</b>		
- Other related parties	78,997,062	71,522,887
	<u>78,997,062</u>	<u>71,522,887</u>
<b>ii) Purchase of goods and services</b>		
- Parent	-	(47,233,932)
- Other related parties	(266,915,164)	-
	<u>(266,915,164)</u>	<u>(47,233,932)</u>
<b>iii) Receivables from related parties (Note 11)</b>		
- Subsidiary	-	97,917
- Other related parties	40,018,064	125,968,012
	<u>40,018,064</u>	<u>126,065,929</u>
<b>iv) Payables to related parties (Note 14)</b>		
- Parent	-	-
- Other related parties	(65,180,976)	(18,843,470)
	<u>(65,180,976)</u>	<u>(18,843,470)</u>
<b>v) loans from related parties (Note 15)</b>		
- Parent	205,640,983	230,633,183
- Other related parties	-	11,962,440
	<u>205,640,983</u>	<u>242,595,623</u>
<p>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 %</p>		
<b>vi) loans from directors (Note 15)</b>	-	142,410
	<u>-</u>	<u>142,410</u>

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 2020

**NOTES (CONTINUED)**

	<b>2020</b>	<b>2019</b>
	<b>ZMW</b>	<b>ZMW</b>
17. Related party transactions and balances		
vi) Key management compensation	<u>12,520,106</u>	<u>8,873,359</u>
	<u>12,520,106</u>	<u>8,873,359</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.

The COVID19 pandemic presents unprecedented challenges for societies, governments and businesses across the world. In Southern Africa, the reaction towards this public health crisis has focused on health and safety of citizens and as a result this has led to uncoordinated singular action of countries, which has disrupted supply chains, halted trade & business especially in non-essential sectors and put economies under severe strain. The impact of COVID 19 on the business has been severe on the private sector for its revenue generation. The other area of risk the directors foresee is the exchange rate fluctuations. The Zambian Kwacha continues to depreciate against the United States Dollar (USD). Collections from debtors has also been affected as some customers are taking longer to settle their outstanding balances and are also asking for payment holidays and discounts. In terms of product availability, there is expected delays on the part of suppliers to deliver their products due to a number of restrictions that have been imposed by many countries globally.



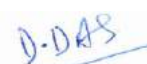
**19. Presentation currency**

The financial statements are presented in Zambian Kwacha.

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Varun Beverages (Zimbabwe) (Private) Limited

Balance Sheet as at 31 December 2020

Particulars	Note	Total		Total	
		RTGS	USD	RTGS	USD
		31 Dec 2020	31 Dec 2020	31 Dec 2019	31 Dec 2019
<b>Assets</b>					
<b>1) Non-current assets</b>					
(a) Property, plant and equipment	1A	2,669,422,099	32,638,869	2,592,771,663	34,484,740
(b) Capital work in progress	1B	146,492,013	1,791,149	10,066,078	133,808
(c) Financial assets					
(i) Others	2	977,836	11,956	399,772	5,314
(d) Other non-current assets	3	59,225,285	724,144	105,498,264	1,402,384
<b>Total non-current assets</b>		<b>2,876,117,232</b>	<b>35,166,118</b>	<b>2,708,735,777</b>	<b>36,026,246</b>
<b>2) Current assets</b>					
(a) Inventories	4	1,030,578,006	12,600,817	681,761,048	9,062,623
(b) Financial assets					
(i) Trade receivables	5	306,768,734	3,750,843	97,181,943	1,291,836
(ii) Cash and cash equivalents	6	150,442,731	1,839,455	336,562,428	4,473,911
(iii) Bank balances other than (ii) above	7	172,775,031	2,112,510	282,347,474	3,753,234
(iv) Others	8	-	-	-	-
(c) Current tax assets	9	-	-	-	-
(d) Other current assets	10	794,499,412	9,714,298	431,835,569	5,740,374
<b>Total current assets</b>		<b>2,455,063,914</b>	<b>30,017,924</b>	<b>1,829,688,462</b>	<b>24,321,978</b>
<b>Total assets</b>		<b>5,331,181,146</b>	<b>65,184,042</b>	<b>4,538,424,239</b>	<b>60,348,225</b>
<b>Equity and liabilities</b>					
<b>3) Equity</b>					
(a) Equity share capital	11	6,068	1,100	6,068	1,100
(b) Other equity	12	2,121,663,482	25,940,430	872,890,641	11,604,579
<b>Total equity</b>		<b>2,121,669,549</b>	<b>25,941,530</b>	<b>872,896,709</b>	<b>11,605,679</b>
<b>4) Liabilities</b>					
<b>A) Non-current liabilities</b>					
(a) Financial liabilities					
(i) Borrowings	13	1,216,914,896	14,879,148	1,355,317,490	18,033,013
<b>Total non-current liabilities</b>		<b>1,216,914,896</b>	<b>14,879,148</b>	<b>1,355,317,490</b>	<b>18,033,013</b>
<b>B) Current liabilities</b>					
(a) Financial liabilities					
(i) Borrowings	14	-	-	-	-
(ii) Trade payables	15	855,517,747	10,460,366	1,004,892,557	13,357,998
(iii) Other financial liabilities	16	759,794,975	9,289,969	1,084,491,587	14,416,105
(b) Other current liabilities	17	377,283,980	4,613,029	220,825,896	2,935,430
(c) Current tax liabilities (Net)	18	-	-	-	-
<b>Total current liabilities</b>		<b>1,992,596,701</b>	<b>24,363,364</b>	<b>2,310,210,040</b>	<b>30,709,533</b>
<b>Total liabilities</b>		<b>3,209,511,597</b>	<b>39,242,512</b>	<b>3,665,527,530</b>	<b>48,742,546</b>
<b>Total equity and liabilities</b>		<b>5,331,181,146</b>	<b>65,184,042</b>	<b>4,538,424,239</b>	<b>60,348,225</b>
<p><b>PKC</b></p> <p>For PFK Zimbabwe Chartered Accountants</p> <p> Sydney Bvurere (Partner)</p> <p>Place: Harare Date: 22-01-2021</p>					
<p>For Varun Beverages (Zimbabwe) (Private) Ltd</p> <p> Chief Finance Officer</p> <p> Director</p>					



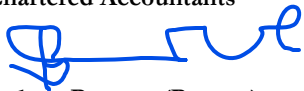
Varun Beverages (Zimbabwe) (Private) Limited

Statement of Profit and Loss for the year ended 31 December 2020

	Particulars	Note	Total		Total		
			RTGS	USD	RTGS	USD	
			31 Dec 2020	31 Dec 2020	31 Dec 2019	31 Dec 2019	
	<b>Income</b>						
I	Revenue from operations	19	8,100,261,613	99,041,427	5,983,484,180	79,538,224	
II	Other income	20	10,084,900	123,307	990,608	13,168	
III	<b>Total Income (I + II)</b>		<b>8,110,346,513</b>	<b>99,164,735</b>	<b>5,984,474,788</b>	<b>79,551,392</b>	
IV	<b>Expenses</b>						
	Cost of materials consumed	21	3,048,463,563	36,770,364	2,378,369,447	31,134,911	
	Purchase of traded goods	22	166,334,764	2,033,765	292,666,181	3,890,400	
	Changes in inventories of finished goods, stock-in-trade and work-in-progress	23	(170,810,766)	(1,585,471)	(44,740,573)	(114,073)	
	Employee benefits expense	24	425,111,781	5,197,817	315,929,930	4,199,644	
	Finance costs	25	225,835,160	2,761,273	267,046,221	3,525,568	
	Depreciation expense	26	289,801,046	3,543,381	230,814,023	3,068,202	
	Other expenses	27	2,198,568,648	26,881,771	2,734,749,974	36,353,207	
	<b>Total expenses (IV)</b>		<b>6,183,304,195</b>	<b>75,602,901</b>	<b>6,174,835,202</b>	<b>82,057,860</b>	
V	<b>(Loss)/profit/ before prior period items (III-IV)</b>		1,927,042,318	23,561,834	(190,360,414)	(2,506,468)	
VI	Prior period items		-	-	-	-	
VII	<b>(Loss)/profit before tax (V-VI)</b>		1,927,042,318	23,561,834	(190,360,414)	(2,506,468)	
	<b>Earnings before interest, tax, depreciation and amortization (EBITDA)</b>		<b>2,432,593,623</b>	<b>29,743,181</b>	<b>306,509,222</b>	<b>4,074,134</b>	
VIII	Tax expense:						
	(1) Current tax		-	-	-	-	
	(2) Adjustment of tax relating to earlier periods		-	-	-	-	
	(3) Deferred tax		-	-	-	-	
	<b>Total Tax expenses</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
IX	<b>(Loss)/profit for the year (VII-VIII)</b>		<b>1,927,042,318</b>	<b>23,561,834</b>	<b>(190,360,414)</b>	<b>(2,506,468)</b>	
X	<b>Other comprehensive income for the reporting period/year, net of tax</b>		<b>1,927,042,318</b>	<b>23,561,834</b>	<b>(190,360,414)</b>	<b>(2,506,468)</b>	

PKF

For PKF Zimbabwe  
Chartered Accountants



Sydney Bvurere (Partner)

For Varun Beverages (Zimbabwe) (Private) Ltd



Chief Finance Officer



Director

Place: Harare

Date: 22-01-2021

**Varun Beverages (Zimbabwe) (Private) Limited**

**Statement of changes in equity**

**1. Equity Share Capital**

Equity shares of USD 1 each issued, subscribed and fully paid up

(Amount in RTGS)

Particulars	Number of shares	Amount
Balance as at 01 January 2019	6,068	6,068
Changes in share capital during the year	-	-
Balance as at 31 December 2019	6,068	6,068
Changes in share capital during the period	-	-
Balance as at 31 December 2020	6,068	6,068

**2. Other equity**

(Amount in RTGS)

Particulars	Retained earnings	Total
Balance as at 01 January 2019	1,063,251,055	1,063,251,055
Profit for the year ended	(190,360,414)	(190,360,414)
Balance as at 31 December 2019	872,890,641	872,890,641
Profit for the period ended	1,927,042,318	1,927,042,318
IAS 29 Adjustment	(678,269,477)	(678,269,477)
Balance as at 31 December 2020	2,121,663,482	2,121,663,482

For Varun Beverages (Zimbabwe) (Private) Ltd



Chief Finance Officer



Director

PKF

For PKF Zimbabwe  
Chartered Accountants



Sydney Bvurere (Partner)

Place: Harare

Date: 22-01-2021

1A Property, plant and equipment

(Amount in RTGS)

Gross block	Land	Land	Building	Plant & Machinery	Furniture &	Vehicles	Office	Computer	Containers	Post-mix vending machines	Grand
	Freehold	Leasehold	Building	Plant & Machinery	Fixtures	Vehicles	Equipment	Equipment	Containers	and refrigerators (Visi Cooler)	Total
Balance as at 01 January 2019	20,428,834	-	184,674,385	271,701,405	5,083,333	17,587,045	2,777,520	1,201,868	-	21,528,835	524,983,226
Additions during the year			28,476,381	84,683,782	1,571,600	2,653,754	2,827,000	656,856	-	8,498,935	129,368,308
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2019	20,428,834	-	213,150,766	356,385,187	6,654,933	20,240,799	5,604,520	1,858,724	-	30,027,771	654,351,533
Restated Opening Balance in RTGS	91,640,780	-	956,163,346	1,598,692,136	29,853,061	90,797,282	25,141,063	8,337,964	-	134,700,214	2,935,325,845
Additions during the period			14,049,783	206,327,161	1,119,765	48,382,855	11,706,688	8,815,482		74,610,914	365,012,649
Disposals during the period											-
Balance as at 31 December 2020	91,640,780	-	970,213,129	1,805,019,297	30,972,826	139,180,137	36,847,751	17,153,446	-	209,311,128	3,300,338,494
Accumulated depreciation											
Balance as at 01 January 2019	-	-	4,759,721	14,507,898	281,629	2,192,478	245,300	168,031	-	2,433,641	24,588,699
Depreciation charge during the period ended			9,670,590	31,649,148	1,053,482	3,794,028	625,615	284,335		4,376,548	51,453,746
Reversal on disposal of assets			-	-	-	-	-	-		-	-
Balance as at 31 December 2019	-	-	14,430,311	46,157,045	1,335,111	5,986,506	870,915	452,366	-	6,810,190	76,042,444
Restated Opening Balance in RTGS	-	-	64,732,276	207,053,795	5,989,115	26,854,595	3,906,798	2,029,250	-	30,549,521	341,115,350
Depreciation charge during the period ended			48,314,444	165,097,778	6,112,065	24,606,397	5,656,483	2,599,109		37,414,770	289,801,046
Reversal on disposal of assets											-
Balance as at 31 December 2020	-	-	113,046,720	372,151,574	12,101,180	51,460,991	9,563,281	4,628,358	-	67,964,292	630,916,396
Net block											
Balance as at 31 December 2019	20,428,834	-	198,720,455	310,228,142	5,319,821	14,254,293	4,733,605	1,406,357	-	23,217,581	578,309,089
Balance as at 31 December 2020	91,640,780	-	857,166,409	1,432,867,723	18,871,646	87,719,146	27,284,470	12,525,088	-	141,346,837	2,669,422,099

1B Capital work in progress

(Amount in RTGS)

Particulars	Amount
Balance as at 01 Jan 2019	15,922,724
Additions during the year	45,250,388
Capitalisation during the year	58,929,152
Balance as at 31 December 2019	2,243,960
Reinstated RTGS Balance	10,066,078
Additions during the period	400,645,412
Capitalisation during the period	264,219,478
Balance as at 31 December 2020	146,492,013

10,066,078

146,492,013

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Varun Beverages (Zimbabwe) (Private) Limited

		Total		Total	
		RTGS	USD	RTGS	USD
		As at 31 Dec 2020	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2019
<b>Property, plant and equipment</b>	Refer Note 1	2,669,422,099	32,638,869	2,592,771,663	34,484,740
<b>Capital work in progress</b>	Refer Note 1	146,492,013	1,791,149	10,066,078	133,808
<b>2. Other financial assets</b>					
(Unsecured considered good, unless otherwise stated)					
Security deposits		977,836	11,956	399,772	5,314
Loan to related parties		-	-	-	-
Other loans		-	-	-	-
Foreign Ex Forward asset		-	-	-	-
Less: PROVISION FOR CONTINGENCIES		-	-	-	-
		977,836	11,956	399,772	5,314
<b>3. Other non-current assets</b>					
Capital advances		59,225,285	724,144	105,498,264	1,402,384
		59,225,285	724,144	105,498,264	1,402,384
<b>4. Inventories</b>					
Raw material		641,046,596	7,838,039	549,105,160	7,299,234
Stores and spares		172,238,572	2,105,951	85,054,054	1,130,620
Intermediate Goods		35,870,530	438,587	-	-
Work in Progress		-	-	-	-
Finished goods		181,422,308	2,218,240	47,601,834	632,769
		1,030,578,006	12,600,817	681,761,048	9,062,623
<b>5. Trade receivables</b>					
Trade receivable, considered good - Unsecured		306,768,734	3,750,843	97,181,943	1,291,836
Trade receivable, considered good - Secured		-	-	-	-
Trade receivable - Credit impaired		76,594	937	343,590	4,567
Less : Allowance for expected credit losses		306,845,328	3,751,780	97,525,532	1,296,403
		76,594.00	936.51	343,590	4,567
		306,768,734	3,750,843	97,181,943	1,291,836
<b>6. Cash and cash equivalents</b>					
Balance with banks:					
- On current accounts		137,525,432	1,681,515	312,208,842	4,150,180
- Deposits with original maturity of less than three months		-	-	-	-
Cash and cash equivalents:					
- Cheques/drafts on hand		-	-	-	-
- Cash on hand		12,917,299	157,939	24,353,586	323,731
		150,442,731	1,839,455	336,562,428	4,473,911
<b>7. Other bank balances</b>					
Deposits with original maturity more than 3 months but less than 12 months *		172,775,031	2,112,510	282,347,474	3,753,234
		172,775,031	2,112,510	282,347,474	3,753,234
<b>8. Other current financial assets</b>					
Security deposits		-	-	-	-
		-	-	-	-

**Varun Beverages (Zimbabwe) (Private) Limited**
**9. Current tax assets**

Advance tax (net of provisions)

As at 31 Dec 2020	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2019
-	-	-	-
-	-	-	-

**10. Other current assets**

(Unsecured considered good, unless otherwise stated)

Advances to:

 Employees  
 Contractors and suppliers  
 Prepaid expenses

Balance with statutory/government authorities

As at 31 Dec 2020	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2019
3,674,613	44,929	2,348,389	31,217
680,408,031	8,319,309	402,296,709	5,347,715
110,416,768	1,350,059	27,190,471	361,442
-	-	-	-
<b>794,499,412</b>	<b>9,714,298</b>	<b>431,835,569</b>	<b>5,740,374</b>

**11. Equity share capital**

Authorised share capital

Issued, subscribed and fully paid-up

Equity shares of USD 1 each

As at 31 Dec 2020	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2019
-	-	-	-
-	-	-	-
6,068	1,100	6,068	1,100
<b>6,068</b>	<b>1,100</b>	<b>6,068</b>	<b>1,100</b>

**12. Other equity**
**Foreign currency translation reserve**

 Balance at the beginning of the year  
 Add: Adjustment during the year  
 Balance at the end of the year

As at 31 Dec 2020	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2019
-	2,785,364	-	-
-	(9,225,983)	-	2,785,364
-	<b>(6,440,619)</b>	-	<b>2,785,364</b>

**Retained earnings**

 Balance at the beginning of the reporting period/year  
 Less: IAS 29 Adjustment  
 Add: (Loss)/ profit for the reporting period/year  
 Balance at the end of the reporting period/year

872,890,641	8,819,215	1,063,251,055	11,525,683
(678,269,477)	-	-	-
1,927,042,318	23,561,834	(190,360,414)	(2,506,468)
<b>2,121,663,482</b>	<b>32,381,049</b>	<b>872,890,641</b>	<b>8,819,215</b>
<b>2,121,663,482</b>	<b>25,940,430</b>	<b>872,890,641</b>	<b>11,604,579</b>

**13. Non Current Borrowings**

 Loans from bank (secured)  
 Loan from Parent Company (unsecured)

As at 31 Dec 2020	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2019
67,273,015	822,543	670,744,674	8,933,013
1,149,641,881	14,056,604	684,572,815	9,100,000
<b>1,216,914,896</b>	<b>14,879,148</b>	<b>1,355,317,490</b>	<b>18,033,013</b>

**Varun Beverages (Zimbabwe) (Private) Limited**
**14. Current Borrowings**

 Working capital facilities  
 -from banks- (secured)

As at 31 Dec 2020	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2019
-	-	-	-
-	-	-	-

**15. Trade payables**

 Trade payables  
 Total outstanding dues to micro enterprises and small enterprises  
 Total outstanding dues of creditors other than micro enterprises and small enterprises

As at 31 Dec 2020	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2019
-	-	-	-
855,517,747	10,460,366	1,004,892,557	13,357,998
<b>855,517,747</b>	<b>10,460,366</b>	<b>1,004,892,557</b>	<b>13,357,998</b>

**16. Other financial liabilities**

 Current maturities of long term debt  
 Interest accrued but not due on borrowings  
 Payable for capital expenditure  
 Employee related payables  
 Interest payable to parent company on Loan  
 Commission payable to parent company

As at 31 Dec 2020	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2019
611,498,648	7,476,758	916,611,546	12,184,482
23,117,656	282,658	25,336,104	336,792
6,979,457	85,337	26,662,714	354,426
7,313,896	89,427	1,612,042	21,429
100,990,202	1,234,801	65,358,109	868,803
9,895,115	120,987	48,911,073	650,173
<b>759,794,975</b>	<b>9,289,969</b>	<b>1,084,491,587</b>	<b>14,416,105</b>

**17. Other current liabilities**

 Advances from customers  
 Statutory dues payable

As at 31 Dec 2020	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2019
186,544,831	2,280,873	63,672,113	846,391
190,739,149	2,332,156	157,153,783	2,089,039
<b>377,283,980</b>	<b>4,613,029</b>	<b>220,825,896</b>	<b>2,935,430</b>

**18. Current tax liability**

Provision for income tax (net of taxes paid)

As at 31 Dec 2020	As at 31 Dec 2020	As at 31 Dec 2019	As at 31 Dec 2019
-	-	-	-
-	-	-	-

**19. Revenue from operations**
**Revenue from operations (gross)**

Sale of products

**Other operating revenue**

Scrap sales

For the period 31 Dec 2020	For the period 31 Dec 2020	For the period 31 Dec 2019	For the period 31 Dec 2019
8,099,051,809	99,026,635	5,980,816,063	79,502,757
1,209,805	14,792	2,668,117	35,467
<b>8,100,261,613</b>	<b>99,041,427</b>	<b>5,983,484,180</b>	<b>79,538,224</b>

**20. Other income**

 Interest on:  
 -bank deposits  
 Net gain on foreign currency transactions and translations  
 Gain on sale of fixed assets (net)  
 Miscellaneous  
 Excess provisions written back

For the period 31 Dec 2020	For the period 31 Dec 2020	For the period 31 Dec 2019	For the period 31 Dec 2019
1,521,918	18,608	-	-
8,562,982	104,699	-	-
-	-	-	-
-	-	990,608	13,168
-	-	-	-
<b>10,084,900</b>	<b>123,307</b>	<b>990,608</b>	<b>13,168</b>

**21. Cost of materials consumed**
**Raw material and packing material consumed**

 Inventories at beginning of the year  
 Purchases during the year (net)  
 Sold during the year  
 Inventories at end of the year

For the period 31 Dec 2020	For the period 31 Dec 2020	For the period 31 Dec 2019	For the period 31 Dec 2019
549,105,160	7,299,234	38,676,503	7,011,375
3,183,010,184	37,830,101	2,963,950,532	32,421,768
3,732,115,343	45,129,335	3,002,627,035	39,433,143
6,734,654	82,344	75,152,428	998,998
676,917,126	8,276,626	549,105,160	7,299,234
<b>3,048,463,563</b>	<b>36,770,364</b>	<b>2,378,369,447</b>	<b>31,134,911</b>

**22. Purchases of traded goods**

Beverages

For the period 31 Dec 2020	For the period 31 Dec 2020	For the period 31 Dec 2019	For the period 31 Dec 2019
166,334,764	2,033,765	292,666,181	3,890,400
<b>166,334,764</b>	<b>2,033,765</b>	<b>292,666,181</b>	<b>3,890,400</b>



Varun Beverages (Zimbabwe) (Private) Limited

23. Changes in inventories of traded goods

As at the beginning of the year

Finished goods

As at the closing of the year

Finished goods

Work In Progress

24. Employee benefits expense

Salaries and wages

Staff welfare expenses

25. Finance costs

Interest on:

Term loans

Bank guarantee fees to Parent Company

Loan from parent company

26. Depreciation expense

Depreciation on tangible assets

	For the period 31 Dec 2020	For the period 31 Dec 2020	For the period 31 Dec 2019	For the period 31 Dec 2019
	10,611,542	632,769	2,861,261	518,697
	10,611,542	632,769	2,861,261	518,697
	181,422,308	2,218,240	47,601,834	632,769
	-	-	-	-
	181,422,308	2,218,240	47,601,834	632,769
	<b>(170,810,766)</b>	<b>(1,585,471)</b>	<b>(44,740,573)</b>	<b>(114,073)</b>
	For the period 31 Dec 2020	For the period 31 Dec 2020	For the period 31 Dec 2019	For the period 31 Dec 2019
Salaries and wages	381,487,865	4,664,430	291,781,111	3,878,635
Staff welfare expenses	43,623,916	533,387	24,148,820	321,009
	<b>425,111,781</b>	<b>5,197,817</b>	<b>315,929,930</b>	<b>4,199,644</b>
	For the period 31 Dec 2020	For the period 31 Dec 2020	For the period 31 Dec 2019	For the period 31 Dec 2019
Interest on:				
Term loans	148,055,907	1,810,271	204,393,743	2,692,731
Bank guarantee fees to Parent Company	44,836,838	548,217	24,497,660	325,646
Loan from parent company	32,942,415	402,785	38,154,818	507,191
	<b>225,835,160</b>	<b>2,761,273</b>	<b>267,046,221</b>	<b>3,525,568</b>
	For the period 31 Dec 2020	For the period 31 Dec 2020	For the period 31 Dec 2019	For the period 31 Dec 2019
Depreciation on tangible assets	289,801,046	3,543,381	230,814,023	3,068,202
	<b>289,801,046</b>	<b>3,543,381</b>	<b>230,814,023</b>	<b>3,068,202</b>

**Varun Beverages (Zimbabwe) (Private) Limited**

**27. Other expenses**

	For the period 31 Dec 2020	For the period 31 Dec 2020	For the period 31 Dec 2019	For the period 31 Dec 2019
Power and fuel	289,486,634	3,539,536	248,135,715	3,298,458
Repairs to plant and equipment	276,849,255	3,385,020	118,131,703	1,570,320
Repairs to buildings	47,468,738	580,397	2,753,023	36,596
Other repairs	7,460,328	91,217	2,182,331	29,010
Consumption of stores and spares	132,843,200	1,624,266	51,163,010	680,108
Rent	79,798,421	975,691	31,234,390	415,198
Rates and taxes	1,463,997	17,900	1,431,893	19,034
Insurance	18,214,409	222,707	8,847,546	117,610
Printing and stationery	4,854,366	59,354	5,555,461	73,849
Communication	7,217,353	88,246	4,022,656	53,473
Travelling and conveyance	18,352,775	224,398	25,536,854	339,460
Payment to the auditors as				
Audit and reviews	3,387,135	41,414	3,860,499	51,317
Taxation matters	-	-	-	-
Other matters	-	-	-	-
Reimbursement of expenses	-	-	-	-
Vehicle running and maintenance	10,714,682	131,008	20,350,849	270,523
Lease and hire charges	66,551,956	813,727	21,829,798	290,183
Security and service charges	108,854,669	1,330,960	10,388,577	138,095
Professional charges and consultancy	279,460,152	3,416,943	77,201,630	1,026,238
Bank charges	116,551,329	1,425,066	123,218,517	1,637,939
Advertisement and sales promotion	81,413,341	995,436	83,233,308	1,106,417
Meeting and conference	-	-	-	-
Royalty	-	-	-	-
Freight, octroi and insurance paid (net)	371,934,718	4,547,624	280,871,542	3,733,615
Delivery vehicle running and maintenance	231,328,067	2,828,435	28,797,139	382,799
Distribution expenses	15,459,600	189,024	5,379,261	71,506
Loading and unloading charges	20,340,630	248,704	4,019,856	53,436
Donations	-	-	5,388	72
Property, plant and equipment written off	-	-	-	-
Loss on disposal of property, plant and equipment (net)	319	4	-	-
Bad debts and advances written off	1,993,822	24,378	1,821,026	24,207
Allowance for expected credit losses	-	-	-	-
Corporate Social Responsibility expenditure	-	-	-	-
Net loss on foreign currency transactions and translations	-	-	1,571,746,219	20,893,443
General office and other miscellaneous expenses	6,568,752	80,316	3,031,780	40,301
	<b>2,198,568,648</b>	<b>26,881,771</b>	<b>2,734,749,974</b>	<b>36,353,207</b>



## Independent Auditor's Report

To the Members of Lunarmech Technologies Private Limited

Report on the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of **Lunarmech Technologies Private Limited** ("the Company"), which comprise the Balance Sheet as at December 31, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity, the statement of Cash Flows for the year ended 31 December, 2020 and a summary of the significant accounting policies and other explanatory information (here after referred to as "Standalone Financial Statement").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone 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 Company as at 31<sup>st</sup> December 2020, and statement of its profit and loss (financial performance including other comprehensive income), its cash flows and the 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 Company 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 Standalone Financial Statements and Auditor's Report Thereon**

The 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 Standalone 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 Standalone 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 Standalone 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 Standalone 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 Standalone Ind AS Financial Statements**

The 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 standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the company 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 Company 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 standalone 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 standalone 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.

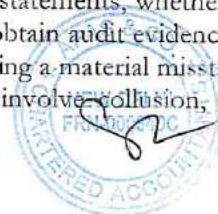
The board of Directors are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

Our objectives are to obtain reasonable assurance about whether the standalone 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 standalone 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 standalone 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 Company 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 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 standalone 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.

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

Materiality is the magnitude of misstatements in the standalone 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 standalone 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 the 'Companies (Auditor's Report) Order, 2016', issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act (hereinafter referred to as the "Order"), we give in the Annexure 'I' a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143 (3) of the Act, we report 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 purpose of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the standalone financial statements dealt with by this report are in agreement with the books of account;



- (d) in our opinion, the aforesaid standalone financial statements comply with Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 December 2020 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 Company and the operating effectiveness of such controls, refer to our separate report in "Annexure-2". Our report expresses as unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:  
In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions 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 Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
- i. The company has disclosed in notes no 36, the impact of pending litigations on its financial position in its standalone financial statements;
  - ii. according to the information and explanations provided to us, the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
  - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and

Place : New Delhi  
Date : 27/01/2021



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

(Sumit Kathuria)

Partner

M No. 520078

UDIN : 21520078AAAABA9868



## ANNEXURE- I TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- i) In respect of its fixed assets:
  - a) The company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
  - b) As explained to us, fixed assets have been physically verified by the management in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and nature of its assets. As informed to us no material discrepancies were noticed on such physical verification.
  - c) Title deeds in respect of all immovable properties are held in the name of the company.
- ii) As explained to us physical verification has been conducted by the management at reasonable intervals in respect of inventories of finished goods, stores, spare parts and raw materials. We were explained that no material discrepancies have been noticed on physical verification.
- iii) The provisions of clause (iii) of the Order are not applicable as the company has not granted any loans, secured or unsecured, to companies firms, limited liability partnership or other parties covered in the register maintained under section 189 of the Companies Act 2013 during the year under audit.
- iv) The provisions of clause (iv) of the Order are not applicable as the company has not granted any loans, made investments, given any guarantee or security during the year under audit.
- v) According to the information and explanations given to us the company has not accepted any deposits, in terms of the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act 2013 and the rules framed there under.
- vi) In respect of business activities of the company, maintenance of cost records has not been specified by the Central Government under sub-section (l) of section 148 read with rules framed thereunder of the Companies Act 2013.
- vii)
  - a) As per information and explanations given to us, the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues with the appropriate authorities. As informed to us there are no outstanding statutory dues in arrears as at the last day of the financial year concerned for a period of more than six months from the date they became payable.
  - b) As per information and explanations given to us, there are no dues of Income Tax or sales tax or service tax or duty of customs or duty of Excise or Value added tax which have not been deposited on account of any dispute.
- viii) Based on our audit procedures and on the basis of information and explanations given to us by the management, we are of the opinion that there is no default in repayment of loans



or borrowings to the financial institutions and banks as at the year end. There are no loans from Government and the company has not issued any debentures.

- ix) As explained to us term loans obtained during the year were applied for the purpose for which the loans were obtained by the company. The company has not raised any money during the year by way initial or further public offer.
- x) Based upon the audit procedures performed and information and explanations given by the management, we report that, no fraud by the Company or on the company by its officers or employees has been noticed or reported during the course of our audit for the year ended 31.12.2020.
- xi) According to information and explanations given to us, the managerial remuneration paid and provided by the company during the year is in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V of the Companies Act 2013.
- xii) The provisions of clause (xii) of the Order are not applicable as the company is not a Nidhi Company as specified in the clause.
- xiii) According to information and explanations given to us we are of the opinion that all related party transactions are in compliance with the Section 177 and 188 of Companies Act 2013. Necessary disclosures has been made in the financial statements as required by the applicable accounting Standards.
- xiv) According to information and explanations given to us the company has not made any preferential allotment or private placement of shares or debentures during the year.
- xv) According to information and explanations given to us the Company has not entered into any non-cash transaction with the director or any person connected with him during the year.
- xvi) In our opinion, in view of its business activities, the company is not required to be registered under section 45IA of Reserve Bank of India Act 1934.

For APAS & CO.  
CHARTERED ACCOUNTANTS  
FIRM REGN NO. 000340C



(SUMIT KATHURIA)  
PARTNER  
M.No. 520078  
UDIN: 21520078AAAABA9868

PLACE : NEW DELHI  
DATED : 27/01/2021



## **Annexure 2 to the Independent Auditor's Report**

(Referred to in paragraph 2 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **Lunarmech Technologies Private Limited** of even date)

### **Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

In conjunction with our audit of the standalone financial statements of **Lunarmech Technologies Private Limited** (hereinafter referred to as "Company") as at and for the year ended December 31, 2020, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

#### **Management's Responsibility for Internal Financial Controls**

The Board of Directors of the Company are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ("the 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 its business, including adherence to the respective 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**

Our responsibility is to express an opinion on the internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. 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 internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls Over Financial Reporting**

A company's internal financial control over financial reporting 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 internal financial control over financial reporting includes 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 authorizations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

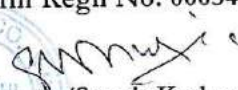
#### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**


Because of the inherent limitations of internal financial controls over financial reporting, 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 internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Opinion**

In our opinion, the company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31<sup>st</sup> December 2020, based on the internal control over financial reporting criteria established by the company considering the essential components of internal control stated in the Guidance Note on "Audit of Internal Financial Controls Over Financial Reporting" issued by the Institute of Chartered Accountants of India.

Place : New Delhi  
Date : 27/01/2021

For APAS & Co.  
Chartered Accountants  
Firm Regn No. 000340C  
  
(Sumit Kathuria)  
Partner  
M No. 520078  
UDIN : 21520078AAAABA9868




**LUNARMECH TECHNOLOGIES PRIVATE LIMITED**  
**BALANCE SHEET AS AT 31 DECEMBER 2020**

Particulars	Note No.	(Amount in Rupees Lacs, unless otherwise stated)	
		As at 31 December 2020	As at 31 December 2019
<b>Assets</b>			
<b>Non-current assets</b>			
a) Property, plant and equipment	3(a)	3,464.54	1,817.26
b) Right-of-use asset	3(b)	235.03	-
c) Financial assets			
i) Loans	4	88.85	84.47
ii) Other financial assets	5	-	-
d) Other non-current assets	6	549.45	218.53
<b>Total non-current assets</b>		<b>4,137.88</b>	<b>2,120.25</b>
<b>Current assets</b>			
a) Inventories	7	1,059.91	1,122.85
b) Financial assets			
i) Trade receivables	8	1,882.29	1,152.40
ii) Cash & cash equivalents	9	1,151.37	1,274.62
iii) Other bank balances	9A	1,100.00	-
iv) Loans	4	2.17	-
v) Other financial assets	5	27.50	37.18
c) Other current assets	6	603.69	85.53
<b>Total current assets</b>		<b>5,806.93</b>	<b>3,652.60</b>
<b>Total assets</b>		<b>9,944.81</b>	<b>5,772.85</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
a) Equity share capital	10	99.50	99.50
b) Other equity	11	6,009.11	4,428.27
<b>Total equity</b>		<b>6,108.61</b>	<b>4,527.77</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
a) Financial liabilities			
i) Borrowings	12	1,026.24	-
ii) Lease liabilities	13	189.98	-
b) Provisions	14	45.23	30.18
c) Deferred tax liabilities (net)	15	126.60	161.44
<b>Total non-current liabilities</b>		<b>2,288.05</b>	<b>200.63</b>
<b>Current liabilities</b>			
a) Financial liabilities			
i) Borrowings	12	28.60	63.65
ii) Lease liabilities	13	64.00	-
iii) Trade payables			
Dues to micro enterprises and small enterprises	16	30.91	83.50
Dues to Others	16	1,002.35	391.58
iv) Other financial liabilities	17	21.76	242.19
b) Other current liabilities	18	8.10	9.01
c) Provisions	14	5.24	4.90
d) Current tax liabilities (Net)	19	389.20	249.63
<b>Total current liabilities</b>		<b>1,550.15</b>	<b>1,044.46</b>
<b>Total liabilities</b>		<b>3,836.20</b>	<b>1,245.08</b>
<b>Total equity &amp; liabilities</b>		<b>9,944.81</b>	<b>5,772.85</b>


2  
Significant accounting policies  
The accompanying notes are an integral part of the financial statements.

In terms of our report of even date annexed  
For APAS & CO.  
FIRM REGN NO. 000140C  
CHARTERED ACCOUNTANTS

  
Sumit Kothuria  
Partner  
M.No. 520078

PLACE: NEW DELHI  
DATED: 27 January 2021

For Lunarmech Technologies Pvt. Ltd.

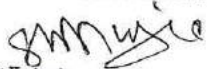
  
Director  
DIN:02255219  
(Satsarayan Sharma)

  
Director  
DIN:00061354  
(Vivek Gupta)

**LUNARMECH TECHNOLOGIES PRIVATE LIMITED**  
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2020**

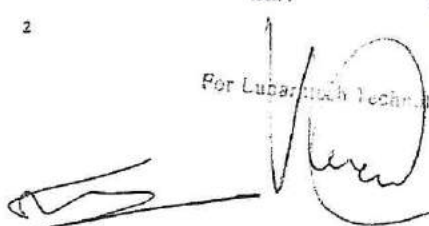
Particulars	Note No.	(Amount in Rupees Lacs, unless otherwise stated)	
		For the Year ended 31 December 2020	For the Year ended 31 December 2019
<b>Income</b>			
Revenue from operations			
Other income	20	9,706.26	7,414.09
<b>Total income</b>	21	<u>9,763.51</u>	<u>7,955.91</u>
<b>Expenses</b>			
Cost of material consumed			
Purchases of Stock-in-Trade	22	4,499.40	4,394.35
Changes in Inventories of finished goods, stock-in-trade and Work-in-progress	23	424.99	-
Employee benefit expenses		294.37	(403.55)
Finance costs	24	422.28	446.95
Depreciation and amortization expense	25	200.20	34.07
Other expenses	26	587.90	453.26
<b>Total expenses</b>	27	<u>1,191.72</u>	<u>1,191.39</u>
<b>Profit before tax</b>		<u>7,620.86</u>	<u>6,117.08</u>
<b>Tax expenses</b>			
Current tax		2,142.64	1,838.83
Current year			
Adjustment of earlier years		574.61	523.50
Deferred Tax		23.85	14.54
<b>Profit for the year</b>		<u>(35.30)</u>	<u>(31.25)</u>
<b>Other comprehensive income</b>		<u>1,579.48</u>	<u>1,332.04</u>
a) Items that will not be reclassified to statement of profit & loss			
Remeasurement of post employment benefit		1.81	(5.26)
Less: Deferred tax on above item		0.45	(1.35)
<b>Total Other comprehensive income</b>		<u>1.35</u>	<u>(3.91)</u>
<b>Total comprehensive income</b>		<u>1,580.83</u>	<u>1,328.13</u>
<b>Earning per share (Basic / Diluted) (Rs.)</b>	44	<u>158.74</u>	<u>133.87</u>
<b>Significant accounting policies</b>			
The accompanying notes are an integral part of the financial statements.	2		

In terms of our report of even date annexed  
For APAS & CO.  
FIRM REGN NO. 000340C  
CHARTERED ACCOUNTANTS

  
Sumit Kathuria  
Partner  
M.No. 520078

PLACE : NEW DELHI  
DATED : 27 January 2021

For Lunarmech Technologies Pvt. Ltd.

  
Director

Director  
DIN:02255219  
(Satyanarayan Sharma)

Director  
DIN:00061354  
(Vivek Gupta)



# LUNARMECH TECHNOLOGIES PRIVATE LIMITED

## Notes of the financial statements for the year ended December 31, 2020

### 1. Background of the Company

Lunarmech Technologies Private Limited ('the Company') was incorporated on 26<sup>th</sup> May, 2009. The Company is engaged in manufacturing, selling, and distribution of Plastic (PP) Closure.

### 2. Significant Accounting Policies

#### 2.1 Basis of preparation

##### (i) Compliance with Ind AS-

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under Section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act.

The financial statements are presented in INR and all values are rounded to the nearest Lacs (INR 00,000), except when otherwise indicated.

##### (ii) Historical cost convention-

The financial statements have been prepared on a historical cost basis, except for:

- Certain financial assets & liabilities (including derivative instruments) and contingent consideration that are measured at fair value.
- Assets held for sale have been measured at fair value less cost to sell
- Defined benefit plans – plan assets measured at fair value.

#### 2.2 Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

*An asset is treated as current when it is:*

- Expected to be realised or intended to be sold or consumed in normal operating cycle of the Company
- Held primarily for the purpose of trading
- Expected to be realized within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.
- All other assets are classified as non-current.
- *A liability is treated as current when:*
- It is expected to be settled in normal operating cycle of the Company
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months from the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

*Deferred tax assets and liabilities are classified as non-current assets and liabilities.* The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.

#### 2.3 Revenue recognition

i) Revenue is recognised on transfer of premised Goods and Services to the customers on performance of obligation at the price that reflects the consideration to which the company expects to receive a performance of obligation, regardless of when payment is being made. Revenue from operations includes Sale of Goods and adjustments for discounts.

##### ii) Interest:

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate.





## LUNARMECH TECHNOLOGIES PRIVATE LIMITED

### Notes of the financial statements for the year ended December 31, 2020

#### iii) Export License Income

Export license income is recognized on receipt/certainty of receipt basis.

#### iv) Claims

Revenue in respect of claims is recognized only when the same are reasonably ascertained.

### 2.4 Taxes

a) The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate as per the Income tax Act, 1961 adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

b) The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

c) Deferred income tax is recognised in respect of temporary differences between the carrying amounts of assets of assets and liabilities for financial reporting purposes and the corresponding amounts used for taxation purposes. Deferred tax is also recognised in respect of carried forward tax losses and tax credits.

d) Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Therefore, in the case of a history of recent losses, the Company recognises the deferred tax asset to the extent that it has sufficient taxable temporary differences or there is convincing other evidences that sufficient taxable profit will be available against which such deferred tax can be realised.

e) Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

f) Current and deferred tax is recognised in the Statement of profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity and in this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### 2.5 Property, plant and equipment

a) Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

b) 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 of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the Statement of profit and loss during the reporting year in which they are incurred.

(c) *Depreciation methods, estimated useful lives and residual value-*

Depreciation / amortization on tangible and intangible fixed assets is provided to the extent of depreciable amount on the straight line (SLM) Method. Depreciation is provided at the rates and in the manner prescribed in Schedule II to the Companies Act, 2013. The useful lives have been determined based on those specified by Schedule II to the Companies Act, 2013, in order to reflect the actual usage of the assets except in case of Plant & Machinery, where useful life has been taken to be 10 years based on external / internal technical evaluation. The residual values are not more than 5% of the original cost of the asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting year. There is no asset which is to be treated as a separate component for the purpose providing depreciation. The capital expense on building renovation is depreciated over the lease period of the building.

(d) 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.

(e) Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of profit and loss within other gains/ (losses).

### 2.6 Intangible assets





## LUNARMECH TECHNOLOGIES PRIVATE LIMITED

### Notes of the financial statements for the year ended December 31, 2020

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

#### **2.7 Leases**

Accounting policy applicable from 1 April 2019 onwards:

##### **The Company as a lessee**

As inception of the contract, the Company assesses whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to control the use an asset (the underlying asset) for a period of time in exchange for consideration'.

To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- a) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- b) the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use. At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. However, for the leases of land and buildings in which it is a lessee, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

##### **Measurement and recognition of leases as a lessee**

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- a) fixed payments, including in-substance fixed payments;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) amounts expected to be payable under a residual value guarantee; and





## LUNARMECH TECHNOLOGIES PRIVATE LIMITED

### Notes of the financial statements for the year ended December 31, 2020

- d) the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero, as the case may be.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the balance sheet. Also, the Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

In the comparative period, as a lessee, the Company classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. Leases of property, plant and equipment in which significant portion of risks and rewards of ownership were not transferred were classified as operating leases. In determining the appropriate classification, the substance of the transaction rather than the form was considered. In case, the lease arrangement includes other consideration, it was separated at the inception of the lease arrangement or upon a reassessment of the lease arrangement into those for the lease and those for other elements on the basis of their relative fair values. Lease classification was made at the inception of the lease. Lease classification was changed only if, at any time during the lease, the parties to the lease agreement agree to revise the terms of the lease (without renewing it) in a way that it would have been classified differently, had the changed terms been in effect at inception. The revised agreement involves renegotiation of original terms and conditions and were accounted prospectively over the remaining term of the lease. Lease payments in respect of assets taken on operating lease are charged to the profit or loss on a straight line basis over the period of the lease unless the payments are structured to increase in line with the expected general inflation to compensate the lessor's expected inflationary cost increase.

#### **The Company as a lessor**

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'.

The accounting policies applicable to the Company as a lessor in the comparative period were not different from Ind AS 116. However, when the Company was an intermediate lessor the sub-leases were classified with reference to the underlying asset.

## **2.8 Inventories**

Inventories are valued on the following basis:

- |                            |                                            |
|----------------------------|--------------------------------------------|
| (i) Finished Goods -       | - At lower of cost or net realisable value |
| (ii) Semi Finished Goods   | - At Estimated cost                        |
| (iii) Raw Materials        | - At cost (on weighted Average Method)     |
| (iv) Packing Material      | - At cost (on weighted Average Method)     |
| (v) Stores and Spares etc. | - At cost                                  |

Cost of raw materials and traded goods comprises cost of purchases. Cost of work-in-progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.





## **LUNARMECH TECHNOLOGIES PRIVATE LIMITED**

### **Notes of the financial statements for the year ended December 31, 2020**

#### **2.9 Impairment of non-financial assets**

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

#### **2.10 Provisions**

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### **2.11 Employee Benefits**

##### *(i) Short-term obligations-*

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

##### *(ii) Post-employment obligations-*

The Company operates the following post-employment schemes:

- (a) Defined benefit plans such as gratuity; and
- (b) Defined contribution plans such as provident fund and ESI.

##### *Gratuity obligations-*

The liability or asset recognised in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the end of the reporting year less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting year on government bonds that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of profit and loss.





## LUNARMECH TECHNOLOGIES PRIVATE LIMITED

### Notes of the financial statements for the year ended December 31, 2020

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service cost.

Defined contribution plans-

The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due.

#### 2.12 Investments and Other financial assets

##### (i) Classification-

The Company classifies its financial assets in the following measurement categories:

Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and those measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income.

For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

##### (ii) Measurement-

At initial recognition, the Company measures a financial asset at its fair value, in the case of a financial asset is not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### (a) Debt instruments-

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

**Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

##### (b) Equity instruments-

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification





# **LUNARMECH TECHNOLOGIES PRIVATE LIMITED**

## **Notes of the financial statements for the year ended December 31, 2020**

of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other gain/ (losses) in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

### **(iv) Derecognition of financial assets-**

A financial asset is derecognised only when:

The Company has transferred the rights to receive cash flows from the financial asset or, retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the Company has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognised. Where the Company has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Where the Company has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

### **2.13 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

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

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid as per the credit terms.

### **2.15 Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment.

### **2.16 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. Accordingly, segmental reporting is performed on the basis of geographical location of customer which is also used by the chief financial decision maker of the company for allocation of available resources and future prospects.

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

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

### **2.18 Foreign currency translation or transaction**

Transactions in foreign currencies are initially recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on restatement of the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

Exchange differences pertaining to long-term foreign currency monetary items obtained or given on or before 31 December 2016: Exchange differences arising on conversion of long term foreign currency monetary items used for acquisition of depreciable fixed assets are added to the cost of fixed assets and is depreciated over the remaining life of the respective fixed asset and in





## **LUNARMECH TECHNOLOGIES PRIVATE LIMITED**

### **Notes of the financial statements for the year ended December 31, 2020**

other cases, is recorded under the head 'Foreign Currency Monetary Item Translation Difference account' and is amortized over the period of maturity of underlying long term foreign currency monetary items, in accordance with the option available under Ind AS 101.

Exchange differences pertaining to long-term foreign currency monetary items obtained or given on or after 01 January 2017: Exchange differences arising on restatement of long term foreign currency monetary items obtained or given is recorded in the Statement of Profit and Loss.

#### **2.19 Financial liabilities**

##### ***Initial recognition and measurement:***

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate.

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

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts and financial guarantee contracts.

##### ***Subsequent measurement-***

The measurement of financial liabilities depends on their classification, as described below:

##### **(a) Financial liabilities at fair value through profit or loss-**

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

##### **(b) Loans and borrowings-**

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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

#### **2.20 Contingencies**

Contingent liabilities are possible obligations whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control, or present obligations that are not recognised because of the following: (a) It is not probable that an outflow of economic benefits will be required to settle the obligation; or (b) the amount cannot be measured reliably.

Contingent liabilities are not recognised but are disclosed and described in the notes to the financial statements, including an estimate of their potential financial effect and uncertainties relating to the amount or timing of any outflow, unless the possibility of settlement is remote.

Contingent assets are possible assets whose existence will be confirmed only on the occurrence or non-occurrence of uncertain future events outside the Company's control. Contingent assets are not recognised. When the realisation of income is virtually certain, the related asset is not a contingent asset; it is recognised as an asset.

Contingent assets are disclosed and described in the notes to the financial statements, including an estimate of their potential financial effect if the inflow of economic benefits is probable.

#### **2.21 Significant accounting judgements, estimates and assumptions**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities at the date of the financial statements. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under





## LUNARMECH TECHNOLOGIES PRIVATE LIMITED

### Notes of the financial statements for the year ended December 31, 2020

the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Company has identified the following areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described below and also in the relevant notes to the financial statements. Changes in estimates are accounted for prospectively.

#### **Judgements**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the financial statements:

#### **Contingencies**

Contingent liabilities may arise from the ordinary course of business in relation to claims against the Company, including legal, contractor, land access and other claims. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgments and the use of estimates regarding the outcome of future events.

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

##### **(a) Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

##### **(b) Defined benefit plans**

The cost of the defined benefit plan and other post-employment benefits and the present value of such obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

##### **(c) Fair value measurement of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the NAV model.

Financial assets like security deposits received and security deposits paid, has been classified and measured at amortised cost on the basis of the facts and circumstances that exist at the date of transition to Ind AS. Government corporate bond rate has been used to fair value the security deposits at amortised cost.

Financial liability like long term borrowings received, has been classified and measured at amortised cost on the basis of the facts and circumstances that exist at the date of transition to Ind AS. Average market borrowing rate has been used to fair value the long term loan at amortised cost.

#### **2.22 Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their acquisition date fair values. For this purpose, the liabilities assumed include contingent liabilities representing present obligation and they are measured





## LUNARMECH TECHNOLOGIES PRIVATE LIMITED

### Notes of the financial statements for the year ended December 31, 2020

at their acquisition fair values irrespective of the fact that outflow of resources embodying economic benefits is not probable. However, deferred tax assets or liabilities, and the assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with Ind AS 12 'Income Taxes' and Ind AS 19 'Employee Benefits' respectively. When a liability assumed is recognised at the acquisition date but the related costs are not deducted in determining taxable profits until a later period, a deductible temporary difference arises which results in a deferred tax asset. A deferred tax asset also arises when the fair value of an identifiable asset acquired is less than its tax base.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss or OCI, as appropriate.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of Ind AS 109 'Financial Instruments' ("Ind AS 109"), is measured at fair value with changes in fair value recognised in Consolidated Statement of Profit and Loss. If the contingent consideration is not within the scope of Ind AS 109, it is measured in accordance with the appropriate Ind AS. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and subsequent its settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in OCI and accumulated in equity as capital reserve.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit.

Any impairment loss for goodwill is recognised in Consolidated Statement of Profit and Loss. an impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash- generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash- generating unit retained.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted through goodwill during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date. These adjustments are called as measurement period adjustments. The measurement period does not exceed one year from the acquisition date.

Business combinations involving entities that are controlled by the Group are accounted for using the 'pooling of interests' method as follows:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;



## LUNARMECH TECHNOLOGIES PRIVATE LIMITED

### Notes of the financial statements for the year ended December 31, 2020

- Except for adjustments made to harmonise accounting policies, no adjustments are made to reflect fair values, or recognise any new assets or liabilities;
- The balance of the retained earnings appearing in the financial statements of the transferor is aggregated with the corresponding balance appearing in the financial statements of the transferee or is adjusted against general reserve;
- The identity of the reserves is preserved and the reserves of the transferor become the reserves of the transferee; and
- The difference, if any, between the amounts recorded as share capital issued plus any additional consideration in the form of cash or other assets and the amount of share capital of the transferor is transferred to capital reserve and is presented separately from other capital reserves.



**LUNARBECH TECHNOLOGIES PRIVATE LIMITED**

Statement of changes in equity for the year ended 31 December 2020

**I) Equity share capital**

(Amount in Rupees Lacs, unless otherwise stated)	
Balance as at January 1, 2019 (Refer Note- 43)	99.50
Changes in equity share capital during the year	-
Balance as at December 31, 2019	99.50
Changes in equity share capital during the year	-
Balance as at December 31, 2020	99.50

**II) Other equity**

Particulars	Reserve & Surplus			Other comprehensive income	Total
	Retained earnings	Capital Reserve (Refer Note- 43)			
As at January 1, 2019	3,166.64	(66.00)			3,100.64
Profit / Loss for the year	1,331.54				1,331.54
Re measurement gain/losses on defined employment benefit (Net of Taxes)				(3.91)	(3.91)
As at December 31, 2019	4,498.18	(66.00)		(3.91)	4,428.27

Particulars	Reserve & Surplus			Other comprehensive income	Total
	Retained earnings	Capital Reserve			
As at January 1, 2020	4,498.18	(66.00)			4,432.18
Profit / Loss for the year	1,379.48				1,379.48
Re measurement gain/losses on defined employment benefit (Net of Taxes)				1.35	1.35
As at December 31, 2020	6,077.66	(66.00)		(2.56)	6,009.10

In terms of our report of even date annexed  
For APAS & CO.  
FIRM REGN NO. 606340C  
CHARTERED ACCOUNTANTS

Sumit Katiwara  
Partner  
M.No. 520078

PLACE: NEW DELHI  
DATED : 27 January 2021



*(Signature)*

For LunarBech Technologies Pvt. Ltd.

Director  
DIN:00661354  
(Vivek Gupta)

Director  
DIN:02253219  
(Sayanarayan Shan)

*(Signature)*  
27/01/2021



LUNARMECH TECHNOLOGIES PRIVATE LIMITED.

3(a) Property, plant and equipment

(Amount in Rupees Lacs, unless otherwise stated)

Particulars	Free Hold Land & Site Development	Building Renovation	Plant & Equipment	Office Equipment	Airconditioner	Furniture & Fixtures	Generator	Computers	Lab Equipment	Vehicles	Total
Cost											
As at January 1, 2019	176.27	86.01	4,905.65	4.67	15.93	14.01	16.04	6.43	17.03	0.43	5,242.46
Additions	-	-	33.43	3.26	-	0.79	-	0.11	-	-	39.59
Disposals	91.33	-	-	-	-	-	-	-	-	-	91.33
As at December 31, 2019	84.95	86.01	4,939.07	9.93	15.93	14.79	16.04	6.54	17.03	0.43	5,199.72
Additions	-	-	2,153.58	2.21	2.68	3.08	-	1.35	0.58	-	2,163.68
Disposals	-	-	-	-	-	-	-	-	-	-	-
As at December 31, 2020	84.95	86.01	7,092.65	12.14	18.61	17.87	16.04	8.09	17.60	0.43	7,354.40
Accumulated Depreciation											
As at January 1, 2019	-	34.95	2,826.16	3.49	15.20	8.57	13.00	5.74	12.73	0.38	2,920.21
Depreciation charge for the year	-	8.58	437.83	1.48	-0.06	1.46	1.81	0.19	1.94	0.02	453.26
Disposals	-	-	-	-	-	-	-	-	-	-	-
As at December 31, 2019	-	43.53	3,263.98	4.97	15.14	10.03	14.81	5.94	14.67	0.41	3,273.46
Depreciation charge for the year	-	8.39	303.28	1.46	0.21	1.16	0.43	0.62	0.65	0.00	516.40
Disposals	-	-	-	-	-	-	-	-	-	-	-
As at December 31, 2020	-	52.12	3,767.26	6.42	15.35	11.19	15.24	6.55	15.32	0.41	3,889.86
Net Block:											
As at December 31, 2020	84.95	33.89	3,225.39	5.72	3.27	6.68	0.80	1.54	2.28	0.02	3,464.54
As at December 31, 2019	84.95	42.48	1,675.09	4.97	0.80	4.76	1.23	0.60	2.35	0.03	1,817.26

3(b) Right-of-use asset

Particulars	As at 31 December 2020	As at 31 December 2019
Buildings (Refer Note- 35)	235.03	-
	<u>235.03</u>	<u>-</u>



**LUNARMECH TECHNOLOGIES PRIVATE LIMITED**

Notes of the financial statements

(Amount in Rupees Lacs, unless otherwise stated)

	Non-current		Current	
	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
Loans carried at amortized cost				
Security deposits	88.85	84.47	2.17	-
	88.85	84.47	2.17	-

**5 Other Financial Assets**

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
Security deposits	-	-	-	-
Deferred Lease Expenses	-	-	-	-
Interest receivable	-	-	27.50	4.10
Claim Receivable	-	-	-	33.08
Amount receivable from NHAI (Delhi baroda hij)	-	-	-	-
	-	-	27.50	37.18

**6 Other Assets**

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
Capital Advance	349.45	212.93	-	-
Balance With GST Authorities	-	-	83.36	42.03
Advances to Suppliers, Contractors & Others	-	-	463.07	16.71
Prepaid expenses/Amount recoverable	-	5.59	44.33	13.89
Amount receivable from NHAI (Delhi baroda hij)	-	-	12.92	12.92
	349.45	218.53	603.69	85.55



**LUNARMECH TECHNOLOGIES PRIVATE LIMITED**

**Notes of the financial statements**

Particulars	As at	
	31 December 2020	31 December 2019
<b>7 Inventories</b> (As certified by the management)		
Raw Material		
Raw Material Inventories in transit	413.52	348.62
Packing Material	318.59	199.49
Semi Finished Goods	9.32	7.78
Finished Goods	31.62	35.32
Finished Goods-in Transit	13.85	4.27
Stores, Spares and Others	161.68	461.93
<b>Total</b>	<b>111.53</b>	<b>65.43</b>
Note:	1,059.91	1,122.85
For mode of valuation refer Accounting policy number 2.8		
<b>8 Trade receivables</b>		
Trade Receivable considered good - Secured	As at	As at
Trade Receivable considered good - Unsecured	31 December 2020	31 December 2019
<b>Total</b>	<b>1,882.29</b>	<b>1,132.40</b>
Note:	1,882.29	1,132.40
Refer Note no 34 for related party disclosures		
<b>9 Cash and cash equivalents</b>		
Balances with banks	As at	As at
-In Current Account	31 December 2020	31 December 2019
-Deposits with maturity within three months (Held as margin by bank against credit facilities)	395.73	935.21
-Cheques/Reminisance in transit	734.60	285.14
Cash on hand	-	53.46
<b>Total</b>	<b>1.04</b>	<b>0.82</b>
For the purpose of statement of cash flow, cash and cash equivalent comprises of the following:	1,131.37	1,274.62
Balances with banks	1,130.33	1,273.80
Cash on hand	1.04	0.82
	1,131.37	1,274.62
<b>9A Other bank balances</b>		
Bank Deposit with more than three months maturity	As at	As at
<b>Total</b>	31 December 2020	31 December 2019
	1,100.00	-
	1,100.00	-
<b>10 Equity share capital</b>		
<b>AUTHORISED</b>		
1,000,000 Shares of par value of Rs. 10/- each	100.00	100.00
Add: 100,000 shares of par value of Rs 10/- each pursuant to the scheme of amalgamation (Refer Note 43)	10.00	10.00
1,100,000 Shares of par value of Rs. 10/- each (Previous Year 1,100,000, equity shares of Rs. 10/- each)	<b>110.00</b>	<b>110.00</b>
<b>ISSUED, SUBSCRIBED AND FULLY PAID-UP</b>		
1,000,000 Shares of par value of Rs. 10/- each	100.00	100.00
Less: 739980 Equity Shares of Rs 10 each cancelled (Refer Note-43)	(74.00)	(74.00)
Add: 735000 Equity Shares of Rs 10 each to be issued afresh as fully paid up shares (Refer Note-43)	73.50	73.50
995,020 Shares of par value of Rs. 10/- each (Previous Year 995,020, equity shares of Rs. 10/- each)	<b>99.50</b>	<b>99.50</b>
<b>Notes:</b>		
a) The reconciliation of number of shares outstanding as at the beginning and end of the year		
<b>Equity share capital</b>		
No. of Shares outstanding at the beginning of the year	31 December 2020	31 December 2019
Less: 739980 Equity Shares cancelled (Refer Note-43)	1,000,000	1,000,000
Add: 735000 Equity Shares to be issued afresh as fully paid up shares (Refer Note-43)	(739,980)	(739,980)
No. of Shares outstanding at the end of the year	<b>735,000</b>	<b>735,000</b>
	995,020	995,020
b) The company has only one class of equity shares having a par value of ' 10/- each. The holders of the equity shares are entitled to receive dividends as declared from time to time, and are entitled to voting rights proportionate to their share holding at the meetings of shareholders. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive assets of the Company remaining after settlement of all liabilities. The distribution will be in proportion to the number of equity shares held by the shareholders.		
c) Varun Beverages Limited is the holding company of the company, holding 547645 equity shares of the company.		





**LUNARMECH TECHNOLOGIES PRIVATE LIMITED**

**Notes of the financial statements**

(f) Following Shareholders hold shares more than 5% of the total equity shares of the company.

Name of the shareholder	Status	31 December 2020	31 December 2019
Varun Beverages Limited	Holding (w.e.f 04/11/2019)	547645(55.04%)	200000(20.8%)
Angelica Technologies Pvt. Ltd. (Refer note-43)	Holding (Before Merge)	NIL	739980(7.4%)
Lunarmech Investments & Holdings		50000(5.01%)	50000(5%)
Mr.Vivek Gupta	Whole time director	379159(39.91%)	NIL
# Not disclosed since below 5%			

c) The company has not issued any bonus shares or shares pursuant to contract without payment being recovered in cash during the period of last 5 years immediately preceding the balance sheet date. (Refer note-43)

**II Other equity**

**a) Retained Earning**

As per Last balance Sheet  
Add: Net Profit after Tax  
Remeasurement gains/losses on defined employment benefit  
**Total-(A)**

As at	As at
31 December 2020	31 December 2019
4194.27	3166.14
1579.48	1352.04
1.35	(3.93)
<b>6075.11</b>	<b>4494.27</b>

**b) Capital Reserve (Refer Note- 43)**

As per Last balance Sheet  
**Total-(B)**

(66.00)	(66.00)
<b>(66.00)</b>	<b>(66.00)</b>
<b>6009.11</b>	<b>4428.27</b>

**Total-(A+B)**



12 Borrowings

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
Secured term loan from Banks :				
- Foreign Currency Loans (Buyers credit)	1,926.24	-	-	237.43
- Rupees Loan	-	-	-	-
Working Capital Facility				
- From Banks				
-Secured				
-Foreign Currency Loans	-	-	-	-
-Rupee Loans	-	-	-	-
- From Others				
-Unsecured				
- Rupee Loans				
-From Director	-	-	-	35.05
-From Others	-	-	28.60	28.61
Less:- Current maturities of long term debt, disclosed under the head "other financial liabilities" (refer note 17)				-237.43
	1,926.24	-	28.60	63.65

13 Lease Liabilities

	Non-current		Current	
	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
Lease Liabilities	189.98	-	64.00	-
	189.98	-	64.00	-

14 Provisions

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
(Refer note 24)				
Defined benefit liability (net) - Gratuity	35.74	29.97	3.88	3.50
Other employee obligations - Leave encashment	7.49	9.21	1.35	1.41
	43.23	39.18	5.24	4.90



**LUNARMECH TECHNOLOGIES PRIVATE LIMITED**

**Notes of the financial statements**

Particulars	As at	As at
	31 December 2020	31 December 2019
<b>15 Deferred tax liabilities (net)</b>		
Deferred tax arising from temporary differences		
As at beginning of the year	161.44	194.04
Adjustment during the year	(34.85)	(32.60)
<b>Total</b>	<b>126.60</b>	<b>161.44</b>
<b>16 Trade payables</b>		
<b>Dues to Micro Enterprises and Small Enterprises (as per the intimation received from vendors)</b>		
i) Principal amount due to suppliers under MSMED Act	30.91	85.50
ii) Interest accrued and due to suppliers under MSMED Act on the above amount	-	-
iii) Payment made to suppliers (other than interest) beyond appointed day during the year	-	-
iv) Interest paid to suppliers under MSMED Act	-	-
v) The amount of further interest remaining due and payable even in the succeeding year, 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.	-	-
vi) Interest due and payable to suppliers under MSMED Act towards payments already made	-	-
vii) Interest accrued and remaining unpaid at the end of the accounting year	-	-
viii) The amount of further interest remaining due and payable even in the succeeding year, 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.	-	-
<b>Other trade payables</b>	0.00	0.00
<b>Total</b>	<b>1002.35</b>	<b>391.58</b>
	<b>1033.26</b>	<b>475.08</b>

**Notes:**

Disclosure with respect to related party transactions is given in note 34.





17 Other financial liabilities

	As at 31 December 2020	As at 31 December 2019	As at 31 December 2020	As at 31 December 2019
Current maturities of long-term borrowings (refer note 12)	-	-	-	237.43
Interest accrued but not due on borrowings	-	-	21.76	4.76
	-	-	21.76	242.19



**LUNARMECH TECHNOLOGIES PRIVATE LIMITED**

**Notes of the financial statements**

Particulars	As at	As at
	31 December 2020	31 December 2019
<b>18 Other Current liabilities</b>		
Statutory Dues Payable	6.37	6.97
Advances from customers and others	1.73	2.03
<b>Total</b>	<b>8.10</b>	<b>9.01</b>
<b>19 Current tax liabilities (Net)</b>		
	As at	As at
	31 December 2020	31 December 2019
Provision for current tax		
As per last balance sheet		127.54
Add: Provision for Current Year	249.63	523.50
Less: Amount adjusted during the year	574.61	0.52
Less: Set off against Taxes paid/Max credit	0.00	(401.04)
Provision for current tax (Net)	(435.04)	249.63
<b>Total</b>	<b>389.20</b>	<b>249.63</b>
	As at	As at
	31 December 2020	31 December 2019
<b>20 Revenue from operations</b>		
Sale of Products	9,656.87	7,311.94
Other operating revenue		
Export Incentive		
Scrap Sales	32.12	85.79
<b>Total</b>	<b>17.27</b>	<b>16.36</b>
	9,706.26	7,414.09
	Year Ended	Year Ended
	31 December 2020	31 December 2019
<b>A) Disclosure on revenue pursuant to Ind AS 115- Revenue from contract with customers:</b>		
<b>Reconciliation of revenue recognised with the contracted price:</b>		
Gross revenue/Contracted price	9,661.20	7,456.69
Adjustments:		
Discount		(143.88)
Sales return	0.00	(0.87)
Revenue as per Statement of Profit and Loss	(4.32)	
	9,656.87	7,311.94
<b>B) Disclosure of disaggregated revenue recognised in the Statement of Profit and Loss based on geographical segment:</b>		
Revenue from customers outside India	3,486.05	1,308.54
Revenue from customers within India	6,169.90	5,913.40
Revenue as per the Statement of Profit and Loss	9,656.87	7,311.94
<b>C) Contract balances:</b>		
The following table provides information about receivables and contract liabilities from contract with customers:		
	As at	As at
	31 December 2020	31 December 2019
<b>Receivables</b>		
Trade receivables	1,882.29	1,132.40
Less: Allowances for expected credit loss	-	-
	1,882.29	1,132.40
<b>Contract liabilities</b>		
Advance from Customers	0.40	0.49
	0.40	0.49
<b>D) Contract asset is the right to consideration in exchange for goods or services transferred to the customer. Contract liabilities are on account of the advance payment received from customer for which performance obligation has not yet been completed.</b>		
The performance obligation is satisfied when control of the goods or services are transferred to the customers based on the contractual terms. The Group does not have any remaining performance obligation as contracts entered for sale of goods are for a shorter duration. Further, there are no contracts for sale of services wherein, performance obligation is unsatisfied to which transaction price has been allocated. Payment terms with customers vary depending upon the contractual terms of each contract and generally falls in the range of 0 to 120 days from the completion of performance obligation.		
There is no significant financing component in any transaction with the customers.		
<b>21 Other income</b>	Year Ended	Year Ended
	31 December 2020	31 December 2019
Interest On Fixed Deposit Receipts	50.54	3.06
Interest Received on Electricity Security	4.65	2.67
Interest Received on Loan given	-	144.84
Net Gain in Foreign Currency Transactions	-	84.57
Profit on Sale of Fixed assets	-	303.08
Unwinding of interest on security deposit	1.96	-
Interest Income on Lease rental	-	1.31
Commission received	-	2.29
<b>Total</b>	<b>57.25</b>	<b>541.81</b>



**LUNARMECH TECHNOLOGIES PRIVATE LIMITED**

**Notes of the financial statements**

**22 Cost of material consumed**

**Raw Material Consumed**

Inventories at Beginning of the Year  
Add : Purchases during the year (Net)

Less : Sale of Raw material  
Less : Inventories at the end of the year

Consumed  
Packing Material Consumed  
**Total**

Year Ended 31 December 2020	Year Ended 31 December 2019
348.02	576.84
4,360.92	4,038.05
4,709.54	4,614.89
0.52	30.43
413.52	348.62
4,295.50	4,235.84
203.90	158.51
4,499.40	4,394.35

**23 Changes in Inventories of finished goods, stock-in-trade and work-in-progress**

**As at the beginning of the year**

Finished Goods  
Finished Goods-in Transit  
Semi Finished Goods

**As at the closing of the year**

Finished Goods  
Finished Goods-in Transit  
Semi Finished Goods

**Net**

Year Ended 31 December 2020	Year Ended 31 December 2019
4.27	2.49
461.93	95.19
35.32	-
501.53	97.98
13.85	4.27
161.08	461.93
31.62	35.32
207.16	501.53
294.37	403.55

**24 Employee benefit expenses**

Salaries and wages \*  
Employer's contribution to provident and other funds  
Staff welfare expenses  
**Total**

\* Managerial Remuneration paid to Directors

**Employee benefits**

**I 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:

Year Ended 31 December 2020	Year Ended 31 December 2019
407.46	421.96
10.97	12.15
3.85	12.85
422.28	446.95
84.00	84.00
10.97	12.15

**II Defined benefit plans**

The Company operates a gratuity plan wherein every employee is entitled to the benefit. Gratuity is payable to all eligible employees of the Company on retirement, separation, death or permanent disablement, in terms of the provisions of the Payment of Gratuity Act.

The following table sets out the status of the gratuity plan as required under Ind AS 19 - Employee Benefits as at 31 December 2020, 31 December 2019 :

**i. Changes in present value are as follows:**

Particulars	31 December 2020	31 December 2019
Balance at the beginning of the year		
Interest cost	33.46	21.32
Current service cost	2.38	1.61
Benefits settled	5.58	5.28
Actuarial loss/(gain)	-	-
Balance at the end of the year	(1.81)	5.26
	35.62	33.46

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

Particulars	31 December 2020	31 December 2019
Current service cost		
Interest cost	5.58	5.28
Total	2.38	1.61
	7.97	6.89

**Amount recognised in Other Comprehensive Income:**

Particulars	31 December 2020	31 December 2019
Net cumulative unrecognized actuarial gain/(loss) opening		
Actuarial gain / (loss) for the year on PBO	-	-
Actuarial gain / (loss) for the year on Asset	1.81	(5.26)
Unrecognized actuarial gain/(loss) for the year	0.00	0.00
	1.81	(5.26)





**LUNARMECH TECHNOLOGIES PRIVATE LIMITED**

**Notes of the financial statements**

**Amount recognised in the balance sheet**

Particulars	31 December 2020	31 December 2019
Present value of defined benefit obligation	39.62	33.46
Fair value of plan assets		
Net assets/(liability) recognised in balance sheet as provision	(39.62)	(33.46)

**Bifurcation of closing net liability at the end of year**

	31 December 2020	31 December 2019
Current		
Non-Current	3.88	3.50
	35.74	29.97

**iii Actuarial assumptions**

**a) Economic assumptions**

Particulars	31 December 2020	31 December 2019
i) Discounting rate		
ii) Future salary increase	7.66%	7.66%
	6.00%	6.00%

**b) Demographic assumption**

Particulars	31 December 2020	31 December 2019
i) Retirement age (years)	58.00	58.00
ii) Mortality table	100% Of IALM (2012-14)	100% Of IALM (2012-14)
iii) Age	Withdrawal rate (%)	Withdrawal rate (%)
Up to 30 years	3.00	3.00
From 31 to 44 years	2.00	2.00
Above 44 years	1.00	1.00

**A quantitative sensitivity analysis for significant assumption as at 31 December 2020 is as shown below:**

A) Impact of the change in discount rate		
Present Value obligation at the end of the period		
a) Impact due to increase of 0.5%	39.62	33.46
b) Impact due to decrease of 0.5%	(2.45)	(2.11)
	2.70	2.32
B) Impact of the change in salary increase		
Present Value obligation at the end of the period		
a) Impact due to increase of 0.5%	39.62	33.46
b) Impact due to decrease of 0.5%	2.70	2.34
	(2.48)	(2.14)

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 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.

**The following payments are maturity profile of Defined Benefit Obligations in future years:**

Year	31 December 2020	31 December 2019
0 to 1 year	3.88	3.50
1 to 2 year	0.66	0.55
2 to 3 year	0.65	0.54
3 to 4 year	0.64	0.54
4 to 5 year	2.02	0.53
5 to 6 year	0.59	1.62
6 year onwards	31.18	26.50



**LUNARMECH TECHNOLOGIES PRIVATE LIMITED**

Notes of the financial statements

III. Compensated absences (Other benefits)

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 2020	31 December 2019
Balance at the beginning of the year		
Add: Interest cost	10.62	7.92
Add: Current service cost	0.76	0.60
Less: Benefits paid	1.55	1.81
Add: Net actuarial gain/loss during the year	0.00	0.09
Balance at the end of the year	(4.06)	0.29
	8.85	10.62

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 2020	31 December 2019
Present value of defined benefit obligation		
Fair value of plan assets	8.85	10.62
Net assets/(liability) recognised in balance sheet as provision	(8.85)	(10.62)

iv. Expense recognised in the Statement of Profit and Loss

Particulars	31 December 2020	31 December 2019
Current service cost		
Interest on defined benefit obligation	1.55	1.81
Net actuarial gain/loss in the year	0.76	0.60
Total	(4.06)	0.29
	(1.78)	2.70

Actuarial assumptions

a) Economic assumptions

Particulars

i) Discounting rate

ii) Future salary increase\*

	31 December 2020	31 December 2019
i) Discounting rate	7.66%	7.66%
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

i) Retirement age (years)

ii) Mortality table

iii) Ages

Up to 30 years

From 31 to 44 years

Above 44 years

	31 December 2020	31 December 2019
i) Retirement age (years)	58.00	58.00
ii) Mortality table	100% of IALM (2012-14)	100% of IALM (2012-14)
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

Current

Non-current

	31 December 2020	31 December 2019
Current	1.35	1.41
Non-current	7.49	9.21

A quantitative sensitivity analysis for significant assumption as at 31 December 2020 is as shown below:

A) Impact of the change in discount rate			
Present Value obligation at the end of the period			
a)	Impact due to increase of 0.5%	8.85	10.62
b)	Impact due to decrease of 0.5%	(0.50)	(0.61)
		0.55	0.66
B) Impact of the change in salary increase			
Present Value obligation at the end of the period			
a)	Impact due to increase of 0.5%	8.85	10.62
b)	Impact due to decrease of 0.5%	0.55	0.66
		(0.50)	(0.61)

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.



**LUNARMECH TECHNOLOGIES PRIVATE LIMITED**

Notes of the financial statements

**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 increase 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 withdrawal and change of withdrawal rates at subsequent valuations can impact Plan's liability.

The following payments are maturity profile of Defined Benefit Obligations in future years:

Year	31 December 2020	31 December 2019
0 to 1 year	1.35	1.41
1 to 2 year	0.15	0.24
2 to 3 year	0.14	0.17
3 to 4 year	0.14	0.17
4 to 5 year	0.75	0.16
5 to 6 year	0.11	0.15
6 year onwards	6.20	8.33

**25 Finance costs**

**Interest on :**

- Term loans (including buyers credit)
- Working capital Loans
- Lease Liability
- Others

Exchange difference regarded as an adjustment to borrowing costs (as per Ind AS 23 'Borrowing Cost')

**Other Borrowing Costs :**

Bank charges on Buyers credit

**Total**

	Year Ended 31 December 2020	Year Ended 31 December 2019
- Term loans (including buyers credit)	35.49	2.47
- Working capital Loans	2.62	19.89
- Lease Liability	28.36	-
- Others	4.03	5.48
Exchange difference	129.70	6.83
Other Borrowing Costs	-	0.01
<b>Total</b>	<b>200.20</b>	<b>34.67</b>

**26 Depreciation and amortisation expense**

Depreciation of property, plant and equipment (Refer Note 3(a))

Depreciation of right-of-use asset (Refer Note 3(b))

	Year Ended 31 December 2020	Year Ended 31 December 2019
Depreciation of property, plant and equipment	516.40	453.26
Depreciation of right-of-use asset	71.50	-
<b>Total</b>	<b>587.90</b>	<b>453.26</b>

**27 Other expenses**

**Manufacturing Expenses**

- Power and Fuel
- Stores & Spares Consumed
- Repairs & Maintenance
  - Plant & Machinery
  - Building
  - Miscellaneous
- Bank Charges
- Rent, Rates & Taxes
- Printing & Stationery
- Communication Expenses
- Conveyance & Travelling
- Insurance
- Legal & Professional Charges
- General Office & Misc. Expenses
- Computer Expenses
- Vehicle Running & Maintenance
- Auditors' Remuneration
  - At Audit Fees
  - For Tax Audit and Income Tax Matters
  - For Other Services
- Freight Outward & Octroi Charges
- Corporate Social Responsibility Expenses
- Exchange difference (other than adjusted to borrowing costs as per Ind AS 23)

**Total**

	For the Year ended 31 December 2020	For the Year ended 31 December 2019
Power and Fuel	553.67	547.82
Stores & Spares Consumed	62.11	90.65
Repairs & Maintenance	-	-
- Plant & Machinery	-	-
- Building	-46.90	55.08
- Miscellaneous	83.89	44.85
Bank Charges	37.59	14.35
Rent, Rates & Taxes	5.55	3.91
Printing & Stationery	17.55	63.72
Communication Expenses	1.64	1.39
Conveyance & Travelling	2.98	2.99
Insurance	30.72	26.83
Legal & Professional Charges	7.73	6.21
General Office & Misc. Expenses	43.06	84.27
Computer Expenses	31.25	10.25
Vehicle Running & Maintenance	1.16	0.42
Auditors' Remuneration	18.99	15.94
- At Audit Fees	-	-
- For Tax Audit and Income Tax Matters	2.25	1.69
- For Other Services	-	0.83
Freight Outward & Octroi Charges	-	4.79
Corporate Social Responsibility Expenses	229.78	211.91
Exchange difference	9.00	3.50
<b>Total</b>	<b>1,191.72</b>	<b>1,191.39</b>





28 Income Taxes

The major components of income tax expense for the year ended 31 December 2020 and 31 December 2019 are:

A. Statement of profit and loss:

(i) Profit & loss section

	31 December 2020	31 December 2019
Current income tax charge		
Adjustments in respect of current income tax of previous year	574.61	523.50
	23.85	14.54
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences		
Income tax expense reported in the statement of Profit & loss	(35.30)	(31.25)
	563.16	506.79

(ii) OCI Section

	31 December 2020	31 December 2019
Deferred tax related to items recognised in OCI during the year:		
Net loss/(gain) on remeasurements of defined benefit plans		
Income tax charged to OCI	0.45	(1.35)
	0.45	(1.35)

B. Reconciliation of tax expense and the accounting profit multiplied by India's domestic tax rate for FY ended 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Accounting profit before tax from continuing operations		
Profit/(loss) before tax from a discontinued operation	2,142.64	1,838.83
Accounting profit before income tax	0.00	0.00
At India's statutory income tax rate of 25.17% (31 December 2019: 27.50%)	2,142.64	1,838.83
Adjustments in respect of current income tax of previous years	539.26	505.68
Expenses not allowed as deduction		
Adjustments in respect of current income tax of previous year		
MAT credit of earlier years recognised	23.85	14.54
Tax impact on foreign Exchange Rate Variation on capex borrowing	0.00	0.00
Impact of reduction in tax rate of deferred tax	0.00	0.00
Impact of change in provisional and actual tax liability at the time of filing of ITR	0.05	(13.43)
At the effective income tax rate of 26.27 % (31 December 2019: 27.56%)	563.16	506.79
Income tax expense reported in the statement of profit and loss	563.16	506.79
Income tax attributable to a discontinued operation	0.00	0.00
	563.16	506.79

C. Deferred tax

Deferred tax relates to the following:

Deferred tax arising from temporary differences  
Tax (income)/expense during the period recognised in OCI

Deferred tax expense/(income)  
Net deferred tax assets/(liabilities)  
Reflected in the balance sheet as follows:

	Balance sheet		Statement of profit and loss	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
	-126.60	-161.44	(35.30)	(31.25)
			0.45	(1.35)
			(34.85)	(32.60)
	-126.60	-161.44	0.00	0.00

Deferred tax assets (continuing operations)  
Deferred tax liabilities (continuing operations)  
Deferred tax liabilities, net

	31 December 2020	31 December 2019
	0.00	0.00
	(126.60)	(161.44)
	(126.60)	(161.44)

Reconciliation of deferred tax liabilities (net):

Opening balance as of 1 April  
Tax (income)/expense during the period recognised in Profit & loss  
Tax (income)/expense during the period recognised in OCI  
Discontinued operation  
Closing balance as at 31 March

	31 December 2020	31 December 2019
	161.44	194.04
	(35.30)	(31.25)
	0.45	(1.35)
	0.00	0.00
	126.60	161.44



## (i) Financial instruments by category

Particulars	(Amount in Rupees Lacs, unless otherwise stated)			
	31 December 2020		31 December 2019	
	FVTOCI	Amortised cost	FVTOCI	Amortised cost
<b>Financial assets</b>				
Loans(non current)	-	88.85	-	84.47
Other financial assets (non current)	-	-	-	-
Trade receivables	-	1,882.29	-	1,132.40
Cash and cash equivalents	-	1,131.37	-	1,274.62
Other bank balance	-	1,100.00	-	-
Loans(current)	-	2.17	-	-
Other financial assets (current)	-	27.50	-	37.18
<b>Total financial assets</b>		<b>4,232.19</b>		<b>2,528.67</b>
<b>Financial liabilities</b>				
Borrowings (non current)	-	1,926.24	-	-
Borrowings (current)	-	28.60	-	63.65
Lease Liabilities(non current)	-	189.98	-	-
Lease Liabilities(current)	-	64.00	-	-
Trade payables	-	1,033.26	-	475.08
Other financial liabilities	-	21.76	-	242.19
<b>Total financial liabilities</b>		<b>3,263.84</b>		<b>780.92</b>

Assets and liabilities which are measured at amortised cost for which fair values are disclosed at 31 December 2020:  
Financial assets/liabilities

Date of valuation	Total	Fair value		
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
31-Dec-20	-	-	-	-
31-Dec-19	-	-	-	-

There have been no transfers between Level 1 and Level 2 during the period.

For cash and cash equivalents, trade receivables, other receivables, short term borrowing, trade payables and other current financial liabilities the management assessed that their fair value is approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of the Company's long-term interest free security deposits are determined by applying discounted cash flows ("DCF") method, using discount rate that reflects the market borrowing rate as at the end of the reporting period. They are classified as level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.



30 Components of other comprehensive income (OCI)

(Amount in Rupees Lacs, unless otherwise stated)

The disaggregation of changes to OCI by each type of reserve in equity is shown below:

During the year ended 31 December 2020

Remeasurement gains (losses) on defined benefit plans  
Income tax effect

Retained Earnings	Total
1.81	1.81
0.45	0.45
<b>1.35</b>	<b>1.35</b>

During the year ended 31 December 2019

Remeasurement gains (losses) on defined benefit plans  
Income tax effect

Retained Earnings	Total
(5.26)	(5.26)
(1.35)	(1.35)
<b>(3.91)</b>	<b>(3.91)</b>





### 31 Financial risk management objectives and policies

The Company's principal financial liabilities, other than derivatives, comprise, trade and other payables, security deposits, employee liabilities. The Company's principal financial assets include trade and other receivables and cash and short-term deposits/ loan that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's management oversees the management of these risks. The Company's senior management is supported by a Risk Management Compliance Board that advises on financial risks and the appropriate financial risk governance framework for the Company. The financial risk committee provides assurance to the Company's management that the Company's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Company's policies and risk objectives. The management reviews and agrees policies for managing each of these risks, which are summarised below.

#### 1. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. Financial instruments affected by market risk include, deposits. The sensitivity analyses of the above mentioned risk in the following sections relate to the position as at 31 December 2020 and 31 December 2019.

The analyses exclude the impact of movements in market variables on: the carrying values of gratuity and other post-retirement obligations; provisions; and the non-financial assets and liabilities of foreign operations. The analysis for contingent liabilities is provided in Note 24.

The following assumptions have been made in calculating the sensitivity analyses:

- The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2020 and 31 December 2019.

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

	Increase/ decrease in basis points	Effect on profit before tax (` Rs in Lacs)
31-Dec-20		
INR	+ 0.5%	-9.77
INR	- 0.5%	9.77
31-Dec-19		
INR	+ 0.5%	(0.32)
INR	- 0.5%	0.32

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.

##### B. Foreign currency sensitivity

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 Company'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.

	Change in Foreign currency rate	Effect on profit before tax (` Rs in Lacs)
31-Dec-20	5%	96.31
	-5%	(96.31)
31-Dec-19	5%	(11.87)
	-5%	11.87

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.



## II. Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions.

Credit risk from investments with banks and other financial institutions is managed by the Treasury functions in accordance with the management policies. Investments of surplus funds are only made with approved counterparties who meet the appropriate rating and/or other criteria, and are only made within approved limits. The management continuously re-assess the Company's policy and update as required. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through counterparty failure.

The maximum credit risk exposure relating to financial assets is represented by the carrying value as at the Balance Sheet date.

### A. Trade receivables

Customer credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit review and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored.

At the year end the Company does not have any significant concentrations of bad debt risk other than that disclosed in note 8.

An impairment analysis is performed at each reporting date on an individual basis for major clients. The calculation is based on historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 29. The Company does not hold collateral as security. The Company evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and operate in largely independent markets.

### B. Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury department in accordance with the Company's policy. Investments of surplus funds are made only with approved counterparties.

## III. Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts.

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

Year ended	Less than 1 year	1 to 5 years	> 5 years	Total
31-Dec-20				
Borrowings	28.60	1,926.24	-	1,954.84
Lease liabilities	86.51	214.59	-	301.10
Trade payables	1,033.26	-	-	1,033.26
Other financial liabilities	21.76	-	-	21.76
	1,170.12	2,140.84	-	3,310.96
31-Dec-19				
Borrowings	63.65	1,926.24	-	1,989.90
Lease liabilities	-	-	-	-
Trade payables	475.08	-	-	475.08
Other financial liabilities	242.19	-	-	242.19
	780.92	1,926.24	-	2,707.16

## 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 Company's performance to developments affecting a particular industry.



### 32. Capital Management

The objective of the Company's capital management structure is to ensure that there remains sufficient liquidity within the Company to carry out committed work programme requirements. The Company 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 Company manages its capital structure and makes adjustments to it, in light of changes to economic conditions. To maintain or adjust the capital structure, the Company 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 2020.

	31 December 2020	31 December 2019
Total Liabilities	3,836.20	1,245.08
Less: Cash & Cash Equivalents	1,131.37	1,274.62
Net debt	2,704.83	(29.54)
Total equity	6,108.61	4,527.77
Gearing ratio (%)	44.3%	-0.7%

### 33. Derivative instruments and unhedged foreign currency exposure

The Company 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 2020 Foreign Currency (in Lacs)	31 December 2020 (Rs in Lacs)	31 December 2019 Foreign Currency (in Lacs)	31 December 2019 (Rs in Lacs)
<b>Liabilities</b>					
HDFC BANK (CAPEX)	EURO	-	-	2.97	237.43
Industrial BANK (CAPEX)	EURO	21.58	1,926.24	-	-
Interest Payable	EURO	0.18	16.08	0.05	4.20
Trade Payable	USD	7.70	562.11	2.52	179.98
ASCEN					
Trade Receivable	USD	11.36	829.75	2.76	196.68
Capital Advance given	EURO	-	-	2.40	192.10
HDFC Bank (IEEFC A/c)	USD	4.28	312.41	7.45	530.80





34 **Related party disclosures**

In accordance with the Accounting Standards (Ind AS-24) on Related Party Disclosures, where control exists and where key management personnel are able to exercise significant influence and, where transactions have taken place during the year, alongwith description of relationship as identified, are given below:-

A) **Relationships**

i) **Holding / Fellow Subsidiaries\***

Varun Beverages Ltd	Holding w.e.f 04/11/2019	(Refer Note 43)
Angelica Technologies Private Limited	Holding before merger	(Refer Note 43)
Varun Beverages (Nepal) Private Limited	Fellow Subsidiary w.e.f 04/11/2019, Associate prior to 04/11/2019	
Varun Beverages Lanka (Private) Limited	Fellow Subsidiary w.e.f 04/11/2019, Associate prior to 04/11/2019	
Varun Beverages Morocco SA	Fellow Subsidiary w.e.f 04/11/2019, Associate prior to 04/11/2019	
Varun Beverages (Zambia) Limited	Fellow Subsidiary w.e.f 04/11/2019, Associate prior to 04/11/2019	
Varun Beverages (Zimbabwe) (Private) Limited	Fellow Subsidiary w.e.f 04/11/2019, Associate prior to 04/11/2019	
Devyani Food Industries Limited	Subsidiary of ultimate parent company w.e.f 04/11/2019	

ii) **Entities with joint control or significant influence over the entity \***

⊗ Lunarmech Investments & Holdings	upto 10/09/2019
⊗ American Process Specialty Pvt. Ltd.	upto 10/09/2019
⊗ M/S Varun Beverages Ltd	upto 05/11/2019

iii) **Entities in which director are interested\***

⊗ Vivek Gupta (HUF)

iv) **Relative of Key management personnel :**

⊗ Shalini Gupta

v) **Key Managerial Personnel\***

⊗ Vivek Gupta	Whole time director
⊗ Praveen Jain	Chief Financial Officer

\* With whom the company has transactions during the current year and/or previous year.



B) Transactions during the year

Description	Relationship	Entities with joint control or significant influence over the entity	Entities with joint control or significant influence over the entity
		31 December 2020	31 December 2019
<b>Loan Given</b>			
Devyani Food Industries Limited	Fellow Subsidiary of parent company	-	-
<b>Loan Received Back</b>			
Devyani Food Industries Limited	Fellow Subsidiary of parent company	-	-
<b>Loan Repaid</b>			
M/S Varun Beverages Ltd	Holding	-	-
Lunarmech Investments & Holdings	Entities with joint control or significant influence over the entity	-	-
Angelica Technologies Private Limited	Holding	-	-
Vivek Gupta (HUF)	Entities in which directors are interested	-	-
Mr. Vivek Gupta	Whole time director	-	-
Shashi Gupta	Relative of Key management personnel	35.05	-
<b>Purchase Of Rm/Pm</b>			
American Precourt Speciality Pvt. Ltd.			
M/S Varun Beverages Ltd	Holding	551.92	891.34
<b>Reimbursement Of Taxes &amp; Expenses Paid To</b>			
American Precourt Speciality Pvt. Ltd.	Entities with joint control or significant influence over the entity	-	165.43
M/S Varun Beverages Ltd	Holding	0.01	2.91
Remuneration paid to KMP			
Mr. Vivek Gupta	Key Managerial Personnel	84.00	84.00
Mr. Praveen Jain	Key Managerial Personnel	13.88	14.24
<b>Sale of Finished goods (Net of GST &amp; Discount)</b>			
M/S Varun Beverages Ltd	Holding	6,160.21	6,014.81
M/s Varun Beverages (Zimbabwe) (Private) Ltd	Fellow Subsidiary	1,622.28	767.22
M/s Varun Beverages Morocco SA	Fellow Subsidiary	388.03	286.44
M/s Varun Beverages (Zambia) Ltd	Fellow Subsidiary	120.12	85.08
M/s Varun Beverages (Lanka) Pvt Ltd	Fellow Subsidiary	184.62	128.21
M/s Varun Beverages Nepal Pvt. Ltd., Nawalparasi Nepal	Fellow Subsidiary	4.51	10.07
M/s Ole Springs Bottlers (Pvt.) Ltd.	Fellow Subsidiary	20.40	-

C) Balances outstanding as at the year end

Description		31 December 2020	31 December 2019
Mr. Vivek Gupta	Key Managerial Personnel	-	34.05
M/S Varun Beverages Ltd	Holding	-	905.48
M/s Varun Beverages (Zimbabwe) (Private) Ltd	Fellow Subsidiary	1,042.37	53.68
M/s Varun Beverages Morocco SA	Fellow Subsidiary	307.78	93.34
M/s Varun Beverages (Zambia) Ltd	Fellow Subsidiary	94.49	-
M/s Varun Beverages (Lanka) Pvt Ltd	Fellow Subsidiary	50.27	23.30
Varun Beverages Nepal Pvt. Ltd., Nawalparasi Nepal	Fellow Subsidiary	3.64	-

D) Provision for doubtful debts/expenses recognized during the period in respect of bad or doubtful debts due from related parties.

		NIL	NIL



35 Leases

A. Leases where the Company is a lessee

The Company has taken buildings on lease for Factory & Warehouse. Lease payments are generally fixed as defined in agreement and average lease term is 5 years.

i. Right-of-use asset

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented on face of balance sheet below property, plant and equipment.

	Buildings
Recognised as at 1 April 2019 (refer note 3(b))	216.03
Additions	130.25
Adjustments	0.00
Detecognition	0.00
Depreciation	(105.25)
Impairment	0.00
Closing balance as at 31 December 2020	235.03

ii. For lease liabilities refer note 13

iii. Amounts recognised in the statement of profit or loss

	Note	For the year ended 31 December 2020
Depreciation	26	71.50
Interest on lease liabilities	25	28.36
Expense relating to short term lease/variable lease payments not included in the measurement of the lease liability	27	1.44
Net impact on statement of profit and loss		101.30

iv. Amounts recognised in the cash flow statement

	For the year ended 31 December 2020
Payment for finance cost	28.36
Principal repayments	33.34
Total cash outflows	61.70

v. Payments associated with short-term leases of equipment, vehicles & others and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

vi. The average effective interest rate contracted approximates 10.00 per cent.

B. Changes in accounting policies:

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in financial statements. The Company applied Ind AS 116 with a date of initial application of 1 April 2019. As a result, the Company has changed its accounting policy for lease contracts as detailed below. The adoption of this new Standard has resulted in the Company recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. The Company applied Ind AS 116 using the modified retrospective approach. Prior periods have not been restated. The details of the changes in accounting policies are disclosed below.

i. Definition of a lease

On transition to Ind AS 116, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied Ind AS 116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under Ind AS 17 were not reassessed for whether there is a lease. Therefore, the definition of a lease under Ind AS 116 was applied only to contracts entered into or changed on or after 1 April 2019.

ii. As a lessee

As a lessee, the Company previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under Ind AS 16, the Company recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

a. Leases classified as operating leases under Ind AS 17

The Company has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of Ind AS 116, being 1 April 2019. At this date, the Company has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

The Company used the following practical expedients when applying Ind AS 116 to leases previously classified as operating leases under Ind AS 17.

-Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Company has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of Ind AS 116.

-Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term.

-Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

b. There were no leases previously classified as finance leases.





**iii. Impacts on the standalone financial statements**

On transition to Ind AS 16, the Company recognised Rs 210.03 lacs as right-of-use assets (refer below) and Rs 203.36 lacs of lease liabilities as at 1 April 2019. When measuring lease liabilities, the Company discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted-average rate applied is 10.00%.

**Measurement of lease liabilities**

Total operating lease commitments as at 31 March 2019	208.60
Recognition exemption for leases with remaining lease term of less than 12 months	-
Variable lease payments not recognised	-1.44
Short term lease payments not recognised	-
Other minor adjustments relating to commitment disclosures	-
Operating lease liabilities before discounting	-
Discounted using incremental borrowing rate	207.16
<b>Total lease liabilities recognised under Ind AS 116 at 1 April 2019:</b>	<b>203.36</b>
- current lease liabilities	-
- non current lease liabilities	47.75
	155.61
	203.36

**Measurement of right of use**

Total lease liabilities recognised under Ind AS 116 at 1 April 2019	203.36
Adjustments for:	-
Prepaid rentals	-
Impact on retained earnings	6.66
<b>Total right of use recognised under Ind AS 116 at 1 April 2019</b>	<b>210.03</b>

**Adjustments recognised in the balance sheet on 1 April 2019**

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:

Particulars	Sub note	Amounts reported as at 31 March 2019	Impact of adoption Ind AS 116	Adjusted amounts as at 1 April 2019
Other assets (refer to note 6)		-	-	-
Lease liabilities (including current liabilities)	a	6.66	-6.66	-
Impact on Retained earnings		-	203.36	203.36
Right of use assets		-	210.03	210.03

**Sub note:**

- a) Deferred rent for leased premises has been reclassified to right of use assets.



**OTHER NOTES ON ACCOUNTS**

**36 Contingent liabilities and commitments**

Particulars	31 December 2020 (₹)	31 December 2019 (₹)
<b>Contingent liabilities:</b>		
In respect of TDS defaults (As per 26AS Statement).	Nil	Nil
<b>Capital commitments:</b>		
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	2,227.74	Nil
Letters of Credit opened in favour of inland/overseas suppliers	1,926.78	Nil
	<b>4,154.52</b>	-

37 Balances appearing under Sundry Debtors, Loans and advances, sundry creditors and other liabilities in various schedules are subject to confirmation/reconciliations.

38 In the opinion of the Management current assets, loans and advances have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated except where indicated otherwise.

**39 Segmental Reporting :**

The Company is engaged in manufacturing of Plastic (PP) Closures. The 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 (Segmental Reporting) issued by ICAI.

40 The company is required to form a committee on Corporate Social Responsibility (CSR) under section 135 of Companies Act 2013 and required to spend 2% of its average net profits during the three immediately preceding financial years. Relevant information is given hereunder:

Particulars	31 December 2020	31 December 2019
i) Amount required to spend	21.16	15.20
ii) Amount spent	9.00	3.50

The company has made plans to spend the balance amount on CSR activities in current financial year.

No impact of Companies (Amendment) Act 2019 is given since the provisions w.r.t. Corporate Social Responsibility under the Act are not made effective so far.

41 Value of imported/indigenous raw material and packing material consumed and the percentage of each to total consumption:-

Particulars	%	31-Dec-20	%	31-Dec-19
<b>RAW MATERIAL</b>				
- Imported	72.41	3,110.48	47.03	1,992.01
- Indigenous	27.59	1,185.02	52.97	2,243.83
		<b>4,295.50</b>		<b>4,235.84</b>
<b>Packing Material</b>				
- Imported	0	0	0	0
- Indigenous	100	203.90	100	158.51
		<b>203.90</b>		<b>158.51</b>

**42 Impact of COVID-19 on the company**

The SAARC-COV2 virus continues to spread globally including India, which has resulted in significant decline and volatility and disruption in economic/financial activities in global markets. On 11 March 2020, COVID -19 was declared as global pandemic by World Health Organisation.

Amidst the tumult of this unprecedented age of virus, the company has allowed its employees to "Work from Home" after declaration of national lockdown for prevention and safeguard of the employees of the company. Nevertheless, business activities from the date of lockdown were suspended. In the meanwhile, government of India and other regulators e.g. Reserve Bank of India, Income tax authorities came up with variety of measures to mitigate the impact of economic and financial disruptions. Inventory as at end of the year has been taken on the basis of physical verification after lifting the lockdown and impact has been effected in valuation considered in the financial statement, if any, due to change in quantity/quality of the inventories.

Though the pandemic is still evolving and impact on working of the company is uncertain, management is of the view that looking into its nature of business and the products company is dealing in, and steps being taken to provide support by various means from the regulators/governments, there are no reason to believe that current crisis will have any significant impact on the ability of the company to maintain its normal business operations including the assessment of going concern for the company. However, the extent to which the pandemic will impact working of the company, is highly uncertain.



43 Note for Amalgamation

- a) The National Company Law Tribunal, Special Bench, New Delhi has approved the scheme of amalgamation of Angelica Technologies Private Limited (Transferor Company) with Lunarmech Technologies Private Limited (Transferee Company) with effect from the appointed date i.e. 1<sup>st</sup> April, 2019 vide order dated 22/05/2020. The amalgamation was proposed in order to achieve business and administrative synergies.
- b) Pursuant to Scheme as aforesaid, 739980 equity shares of the company, which were held by Angelica Technologies P Ltd (Representing 74% share), are cancelled and fresh shares shall be issued by the company in ratio of 98 equity shares of transferee company for every 10 shares held in transferor company to the erstwhile shareholders of transferor company. 735000 Shares to be issued as aforesaid amounting to Rs.73.50 lacs have been shown as Equity Shares in Note No 10 to the Financial Statements.
- c) As per the requirements of Appendix C of Ind As 103 "Business Combination", since the amalgamation is a business combination of entities under common control, the accounting of business combination is done using "Pooling of interest method" and prior-period information is also restated. After transfer of all assets, liabilities & reserves of the transferor company at their respective carrying amount, the residual amount of Rs. 66 Lac has been recognised as negative capital reserve.
- d) The Authorized Share Capital of the Transferor Company amounting to Rs 10 lacs is merged to form new Authorized Share Capital of the Transferee Company as per the Scheme.

44 Earnings per share (EPS)

Particulars	Year ended 31 December 2020	Year ended 31 December 2019
Profit/(Loss) for the year	2142.64	1838.83
Less: Provision for Income Tax	574.61	523.50
Less: Income Tax Adjustment	23.85	14.54
Less :Deferred Tax	(35.30)	(31.25)
Profit/(Loss) attributable to the Equity Shareholders - (A)	1579.48	1332.04
Basic /Weighted average number of Equity Shares outstanding during the year (B) (Refer Note-43)	995,020	995,020
Nominal value of Equity Shares (Rs)	10.00	10.00
Basic/Diluted Earnings per share (Rs) - (A)/(B)	158.74	133.87

In terms of our report of even date annexed  
For APAS & CO.  
FIRM REGN NO. 000340C  
CHARTERED ACCOUNTANTS

Sumit Kathuria  
Partner  
M.No. 520078



PLACE : NEW DELHI  
DATED : 27 January 2021

For Lunarmech Technologies Pvt. Ltd.

Director

Director  
DIN:02255219  
(Satyanarayan Sharma)

Director  
DIN:00061354  
(Vivek Gupta)