

**DABUR LANKA (PRIVATE) LIMITED**  
**FINANCIAL STATEMENTS TOGETHER**  
**WITH AUDITOR'S REPORT**  
**FOR THE YEAR ENDED**  
**31 MARCH 2021**

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DABUR LANKA (PRIVATE) LIMITED**

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

#### **Opinion**

We have audited the financial statements of Dabur Lanka (Private) Limited ("the Company"), which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2021, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### **Basis for Opinion**

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the 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 the Code of Ethics. 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. The other information does not include the financial statements and our auditor's report 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. As management does not present other information and we were not provided with any, we have nothing to report in this regard.

#### **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 Standards, and for such internal control as the 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 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 SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

## Report on Other Legal and Regulatory Requirements

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

  
**SJMS ASSOCIATES**  
Chartered Accountants  
Colombo  
18 June 2021



**DABUR LANKA (PRIVATE) LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2021**

	Note	2020/2021 Rs.	2019/2020 Rs.
Revenue from operations	3	1,349,372,358	1,602,842,683
Other income	4	5,012,648	839,533
		<u>1,354,385,006</u>	<u>1,603,682,217</u>
Cost of materials consumed		(906,401,018)	(1,094,661,163)
Employee benefit expenses	5	(109,280,891)	(112,420,023)
Finance costs	6	12,668,910	(5,741,040)
Depreciation expense	7	(123,760,089)	(130,140,232)
Other expenses	8	(153,677,564)	(176,261,403)
<b>Total expenses</b>		<u>(1,280,450,653)</u>	<u>(1,519,223,859)</u>
<b>Profit before tax</b>		<u>73,934,354</u>	<u>84,458,357</u>
Tax expense			
- Current tax	9	(7,716,366)	(13,495,609)
- Deferred tax	9	(11,807,985)	(10,699,653)
<b>Profit after tax</b>		<u>54,410,003</u>	<u>60,263,095</u>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain arising from changes in assumptions in employee benefit obligation		1,267,793	1,210,744
<i>Items that may be reclassified subsequently to profit or loss</i>		-	-
<b>Other comprehensive income for the year, net of tax</b>		<u>1,267,793</u>	<u>1,210,744</u>
<b>Total comprehensive income for the year</b>		<u>55,677,796</u>	<u>61,473,839</u>
<b>Earnings per share - basic</b>	10	<u>0.27</u>	<u>0.30</u>

The accounting policies and notes from 01 to 27 form an integral part of these financial statements.






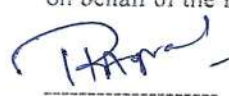
**DABUR LANKA (PRIVATE) LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2021**


	Note	31.03.2021 Rs.	31.03.2020 Rs.
<b>Assets</b>			
<b>Non - current assets</b>			
Property, plant and equipment	11	1,408,139,750	1,513,770,802
<b>Total non-current assets</b>		<u>1,408,139,750</u>	<u>1,513,770,802</u>
<b>Current assets</b>			
Inventories	12	349,811,902	335,612,212
Trade receivables	13	217,121,559	120,242,384
Deposits, prepayment, advances and other receivables	14	59,969,747	96,569,586
Income tax receivable	15	405,792	405,792
Cash and cash equivalents	16	122,759,225	22,820,349
<b>Total current assets</b>		<u>750,068,225</u>	<u>575,650,324</u>
<b>Total assets</b>		<u><u>2,158,207,975</u></u>	<u><u>2,089,421,126</u></u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Stated capital	17	2,037,602,330	2,037,602,330
Deemed equity	17.1	61,728,234	61,728,234
Advances received for shares		3	3
Accumulated losses		(156,632,324)	(212,310,120)
<b>Total equity</b>		<u>1,942,698,243</u>	<u>1,887,020,447</u>
<b>Non - current liabilities</b>			
Deferred tax liability	18	54,231,041	42,423,056
Retirement benefit obligation	19	12,548,763	10,679,530
<b>Total non-current liabilities</b>		<u>66,779,804</u>	<u>53,102,586</u>
<b>Current liabilities</b>			
Accounts payable		93,393,910	68,918,540
Amounts due to related parties	20	142,884	-
Accrued expenses	21	55,193,134	80,379,554
<b>Total current liabilities</b>		<u>148,729,928</u>	<u>149,298,093</u>
<b>Total equity and liabilities</b>		<u><u>2,158,207,975</u></u>	<u><u>2,089,421,126</u></u>

I certify that these financial statements comply with the requirements of the Companies Act No. 07 of 2007.

  
Dinesh Madusanka  
Associate Finance Manager

The Board of directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by the following on 15 June 2021.

  
Rakesh Kumar Agarwal  
Director

  
Sandeep Kanswa  
Director

**DABUR LANKA (PRIVATE) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2021**

	Stated capital Rs.	Deemed Equity Rs.	Advance received for shares Rs.	Accumulated losses Rs.	Total Rs.
<b>Balance as at 1 April 2019</b>	2,037,602,330	61,728,234	3	(273,783,959)	1,825,546,608
<b>Total comprehensive income/ (expense) for the year</b>					
Loss for the year	-	-	-	60,263,095	60,263,095
Other comprehensive income	-	-	-	1,210,744	1,210,744
<b>Total comprehensive expense for the year</b>	-	-	-	61,473,839	61,473,839
<b>Balance as at 31 March 2020</b>	2,037,602,330	61,728,234	3	(212,310,120)	1,887,020,447
<b>Total comprehensive income/ (expense) for the year</b>					
Profit for the year	-	-	-	54,410,003	54,410,003
Other comprehensive income	-	-	-	1,267,793	1,267,793
<b>Total comprehensive income for the year</b>	-	-	-	55,677,796	55,677,796
<b>Balance as at 31 March 2021</b>	2,037,602,330	61,728,234	3	(156,632,324)	1,942,698,243

In March 2018, the company passed a special resolution converting the redeemable ordinary shares into ordinary shares of the company, ranking pari passu with rest of the ordinary shares. Hence, the "other equity" and the "financial liability" was recognised as "equity" and the interest accrued up to March 2018 amounting to Rs.61,728,234 was recognised as "deemed equity" during the financial year 2017/2018.

The accounting policies and notes from 01 to 27 form an integral part of these financial statements.



**DABUR LANKA (PRIVATE) LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2021**

	Notes	2020/2021 Rs.	2019/2020 Rs.
<b>Cash flows from operating activities</b>			
Profit before tax		73,934,354	84,458,357
<b>Adjustments for:</b>			
Unrealized exchange gain		(7,057,007)	(5,186,831)
Retirement benefit obligation charge	19	2,336,062	2,242,173
Interest		2,505,815	9,955,550
Depreciation	7	123,760,089	130,140,232
ESC write-off		7,716,366	13,495,609
Interest income	4	(100,238)	(839,533)
<b>Operating profit before working capital changes</b>		<b>203,095,440</b>	<b>234,265,557</b>
Increase in inventories		(14,199,690)	(34,054,522)
		21,316,763	(36,051,942)
Decrease/ (increase) in deposits, prepayment, advances and other receivables			
(Increase)/ decrease in accounts receivable		(91,346,267)	64,479,699
Increase/ (decrease) in accounts payables/ other liabilities		23,143,936	(22,748,732)
Decrease in accrued expenses		(25,186,420)	(10,165,299)
<b>Cash flows from operations</b>		<b>116,823,764</b>	<b>195,724,761</b>
Tax paid		-	(8,388,810)
<b>Net cash flows from operating activities</b>		<b>116,823,764</b>	<b>187,335,951</b>
<b>Cash flows from investing activities</b>			
Additions to property plant and equipment	11	(18,129,036)	(8,380,604)
Interest income	4	100,238	839,533
<b>Net cash used in investing activities</b>		<b>(18,028,798)</b>	<b>(7,541,071)</b>
<b>Cash flows from financing activities</b>			
Interest paid	6	(1,704,850)	(9,076,059)
Net settlement of short term loans		-	(152,507,416)
<b>Net cash flows used in financing activities</b>		<b>(1,704,850)</b>	<b>(161,583,475)</b>
<b>Net increase in cash and cash equivalents</b>		<b>97,090,115</b>	<b>18,211,406</b>
Cash and cash equivalents at the beginning of the year	22.1	22,820,349	3,913,989
Unrealised gain in cash & cash equivalents		2,848,761	694,954
<b>Cash and cash equivalents at end of the year</b>	<b>22.2</b>	<b>122,759,225</b>	<b>22,820,349</b>

The accounting policies and notes from 01 to 27 form an integral part of these financial statements.





**DABUR LANKA (PRIVATE) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2021**

**1. Corporate information**

**1.1 General**

Dabur Lanka (Pvt) Ltd is a limited liability company, incorporated and domiciled in Sri Lanka. The company is also registered with the Board of Investments (BOI), Sri Lanka. The registered office of the company is located at Level 14, West Tower, World Trade Centre, Echelon Square, Colombo 01 and the principal place of business is situated at Kotadeniyawa, Mirigama, Sri Lanka.

**1.2 Principal activities and nature of operations**

During the year the principal activity of the company was manufacturing fruit-based beverages utilizing imported fruit concentrates/pulps and purees for export.

**1.3 Parent enterprise**

The company's parent undertaking is Dabur International Ltd, Isle of Man, United Kingdom. In the opinion of the Directors, the company's ultimate parent undertaking is Dabur India Limited.

**1.4 Date of authorization for issue**

The financial statements of the company for the year ended 31 March 2021 were authorized for issue by the directors on 15 June 2021.

**2. Preparation of financial statements**

**2.1 General policies**

**2.1.1 Basis of preparation**

These financial statements have been prepared and presented in Sri Lankan Rupees. The financial statements have been prepared on a historical cost basis, unless otherwise described in the accounting policies below. No adjustment has been made for inflationary factors affecting these financial statements. The accounting policies applied by the company are consistent with those used in the previous year.

**2.1.2 Events after the reporting date**

All significant events which occurred after the reporting date are considered and where necessary adjustments to or disclosures are made in the financial statements.

**2.1.3 Going concern**

When preparing the financial statements, the Directors have made an assessment of the ability of the company to continue as a going concern in the foreseeable future and they do not foresee a need for liquidation, cessation of trading or materially curtailing the scale of operations taking into account all available information about the future. The Directors are of the opinion that the company have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing the financial statements.

**2.1.4 Statement of compliance**

The financial Statements of the company as at 31 March 2021 and for the year then ended, comply with Sri Lanka Accounting Standards, and the requirements of the Companies Act No.07 of 2007.

**2.1.5 Comparative information**

The accounting policies have been consistently applied by the company and the previous year's figures and phrases are re-arranged, wherever necessary to conform to the current year's presentation.



### 2.1.6 Use of estimates and judgements

The preparation of financial statements in conformity with LKASs and SLFRSs requires management to make judgments, estimates and assumptions that influence the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. In the selection and application of the company's accounting policies, which are described below, the directors are required to make judgments and assumptions and use assumptions in measuring items reported in the financial statements. These estimates are based on management's knowledge of current facts and circumstances, and assumptions based on such knowledge and expectations of future events. Actual results may differ from such estimates.

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

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

#### a) Taxation and deferred tax liability

The Company recognized assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income, deferred and tax amounts in the period in which the determination is made.

Further, the Company's management has also applied significant judgement in determining the applicable tax rate to be applied for income tax and deferred tax as described in Notes 2.2, 1.4 and 09

#### b) Useful life-time of the property, plant and equipment

The Company reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

#### c) Loss allowance on financial assets

The Company assesses on a forward- looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies a simplified approach in calculating ECLs. The Company has established a provision methodology that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

#### d) Defined benefit plans

The cost of defined benefit plans are determined using projected unit credit method. This valuation involves making various assumptions which may differ from actual developments in the future.

These include the determination of the discount rate, future salary increases, mortality rates, 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.

In determining the appropriate discount rate, management considers the yield of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

Revisions to accounting estimates are dealt with in accordance with LKAS 08 Accounting Policies, Changes in Accounting Estimates and Errors.



### **2.1.7 Translation of transactions in foreign currency**

All transactions in foreign currencies are converted to Sri Lanka Rupees 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 statement of profit or loss.

## **2.2 Summary of significant accounting policies**

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

### **2.2.1 Income statement**

#### **2.2.1.1 Revenue**

##### **Goods transferred at a point in time**

Revenue principally comprises, sales of products to external customers and related parties. Revenue is measured at the fair value of the consideration received or receivable and excludes taxes collected on behalf of third parties, rebates, discounts and certain marketing expenses which are not distinctive from sales. The company measures the revenue based on the consideration to which the company expects to be entitled in respect of the sale of goods. The company recognizes revenue when it transfers control of a product to a customer.

For sale of goods, revenue is recognized when control of the goods has transferred, being when the goods have been shipped to the buyer.

#### **2.2.1.2 Interest income**

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

##### **Other income**

Other income is recognized on an accrual basis.

#### **2.2.1.3 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 running the business and in maintaining property, plant and equipment in a state of efficiency has been charged to the statement of profit or loss.

For the purpose of presentation of the income statement, the "nature of expenses" method has been adopted, on the basis that it presents fairly the elements of the company's performance.

#### **2.2.1.4 Income taxes**

Income tax expense represents the sum of taxes currently payable and deferred.

##### **(a) 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. 24 of 2017 and its subsequent amendments.





**(b) Deferred taxes**

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

Deferred tax assets and liabilities are recognized for all taxable temporary differences that may be expected to realize or reverse after the end of the tax-exempt period, proportionately over the remaining tax holiday period.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date.

Unrecognized deferred tax assets and liabilities are reassessed at each statement of financial position date and a disclosure is made in the financial statements.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply after the end of tax-exempt period, based on the tax rates and tax laws that have been enacted or substantively enacted as at the statement of financial position date. Deferred tax assets and deferred tax liabilities are offset, only when a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**2.2.1.5 Earnings/ (loss) per share (EPS)**

The company presents basic Earnings/ (loss) Per Share (EPS) based on profit or loss attributable to the ordinary shareholders. Basic EPS/Loss per share is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

**2.2.2 Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Depreciation commences when the assets are ready for their intended use.

For all assets depreciation is charged so as to allocate the cost of assets less their residual values over their estimated useful lives, using the straight-line method on a pro-rata basis. The following annual rates are used for the depreciation of property, plant and equipment:

<u>Assets</u>	<u>%</u>
Buildings and Roads	5
Plant and machinery	4.75
Office equipment and computer	25
Furniture and fixtures	6.33

Components relevant to property, plant and equipment, where significant, are separately depreciated on straight line basis in terms of their life span assessed by technical evaluation in item specific context.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in operating profit. On disposal of revalued assets, the revaluation amounts are transferred to retained earnings/ accumulated losses.





### **2.2.3 Leases**

The Company applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

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

Non-financial assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, where reversal of the impairment loss is treated as a revaluation increase.

### **2.2.5 Inventories**

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

The cost of each category of inventory is determined on the following basis;

Raw material	- At actual weighted average cost basis
Work-in-progress	- valued based on the cost of direct materials and labor and proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.
Finished goods	- At actual cost of direct materials, direct labor and an appropriate proportion of fixed production overheads.

### **2.2.6 Financial assets – recognition and measurement**

#### **a) Classification and subsequent measurement**

On initial recognition, a financial asset is classified as measured at: amortized cost; FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.





**a) Classification and subsequent measurement (Contd...)**

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount of outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as a FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified and measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The company only has financial assets categorized as amortized cost. There are no financial assets that are recognized at FVOCI or at FVTPL.

Financial assets - Subsequent measurement and gains and losses:

**Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method.

Discounting is omitted where the effect of discounting is immaterial. The Company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

**b) Recognition and measurement of financial assets**

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the company commits to purchase or sell the asset. Financial assets are derecognized 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.

**d) Recognition and measurement of financial assets**

Regular purchases and sales of financial assets are recognized on the trade date – the date on which the company commits to purchase or sell the asset. Financial assets are derecognized 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 amortized cost using the effective interest method.





**e) Impairment of financial assets**

SLFRS 09's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'.

Recognition of credit losses is no longer dependent on the Company first identifying a credit loss event. Instead the Company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

The company has not made any impairment in the current year as all financial asset balances have been recoverable.

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

**2.2.8 Equity instruments**

**2.2.8.1 Classification as debt or equity**

Debt and equity instruments issued by the company are classified as either financial liabilities or an equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

**2.2.8.2 Stated capital**

Ordinary shares are classified as equity.

Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

**2.2.9 Liabilities and provisions**

**2.2.9.1 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. If not, they are presented as non-current liabilities.

All financial liabilities are recognized initially at their fair values and subsequently measured at amortized 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 date of the statement of financial position 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.





### 2.2.9.2 Borrowings

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 statement of financial position date.

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that normally takes a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time the assets are substantially ready for their intended use or sale. Income earned from temporarily investing specific borrowings pending their expenditure on a qualifying asset is deducted from the borrowing costs eligible to be added to the carrying amount.

All other borrowing costs are recognized in the statement of profit or loss in the year in which they are incurred.

### 2.2.9.3 Employee retirement benefits

#### **a) Defined benefit plan – gratuity**

The liability recognized in the reporting date represents the present value of the defined benefit obligations at the reporting date estimated using the projected unit credit method (based on the formula method recommended by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)). These benefits are not externally funded.

The company recognizes all actuarial gains and losses arising from defined benefit plans immediately in the other comprehensive income.

#### **b) Defined contribution plan - Employees' Provident Fund and Employees' Trust Fund**

All employees of the company are members of the Employees' Provident Fund and the Employees' Trust Fund, to which the company contributes 12% and 3% respectively of such employees' basic or consolidated wage or salary.

The company's contributions to the defined contribution plans are charged to the profit or loss in the year to which they relate.

### 2.2.9.4 Provisions

Provisions are recognized when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.



	2020/2021 Rs.	2019/2020 Rs.
<b>3. Revenue from operations</b>		
Export sales	1,349,372,358	1,602,581,893
Operating income	-	260,790
	<u>1,349,372,358</u>	<u>1,602,842,683</u>
<b>4. Other income</b>		
Interest income on savings account	100,238	839,533
Miscellaneous income	4,912,410	-
	<u>5,012,648</u>	<u>839,533</u>
<b>5. Employee benefit expenses</b>		
Salaries, wages and bonus	88,357,128	94,306,261
Contribution to EPF and ETF	15,583,321	13,011,660
Workmen and staff welfare	5,340,442	5,102,102
	<u>109,280,891</u>	<u>112,420,023</u>
<b>6. Finance cost</b>		
Interest on short term loans	1,704,850	9,076,059
Bank charges	2,145,101	3,273,398
Exchange loss	(17,319,826)	(7,487,908)
Gratuity - interest cost	800,965	879,491
	<u>(12,668,910)</u>	<u>5,741,040</u>
<b>7. Depreciation expense</b>		
Depreciation on property, plant and equipment	123,760,089	130,140,232
	<u>123,760,089</u>	<u>130,140,232</u>
<b>8. Other expenses</b>		
Freight and forwarding charges	37,466,038	35,930,709
Power and fuel	44,800,827	46,589,458
Trade scheme own product	168,870	(775,510)
Stores and spares consumed	23,567,387	36,679,121
Repair to plant and machinery	11,801,152	11,078,495
Repair to others	4,579,141	5,643,384
Rent (Short term lease rentals)	4,436,613	5,348,797
Insurance	4,493,863	4,899,090
Travel and conveyance	5,376,368	9,107,236
Legal and professional	3,239,781	3,348,384
Telephone and fax expenses	2,339,306	2,410,732
Security expenses	4,724,559	7,074,642
General charges	5,568,863	7,137,407
Statutory audit fee	722,002	722,002
Other audit fee	224,195	76,084
Donation	-	90,000
Rates and taxes	168,600	311,243
Bad debt provision	-	590,130
	<u>153,677,564</u>	<u>176,261,403</u>





	2020/2021 Rs.	2019/2020 Rs.
<b>9. Income tax expenses</b>		
Current tax expenses (Note 9.1)	-	-
Economic Service Charge written off	7,716,366	13,495,609
Deferred tax (reversal)/ expense (Note 9.3 and Note 17)	(11,807,985)	10,699,653
	<u>(4,091,619)</u>	<u>24,195,262</u>
<b>9.1 The charge for the year can be reconciled to the profit before tax as follows:</b>		
Profit before tax from continuing operations	73,934,354	84,458,357
Add: Disallowable expenses	131,598,756	136,386,220
(Less): Allowable expenses	(66,458,292)	(60,077,337)
Interest income/Other Income	(100,238)	(839,533)
Adjusted profit	<u>138,974,580</u>	<u>159,927,708</u>
Sources of income:		
Business profit	Nil	Nil
Interest & Other income	5,012,648	839,533
Total statutory income	<u>5,012,648</u>	<u>839,533</u>
Loss claimed	(5,012,648)	(839,533)
Taxable income	<u>-</u>	<u>-</u>
Tax on interest income (Note 9.3)	-	-
Current year tax expense	<u>-</u>	<u>-</u>

- 9.2** The Company has entered into an agreement with BOI and enjoys an exemption from income tax for ten (10) years under section 17 (A) of the Inland Revenue Act No. 10 of 2006 as amended by Inland Revenue (Amendment) Act No. 08 of 2012, commencing from the year of assessment in which the company commences to make a profit or any year of assessment not later than two years reckoned from the date of commencement of commercial operations or production whichever is earlier. The tax holiday period expires in 2024/25.

**9.3 Income tax rate used**

The rate of income tax used for the computation of deferred tax for the current period is 14% (14% - FY 19/20). The investment income is taxed at 24% (28% - FY19/20).

- 9.4** A provision for deferred tax has been made in these financial statements for temporary differences that will reverse after the tax holiday period, proportionately over the remaining tax holiday period.

**10. Basic earnings per share**

Basic earnings per share is calculated by dividing the profit/ (loss) attributable to the ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

	2020/2021 Rs.	2019/2020 Rs.
Profit/ (loss) attributable to shareholders	54,410,003	60,263,095
Weighted average number of shares in issue during the year	203,760,233	203,760,233
Earnings per share	0.27	0.30



11. Property, plant and equipment	Freehold land Rs.	Building & road Rs.	Plant & machinery Rs.	Computers Rs.	Furniture & fittings Rs.	Office equipment Rs.	Total Rs.
<b>Cost</b>							
Balance as at 1 April 2019	227,089,828	565,443,052	1,506,273,561	20,375,320	20,225,084	858,141	2,340,264,987
Transfer from capital WIP	-	3,478,749	2,491,695	2,277,117	133,043	-	8,380,604
Disposal during the year	-	-	-	-	-	-	-
<b>Balance as at 31 March 2020</b>	<b>227,089,828</b>	<b>568,921,801</b>	<b>1,508,765,256</b>	<b>22,652,437</b>	<b>20,358,127</b>	<b>858,141</b>	<b>2,348,645,591</b>
<b>Balance as at 1 April 2020</b>	<b>227,089,828</b>	<b>568,921,801</b>	<b>1,508,765,256</b>	<b>22,652,437</b>	<b>20,358,127</b>	<b>858,141</b>	<b>2,348,645,591</b>
Additions during the year	-	109,836	11,842,270	5,797,600	379,330	-	18,129,036
<b>Balance as at 31 March 2021</b>	<b>227,089,828</b>	<b>569,031,637</b>	<b>1,520,607,527</b>	<b>28,450,037</b>	<b>20,737,457</b>	<b>858,141</b>	<b>2,366,774,627</b>
<b>Accumulated depreciation</b>							
Balance as at 1 April 2019	-	161,434,522	518,398,661	18,264,203	5,966,123	671,047	704,734,556
Depreciation charge for the year	-	28,324,290	99,825,018	580,595	1,280,248	130,082	130,140,232
<b>Balance as at 31 March 2020</b>	<b>-</b>	<b>189,758,812</b>	<b>618,223,679</b>	<b>18,844,797</b>	<b>7,246,371</b>	<b>801,129</b>	<b>834,874,788</b>
Balance as at 1 April 2020	-	189,758,812	618,223,679	18,844,797	7,246,371	801,129	834,874,788
Depreciation charge for the year	-	28,446,105	93,100,677	910,467	1,288,735	14,105	123,760,089
<b>Balance as at 31 March 2021</b>	<b>-</b>	<b>218,204,917</b>	<b>711,324,356</b>	<b>19,755,264</b>	<b>8,535,106</b>	<b>815,234</b>	<b>958,634,877</b>
<b>Carrying value</b>							
Balance as at 31 March 2021	227,089,828	350,826,720	809,283,171	8,694,773	12,202,350	42,907	1,408,139,750
Balance as at 31 March 2020	227,089,828	379,162,990	890,541,578	3,807,640	13,111,756	57,012	1,513,770,802

The factory building was constructed at Yakadagola Estate, Kotadeniyawa, Mirigama in 2011.





	31.03.2021 Rs.	31.03.2020 Rs.
<b>12. Inventories</b>		
Raw materials	179,607,058	187,135,918
Raw materials -utilities	2,924,247	3,321,211
Packing material	102,248,426	98,658,584
Semi finished - juices	16,360,870	1,134,894
Finished goods - juice packs	48,671,301	45,361,605
	<u>349,811,902</u>	<u>335,612,212</u>
<b>13. Trade receivables</b>		
Receivables from foreign customers	6,410,045	-
Related party receivable - Dabur India Limited	210,711,514	120,242,384
	<u>217,121,559</u>	<u>120,242,384</u>
<b>14. Deposits, prepayments, advances and other receivables</b>		
Deposit and advance payment	14,146,860	44,193,663
VAT receivable (Note 14.1)	37,638,171	37,038,726
Economic Service Charge (ESC) receivable	5,945,174	13,661,540
Prepayments	2,239,544	1,600,861
Other receivables	-	74,795
	<u>59,969,747</u>	<u>96,569,586</u>
<b>14.1</b>	The VAT receivable balance consists of unclaimed input VAT refunds. The company is certain that the VAT refund would be recovered from the Inland Revenue Department.	
<b>15. Income tax receivable</b>		
Balance at beginning of the year	405,792	366,460
Add: Withholding tax receivable	-	39,333
Balance at end of the year	<u>405,792</u>	<u>405,792</u>
<b>16. Cash and cash equivalents</b>		
Citi Bank - LKR current account	58,454,956	1,118,672
Citi Bank - USD account	62,104,473	16,273,584
State Bank of India -LKR current account	27,247	4,497
Sampath Bank PLC - LKR current account	1,996,939	4,973,417
Cash in hand	175,610	450,179
	<u>122,759,225</u>	<u>22,820,349</u>
<b>17. Stated capital</b>		
Issued and fully paid 203,760,233 no.of shares ordinary shares at Rs.10 each	2,037,602,330	2,037,602,330
	<u>2,037,602,330</u>	<u>2,037,602,330</u>
<b>17.1 Deemed equity</b>		
In March 2018, the company passed a special resolution to convert 71,205,000 number of redeemable ordinary shares to 71,205,000 number of ordinary shares of the company, ranking pari passu with rest of the ordinary shares. Hence, the "other equity" and the "financial liability" was recognised as "equity" and the interest accrued up to March 2018 amounting to Rs.61,728,234 was recognised as "deemed equity" during the financial year 2017/2018.		



	31.03.2021 Rs.	31.03.2020 Rs.
<b>18. Deferred tax</b>		
Balance at beginning of the year	42,423,056	31,723,403
Provision for the year	11,807,985	10,699,653
Balance at end of the year	<u>54,231,041</u>	<u>42,423,056</u>
The deferred tax liability arises from the temporary differences of:		
Property plant and equipment	55,987,868	43,918,190
Retirement benefit obligation	(1,756,827)	(1,495,134)
Deferred tax liability	<u>54,231,041</u>	<u>42,423,056</u>

The deferred tax liability relating to the temporary differences that will reverse after the tax exemption period is recognised at the income tax rate of 14% over the tax exemption period of 10 years. The unrecognised deferred tax asset on tax losses as of the year end is Rs.30,187,546.

	31.03.2021 Rs.	31.03.2020 Rs.
<b>19. Retirement benefit obligation</b>		
Balance at beginning of the year	10,679,530	8,768,609
Interest cost for the year	800,965	879,491
Charge for the year	2,336,062	2,242,173
Gain arising due to change in assumptions	(1,267,793)	(1,210,744)
Balance at end of the year	<u>12,548,763</u>	<u>10,679,530</u>

The principal assumptions used for the purpose of valuing the retirement benefit obligation were as follows:

Discount rate	7.50%	10.03%
Expected rate of salary increase	9%	9%
Normal retirement age	55 Years	55 Years
Staff turnover rate	11%	6%

**19.1 Sensitivity of assumptions used**

If a one percentage point change is assumed in the discount rate and salary increase rate, it would have the following effect:

**Effect on defined benefit obligation**

Increase by one percentage point in discount rate	757,371	1,227,739
Decrease by one percentage point in discount rate	(817,982)	(567,723)
Increase by one percentage point in salary increment rate	(798,678)	(567,994)
Decrease by one percentage point in salary increment rate	753,996	1,242,919

**20. Amounts due to related parties**

Dabur India Ltd	142,884	-
	<u>142,884</u>	<u>-</u>





	31.03.2021 Rs.	31.03.2020 Rs.
<b>21. Accrued expenses</b>		
Salary payable	1,812,099	4,350,019
Creditors - employees	8,578,300	5,772,491
Outstanding liability	43,683,460	69,107,252
EPF payable	1,016,007	1,148,216
PAYE payable	101,667	-
Stamp duty payable	1,600	1,575
	<u>55,193,133</u>	<u>80,379,553</u>
<b>22. Notes to the cash flow statement</b>		
<b>22.1 Cash and cash equivalents at the beginning of the year</b>		
Cash and bank balances	22,820,349	3,913,989
	<u>22,820,349</u>	<u>3,913,989</u>
<b>22.2 Cash and cash equivalents at the end of the year</b>		
Cash and bank balances	122,759,225	22,820,349
	<u>122,759,225</u>	<u>22,820,349</u>

## **23. Financial risk management**

### **Financial risk factors**

The company is exposed to number of financial risks: credit risk, liquidity risk, market risk (including foreign currency risk, interest rate risk and price 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 payable to suppliers for the purchase of raw materials and packing materials in USD. However, the risk will be mitigated through foreign currency export earnings in USD.

#### **b) Credit risk**

A major risk in this regard arises from trade receivables, which are subject to credit limits and control and approval procedures to minimise the extent of the company's financial exposure.

Major exports are to the parent company and all exports to other customers will be executed through Letters of Credit or against advance payments.

Credit limits for the local market are based on credit policy approved by the finance department.

The requirement for impairment is analysed at each reporting date on an individual basis for customers.

The company held cash at bank as of Rs. 122.5 Mn as at 31 March 2021 (31 March 2020 - LKR 22Mn) which represents its maximum credit exposure on these assets. The balances are held with financial institutions which have better rankings.



23. Financial risk management (Contd...)

c) Liquidity risk

Liquidity risk arises when a company encounters difficulties in meeting commitments associated with liabilities and other payment obligations. The company's objective is to manage this risk by limiting exposures in the instruments that may be affected by liquidity problems and maintaining sufficient back-up facilities.

	Note	31.03.2021 Rs.	31.03.2020 Rs.
<b>Financial liabilities</b>			
Less than one year		145,798,554	143,798,283
More than one year		-	-

d) Interest rate risk

The company does not face any major interest rate risk other than interest on short term borrowings.

e) Capital risk management

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

24. Capital commitments and contingencies

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

24.1 Capital commitments

There were no contingent liabilities outstanding as at the reporting date.

Capital commitments outstanding as at the reporting date- LKR 19,457,908.

24.2 Contingencies

The Department of Inland Revenue (IRD) had raised assessments in respect of Value Added Tax (VAT) for the period from August 2012 to March 2013 with regard to the disallowed input tax on local purchases and disallowed SVAT purchases due to non-submission of original tax invoices. An appeal procedure was followed against these assessments and the company filed an appeal with the Tax Appeal Commission on 13 February 2019 and has provided a bank guarantee.

The company has obtained the bank guarantee for Rs.4,133,916 from Citi Bank for the abovementioned tax appeal covering the period from 8 November 2020 to 8 August 2021.

The appeal is currently ongoing and the Tax Appeals Commission (TAC) has not commenced the hearing process as yet. The background of VAT assessment under TAC are as follows:

24.2.1 Disallowed input tax on local purchases.

Since no Registered Identified Purchaser (RIP) was allowed to claim refunds for input tax on local purchases if the VAT has been paid on the tax invoice, the IRD had disallowed the input tax amounting to Rs.6,668,401. However, subsequently the company has submitted another request to the senior commissioner to refund the aforesaid amount.

24.2.2 Disallowed SVAT purchase due to non-submission of original tax invoices.

IRD has disallowed SVAT amounting to Rs.16,535,667 due to the above reason and subsequently, the company has submitted the original tax invoices.

25. Events after the reporting date

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



**26. Related party transactions**

Details of significant related party transactions are as follows:

**26.1 Transactions with related entities**

Company	Nature of Relationship	Nature of transaction	Transaction value Rs.	Balance as at 31.03.2021 Rs.
Dabur India Limited (DIL)	Ultimate parent company	Sale of goods	1,318,701,799	210,711,514
		Purchase of goods	718,459	Nil
		Reimbursement of expenses to DIL	142,884	142,884
Dabur International Ltd	Parent Company	Sale of goods	3,067,271	Nil
		Reimbursement of expenses from DINTL	92,440	Nil

**26.2 Transactions with key management personnel**

Key management personnel include members of the board of directors of the company and other employees having authority and responsibility for planning, directing and controlling the activities of the company. The directors during the year are as follows :

Mr. Pritam Das Narang  
 Mr. Mohit Malhotra  
 Mr. Sandeep Kanswa  
 Mr. Rakesh Kumar Agarwal  
 Mr. Birendra Kumar Jha (Appointed w.e.f. 31 March 2021)  
 Mr. Atchutuni Sreedhar (Resigned w.e.f. 31 March 2021)

**Compensation of key management personnel**

Compensation to key management personnel are as follows:

	2020/2021 Rs.	2019/2020 Rs.
Short term employee benefits	18,885,869	19,688,915

**27. Impact from COVID-19**

The management has considered the possible effects, if any, that may result from the pandemic relating to COVID -19 on the carrying amounts of trade receivables, inventories and fixed assets. In developing the assumptions and estimates relating to the uncertainties as at the reporting date in relation to the recoverable amounts of these assets, the management has considered the global economic conditions prevailing as at the date of approval of these financial statements and has used internal and external sources of information to the extent determined by it. The management concluded that the range of possible outcomes considered at arriving at this judgment does not give rise to material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

However, as the duration 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.

