

DABUR LANKA (PVT) LTD

ANNUAL REPORT 2012-13

Prepared in accordance with the General Circular No. 2/2011 dated 8th February, 2011 (clause vii) issued by the Government of India, Ministry of Corporate Affairs, under section 212(8) of the Companies Act, 1956.

DABUR LANKA (PVT) LTD
FINANCIAL STATEMENTS TOGETHER
WITH AUDITOR'S REPORT
31ST MARCH 2013



A S S O C I A T E S

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DABUR LANKA (PVT) LTD

Report on the Financial Statements

We have audited the accompanying financial statements of Dabur Lanka (Pvt) Ltd., which comprise the statement of financial position as at 31st March 2013, and the statement of comprehensive income, the statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of financial statements.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31st March 2013 and the financial statements give a true and fair view of the Company's state of affairs as at 31st March 2013 and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal Requirements

In our opinion these, financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.


SJMS ASSOCIATES
Chartered Accountants
Colombo

23rd April 2013

DABUR LANKA (PVT) LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31st MARCH 2013

	Note	2012/2013 Rs	2012/2013 INR (Exch Rate Rs.0.43)	Nine month period ended 31.03.2012	Nine month period ended 31.03.2012 (Exch Rate INR Rs. 0.40)
Finance Income	3	18,481,403	7,947,003	208,403	83,361
Other gains and losses	4	7,496,887	3,223,661	-	-
Administration and pre-operative expenses		(37,182,099)	(15,988,303)	(2,992,651)	(1,197,060)
Loss before Taxation	5	(11,203,809)	(4,817,638)	(2,784,248)	(1,113,699)
Income tax expense	6	(3,363,615)	(1,446,354)	(25,008)	(10,003)
Loss for the year/period		<u>(14,567,424)</u>	<u>(6,263,992)</u>	<u>(2,809,256)</u>	<u>(1,123,702)</u>
Other comprehensive income/(expense) for the year/ period		---	---	---	---
Total Comprehensive expense for the year/ period		<u><u>(14,567,424)</u></u>	<u><u>(6,263,992)</u></u>	<u><u>(2,809,256)</u></u>	<u><u>(1,123,702)</u></u>

The accounting policies and notes from 01 to 16 form an integral part of these financial statements

DABUR LANKA (PVT) LIMITED
STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2013

	Note	31.3.2013 Rs.	31.3.2013 INR (Exch Rate Rs.0.43)	31.3.2012 Rs.	31.3.2012 INR (Exch Rate Rs. 0.40)
Assets					
Non Current Assets					
Freehold Land		225,923,600	97,147,148	225,923,600	90,369,440
Capital Work-in-progress	7	1,162,287,617	499,783,675	22,112,958	8,845,183
Current Assets					
Deposits, prepayment and advances	8	128,384,625	55,205,389	5,421,187	2,168,475
Other financial assets	9	461,518,497	198,452,954	---	---
Cash and cash equivalents	10	56,393,731	24,249,304	30,733,345	12,293,338
Total Current Assets		646,296,853	277,907,647	36,154,532	14,461,813
TOTAL ASSETS		2,034,508,070	874,838,470	284,191,090	113,676,436
Equity & Liabilities					
Shareholders Equity Funds					
Stated capital		970,722,120	417,410,512	239,026,000	95,610,400
Advance received for shares		--	--	46,600,000	18,640,000
Accumulated loss		(17,376,680)	(7,471,972)	(2,809,256)	(1,123,702)
Total Shareholders' Equity		953,345,440	409,938,539	282,816,744	113,126,698
Non Current Liabilities					
Borrowings	11	971,592,459	--	--	--
Current Liabilities					
Accounts payable		42,469,244	18,261,775	649,318	259,727
Borrowings	11	61,060,201	26,255,886	--	--
Income tax payable	12	2,443,022	1,050,499	4,168	1,667
Accrued expenses		3,597,704	1,547,013	720,860	288,344
Total Current Liabilities		109,570,171	47,115,174	1,374,346	549,738
Total Equity and Liabilities		2,034,508,070	457,053,713	284,191,090	113,676,436

The Accounting Policies and notes from 01 to 16 form an integral part of these financial statements.

DABUR LANKA (PVT) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2013

	Stated Capital	Advance Received for shares	Accumulated Loss	Total
	Rs	Rs	Rs	Rs
Issue of ordinary shares	239,026,000	--	--	239,026,000
Advance received for shares	--	46,600,000	--	46,600,000
Total comprehensive expense for the period	--	--	(2,809,256)	(2,809,256)
Balance as at 31st March 2012	239,026,000	46,600,000	(2,809,256)	282,816,744
Issue of ordinary shares	731,696,120	(46,600,000)	--	685,096,120
Total comprehensive expense for the year	--	--	(14,567,424)	(14,567,424)
Balance as at 31st March 2013	970,722,120	--	(17,376,680)	953,345,440
Balance as at 31st March (INR)(Exch. Rate 0.43)	417,410,512	--	(7,471,972)	409,938,539

The accounting policies and notes from 01 to 16 form an integral part of these financial statements

DABUR LANKA (PVT) LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2013

	2012/2013	2012/2013	(Nine months period ended- 2012)	(Nine months period ended-2012)
	Rs	INR (Exch Rate Rs.0.43)	Rs	INR (Exch Rate Rs. 0.40)
Cash Flows from Operating Activities				
Loss before tax	(11,203,809)	(4,817,638)	(2,784,248)	(1,113,699)
Adjustment for:				
Unrealised exchange gain on borrowing	(12,601,916)	(5,418,824)	---	---
Interest Income	(18,481,403)	(7,947,003)	(208,403)	(8,336,120)
Operating loss before working capital changes	(42,287,128)	(18,183,465)	(2,992,651)	(9,449,819)
(Increase)/ decrease in advances and deposits	(131,965,446)	(56,745,142)	(5,421,187)	(2,168,475)
Increase/ (decrease) in accounts payables	41,819,925	17,982,568	649,318	259,727
Increase/ (decrease) in accrued expenses	2,876,844	1,237,043	720,860	288,344
Cash used in operations	(129,555,805)	(55,708,996)	(7,043,660)	(11,070,223)
Tax paid	(921,260)	(396,142)	(20,840)	(8,336)
Net cash used in operating activities	(130,477,065)	(56,105,138)	(7,064,500)	(11,078,559)
Cash Flows from Investing Activities				
Acquisition of land	--	--	(225,923,600)	(90,369,440)
Capital Work in progress	(1,135,320,082)	(488,187,635)	(22,112,958)	(8,845,183)
Investment in fixed deposits	(452,519,990)	(194,583,596)	---	---
Interest income	18,481,403	7,947,003	208,403	83,361
Net cash used in investing activities	(1,569,358,669)	(674,824,228)	(247,828,155)	(99,131,262)
Cash Flows from Financing Activities				
Proceeds from issue of shares	685,096,120	294,591,332	239,026,000	95,610,400
Advances received for shares	--	--	46,600,000	18,640,000
Loans obtained during the year	1,040,400,000	447,372,000	---	---
Net cash flows from financing activities	1,725,496,120	741,963,332	285,626,000	114,250,400
Net increase in cash and cash equivalents	25,660,386	11,033,966	30,733,345	12,293,338
Cash and cash equivalents at the beginning of the year	30,733,345	13,215,338	---	---
Cash and cash equivalents at the end of the year	56,393,731	24,249,304	30,733,345	12,293,338

The accounting policies and notes from 01 to 16 form an integral part of these financial statements.

DABUR LANKA (PVT) LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2013

1. Corporate Information

1.1 Domicile and Legal Form

Dabur Lanka (Pvt) Ltd. is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the company is located in Level 14, West Tower, World Trade Centre, Echelon Square, Colombo 01.

1.2 Principal Activities and Nature of Operations

During the year the Company did not have any commercial operations, as the company was in the process of constructing its manufacturing facilities.

1.3 Parent Enterprise

The Company's parent undertaking is Dabur International Ltd. In the opinion of the Directors, the Company's ultimate parent undertaking is Dabur India Ltd.

1.4 Date of Authorization for Issue

The financial statements of the company for the year ended 31st March 2013 were authorized for issue by the directors on 23rd April 2013.

2. Significant Accounting Policies

2.1 Basis of Preparation

The financial statements of the company are prepared in conformity the Sri Lanka Accounting Standards (SLFRSS) laid down by the Institute of Chartered Accountants of Sri Lanka. These are the Company's first annual financial statements prepared in accordance with SLFRSS issued by the Institute of Chartered Accountants of Sri Lanka.

These financial statements have been prepared and presented in Sri Lankan Rupees. The financial statements have been prepared on a historical cost basis except for recognition of impairment losses, if any. No adjustment has been made for inflationary factors affecting these financial statements,

2.2 Adoption of new Sri Lanka Accounting Standards (SLFRSS)

The financial statements of the previous year were prepared in accordance with Sri Lanka Accounting Standards (SLAS).

The company's transition date is 05th July 2011. The company did not prepare its opening statement of financial position based on SLFRSS at that date since the company was incorporated on 05th July 2011.

The Company's first time adoption did not have material impact on measurement of equity, comprehensive income and cash flows for prior periods. Therefore, as required by SLFRS 1 First - time Adoption of Sri Lanka Accounting Standards (SLFRSS), a reconciliation on transition from the previous accounting standards to SLFRSS is not disclosed.

2.3 Statement of Compliance

The financial Statements of the company as at 31st March 2013 and for the year then ended, comply with Sri Lanka Accounting Standards (SLFRSS), and the requirements of the Companies Act No.07 of 2007.



2.4 Foreign Currency Transactions

All transactions in foreign currencies are converted to Sri Lanka Rupees (LKR) which is the functional currency, at the rates of exchange prevailing at the time the relevant transactions were effected. Monetary assets and liabilities denominated in foreign currencies are retranslated to Sri Lanka Rupees equivalents using the exchange rate ruling at the date of the balance sheet. The resulting gains and losses if any are accounted for in the income statement.

2.5 Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of that asset.

2.6 Taxation

Current Taxes

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and amendments thereto.

2.7 Property – Freehold Land

Freehold land is stated at cost less any accumulated impairment losses. The cost of land is the cost of purchase, together with any directly attributable expenses incurred in bringing the asset to its working condition for its intended use.

Depreciation

No depreciation has been provided for land since it has an unlimited useful life.

2.8 Financial Assets

a) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, available for sale and held to maturity investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and reevaluates this designation at every reporting date. At the reporting date there were no financial assets at fair value through profit or loss, available for sale and held to maturity investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company's loans and receivables comprise other receivables, deposits and cash and cash equivalents in the balance sheet.

b) Recognition and measurement of financial asset

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.



e) Impairment of financial assets

Assets carried at amortised cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income. Cash flows relating to loans and receivables falling due within a period of less than one year are not discounted if the effect of discounting is immaterial.

2.8 Cash and Cash Equivalents

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 insignificant risk of changes in value.

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

2.9 Liabilities and Provisions

2.9.1 Financial Liabilities

The Company's financial liabilities consist of trade and other payables. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

All financial liabilities are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest rate method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

All known liabilities as at the balance sheet date are included in the financial statements and adequate provision has been made for liabilities which are known to exist but the amount of which cannot be determined accurately.

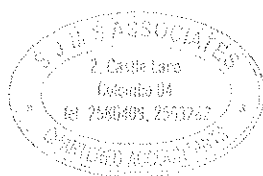
2.10 Income Statement

2.10.1 Interest Income

Interest income is recognised using the Effective Interest Rate (EIR) method.

Other Income

Other income is recognised on an accrual basis.



2.10.2 Expenditure Recognition

All expenditure incurred in the running of the business and in maintaining the capital assets in a state of efficiency is charged to revenue in arriving at the profit/(loss) for the year.

The profit / (loss) earned by the company as shown in the income statement is after providing for all known liabilities.



	31.03.2013 Rs	31.03.2012 Rs
8. Deposits, Prepayments and Advances		
Deposit & advance payment	1,422,352	1,220,000
Advance against capital goods	105,521,050	4,201,187
Ceylon Electricity Board	1,875,000	-
Value receivable	19,566,224	-
	<u>128,384,625</u>	<u>5,421,187</u>
9. Other Financial Assets		
Investment in fixed deposit	452,519,990	-
Interest receivable	8,998,507	-
	<u>461,518,497</u>	<u>-</u>
10. Cash at Bank		
Citi Bank savings account - LKR	45,174,114	211,984
HSBC savings account - LKR	5,669,542	30,333,022
Citi Bank current account USD	4,879,907	-
State Bank of India - USD	291,963	-
State Bank of India current account -LKR	378,204	-
Fixed deposits -LKR	-	-
Cash in hand	-	188,339
	<u>56,393,731</u>	<u>30,733,345</u>
11. Borrowings		
<u>Bank of America</u>		
Capital outstanding	1,027,798,084	-
Interest payable	4,854,576	-
	<u>1,032,652,660</u>	<u>-</u>
<i>Payable within one year</i>		
Capital	56,205,625	-
Interest outstanding	4,854,576	-
	<u>61,060,201</u>	<u>-</u>
<i>Payable after one year</i>		
Capital	971,592,459	-
Interest outstanding	-	-
	<u>971,592,459</u>	<u>-</u>

The terms of the USD 3.5 million borrowing facility are as follows:

Interest - 3 month USD LIBOR

Repayment - 8 equal half yearly instalments

Security: Corporate guarantee by Dabur India Ltd.

The terms of the USD 4.5 million borrowing facility are as follows:

Interest - 3 month USD LIBOR

Repayment - 8 equal half yearly instalments

Security: Corporate guarantee by Dabur India Ltd.



11.1 Assets pledged as Security

The following securities are given against the bank facilities:

Bank	Facility	Limit	Security
Bank of America	Term loan	USD 8 million	Corporate guarantee by Dabur India Ltd
Citi Bank	Working Capital	USD 7.8 million	Corporate guarantee by Dabur India Ltd
HSBC	Overdraft Import Line I	Combined limit of USD 4 million	Corporate guarantee by Dabur India Ltd
	Import Line II	USD 9 million	Corporate guarantee by Dabur India Ltd

	31.03.2013	31.03.2012
	Rs	Rs
12. Income tax payable		
Balance as at 1st April	4,168	-
Add-		
During the year/ period income tax expense	3,363,615	25,008
Less-		
With Holding Tax receivable	(917,093)	(20,840)
Self assessment payment	(7,668)	-
Balance as at 31st March	<u>2,443,022</u>	<u>4,168</u>

13 Financial Risk Management

13.1 Financial risk factors

The Company's activities are exposed to a variety of financial risks such as market risk (including currency risk, interest rate risk, and price risk), credit risk, and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial risks and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is performed by the group finance department under specific policies approved by the board of directors.

a) Foreign exchange risk

The Company is exposed to the financial risk of a devaluation of the local currency against the term loan obtained in USD. However, the risk will be mitigated through foreign currency earnings in USD against exports.

b) Credit risk

All the exports will be executed through Letters of Credit or against advance payments, hence there is no credit risk.

c) Liquidity risk

There will be no liquidity risk as such as the production and sales will start from June 2013. There will be sufficient cash generation to settle liabilities.

d) Interest rate risk

The Company does not face any major interest rate risk as long term borrowings are based on LIBOR and it is likely to remain stable in the short term.



13.2 Capital risk management

A capital risk does not exist as the total equity has been contributed by the parent company

14. Events after the Reporting Date

No circumstances have arisen since the reporting date which require adjustments to or disclosure in the financial statements.

15. Capital Commitments and Contingencies

There were no material capital commitments or contingencies as at the balance sheet date that would require adjustments to or disclosure in the financial statements, other than the following:

15.1 Capital Commitments	31.03.2013
	Rs
Commitments for the acquisition of materials and other expenses with regards to the construction of the factory	488,516,777
Bank guarantee - Citi Bank	38,886,235
Letter of Credits	51,434,928

15.2 Contingencies - Pending Litigation

Case No.	Remarks
1. C.A. (Writ) 231/2012	A third party instituted action claiming that water resources of the area, where the factory is situated, will be affected if the company produces fruit juice by extracting water from the bore well. The matter was fixed for argument on 10 th July 2013 at Commercial High Court.
2. SCFR 469/2012	A third party instituted action claiming that water resources of the area, where the factory is situated, will be affected if the company produces fruit juice by extracting water from the bore well. Further, permission is given to the company to extract water after the ceremonial opening of the factory in such a manner 'not to exceed 252 cubic metres per day, until this matter is supported on 28.05.2013'.

16. Related Party transactions

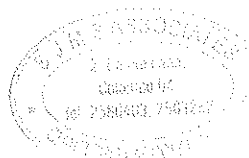
Mr. P.D. Narang and Mr. Sunil Duggal were the directors of the company during the year.

16.1. Transactions with Key Management Personnel

There were no short term employment benefits paid to the Key management personnel of the company during the year.

16.2. Transactions with Related Entities

Company	Nature of Relationship	Nature of Transaction	2012/2013
Dabur International Ltd.	Parent Company	Investment in Share Capital	Rs. 685,096,120
Dabur India Ltd.	Ultimate Parent Company	Corporate guarantee against working capital sanction	USD 13,000,000
		Corporate guarantee against term loan	USD 10,250,000



DABUR LANKA (PVT) LTD

DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2013

DABUR LANKA (PVT) LTD
DETAILED NOTES
FOR THE YEAR ENDED 31ST MARCH 2013

	2012/2013	Nine-month period ended 31.03.2012
	Rs.	Rs.
1 Administration and Pre-operative Expenses		
Repairs	-	11,000
Housekeeping expenses	-	20,684
Staff welfare	-	12,758
Insurance charges- other	-	7,148
Foreign travelling charge	-	87,842
Stamp duty on share issue	3,692,540	1,428,135
Professional charges	259,885	30,688
Legal expenses	1,587,419	158,466
Telephone charges	474,394	82,550
Postage & courier charges	330,085	11,516
Business promotion expenses	-	58,198
Entertainment expenses	54,418	399,979
Seminar expenses	5,000	1,500
Stationery & printing	472,957	93,254
Bank charges	-	21,303
BOI fee	184,534	471,240
Souvenir	45,000	-
Exchange loss	29,795,626	-
Repairs - other	2,750	-
Auditor's remuneration	257,040	96,390
Subscription & member fee	15,000	-
Books & periodicals	5,450	-
	<u>37,182,099</u>	<u>2,992,651</u>
	31.03.2013	31.03.2012
	Rs.	Rs.
2 Accrued Expenses		
Electricity payable	370,000	7,500
Telephone payable	50,000	15,000
Salary payable	19,367	53,272
EPF & ETF payable	346,246	146,018
PAYE payable	205,123	78,971
Stamp duty payable	275	50
Audit fee payable	192,780	96,390
Vehicle hiring charges payable	75,000	90,000
Legal expenses payable	30,000	65,000
Security charges payable	25,000	45,000
Guest house expenses	25,000	-
Factory site expense	50,000	-
Postage	15,000	-
Special allowance payable	1,518,020	123,659
Insurance charges	125,000	-
Gratuity	396,027	-
Professional fee payable	154,866	-
	<u>3,597,704</u>	<u>720,860</u>



	31.03.2013	31.03.2012
	Rs.	Rs.
3 Accounts payable		
Industrial Stainless Steel	26,465,230	-
Design Consortium (Pvt) Ltd	11,714,080	-
Others	4,289,933	649,318
	<u>42,469,244</u>	<u>649,318</u>

