DABUR LANKA (PRIVATE) LIMITED

FINANCIAL STATEMENTS TOGETHER WITH AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2020

Deloitte.

SJMS Associates
Chartered Accountants
No.11, Castle Lane
Colombo 04
Sri Lanka

Tel: +94 11 2580409, 5444400
Fax: +94 11 2582452
www.deloitte.com

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 2020, 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 2020, 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 comprises the information included in the Directors report, but does not include in 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. 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.

SJMS ASSOCIATES
11, Castle Lane,
Colombo - 04.
Tel:0115 444 400
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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
17 July 2020

SJMS ASSOCIATES
11, Castle Lane,
Colombo - 04.
Tel:0115 444 400
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DABUR LANKA (PRIVATE) LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2020

	Note	2019/2020 Rs.	2018/2019 Rs.
Revenue from operations	3	1,602,842,683	1,543,272,940
Other income	4	839,533	267,456
		1,603,682,217	1,543,540,396
Cost of materials consumed		(1,094,661,163)	(1,038,944,950)
Employee benefit expenses	5	(112,420,023)	(111,877,374)
Finance costs	6	(5,741,040)	(29,591,284)
Depreciation expense	7	(130,140,232)	(127,803,791)
Other expenses	8	(176,261,403)	(230,614,506)
Total expenses		(1,519,223,859)	(1,538,831,904)
Profit before tax		84,458,357	4,708,492
Tax expense			
- Current tax	9	(13,495,609)	(10,875,413)
- Deferred tax	9	(10,699,653)	(8,577,803)
Profit/ (loss) after tax		**60,263,095**	**(14,744,724)**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss			
Gain arising from changes in assumptions in employee benefit obligation		1,210,744	3,476,588
Items that may be reclassified subsequently to profit or loss		-	-
Other comprehensive income for the year, net of tax		1,210,744	3,476,588
Total comprehensive income/ (expense) for the year		**61,473,839**	**(11,268,137)**
Earnings/ (loss) per share - basic	10	0.30	(0.07)

The accounting policies and notes from 01 to 28 form an integral part of these financial statements.

S J M S ASSOCIATES
11, Castle Lane,
Colombo - 04.
Tel:0115 444 400
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DABUR LANKA (PRIVATE) LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020

	Note	31.03.2020 Rs.	31.03.2019 Rs.
Assets			
Non - current assets			
Property, plant and equipment	11	1,513,770,802	1,635,530,430
Total non-current assets		1,513,770,802	1,635,530,430
Current assets			
Inventories	12	335,612,212	301,557,691
Trade receivables	13	120,242,384	179,559,174
Deposits, prepayment, advances and other receivables	14	96,569,586	77,540,593
Income tax receivable	15	405,792	366,460
Cash and cash equivalents	16	22,820,349	3,913,989
Total current assets		575,650,324	562,937,906
Total assets		**2,089,421,126**	**2,198,468,335**
Equity and liabilities			
Capital and reserves			
Stated capital	17	2,037,602,330	2,037,602,330
Deemed equity	17.2	61,728,234	61,728,234
Advances received for shares		3	3
Accumulated loss		(212,310,120)	(273,783,959)
Total equity		1,887,020,447	1,825,546,608
Non - current liabilities			
Deferred tax liability	18	42,423,056	31,723,403
Retirement benefit obligation	19	10,679,530	8,768,609
Total non-current liabilities		53,102,586	40,492,012
Current liabilities			
Accounts payable		68,918,540	88,720,296
Amounts due to related parties	20	-	657,150
Short term borrowings	21	-	152,507,416
Accrued expenses	22	80,379,553	90,544,853
Total current liabilities		149,298,093	332,429,716
Total equity and liabilities		**2,089,421,126**	**2,198,468,335**

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

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 17 July 2020.

Atchutuni Sreedhar
Finance Controller/Director

11, Castle Lane,
Colombo - 04.
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Sandeep Kanswa
Head of Manufacturing/Director

The accounting policies and notes from 01 to 28 form an integral part of these financial statements.

DABUR LANKA (PRIVATE) LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

	Stated capital Rs.	Deemed equity Rs.	Advance received for shares Rs.	Accumulated loss Rs.	Total Rs.
Balance as at 1 April 2018	2,037,602,330	61,728,234	3	(262,515,822)	1,836,814,745
Total comprehensive income/ (expense) for the year					
Loss for the year	-	-	-	(14,744,724)	(14,744,724)
Other comprehensive income	-	-	-	3,476,588	3,476,588
Total comprehensive expense for the year	-	-	-	(11,268,137)	(11,268,137)
Balance as at 31 March 2019	2,037,602,330	61,728,234	3	(273,783,959)	1,825,546,608
Total comprehensive income/ (expense) for the year					
Profit for the year	-	-	-	60,263,095	60,263,095
Other comprehensive income	-	-	-	1,210,744	1,210,744
Total comprehensive income for the year	-	-	-	61,473,839	61,473,839
Balance as at 31 March 2020	2,037,602,330	61,728,234	3	(212,310,120)	1,887,020,447

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 28 form an integral part of these financial statements.

S J M S ASSOCIATES
11, Castle Lane,
Colombo - 04.
Tel:0115 444 400
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DABUR LANKA (PRIVATE) LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

	Note	2019/2020 Rs.	2018/2019 Rs.
Cash flows from operating activities			
Profit before tax		84,458,357	4,708,492
Adjustments for:			
Unrealized exchange gain		(5,186,831)	(423,635)
Retirement benefit obligation charge	19	2,242,173	2,449,698
Interest		9,955,550	10,240,500
Depreciation	11	130,140,232	127,803,791
Interest income	4	(839,533)	(267,456)
Operating profit before working capital changes		**220,769,948**	**144,511,389**
Increase in inventories		(34,054,522)	(81,851,297)
(Increase)/ decrease in deposits, prepayment, advances and other receivable		(22,556,333)	44,557,170
(Increase)/ decrease in accounts receivable		64,479,699	(19,834,216)
Increase/ (decrease) in accounts payables/ other liabilities		(22,748,732)	4,541,964
Increase/ (decrease) in accrued expenses		(10,165,299)	13,061,016
Cash flows from operations		**195,724,762**	**104,986,025**
Tax paid		(8,388,810)	(7,193,516)
Net cash flows from operating activities		**187,335,951**	**97,792,509**
Cash flows from investing activities			
Additions to PP&E	11	(8,380,604)	(6,737,267)
Interest income	4	839,533	267,456
Net cash used in investing activities		**(7,541,071)**	**(6,469,811)**
Cash flows from financing activities			
Interest paid	6	(9,076,059)	(9,242,037)
Net settlement of short term loans	21	(152,507,416)	(86,021,472)
Net cash flows used in financing activities		**(161,583,475)**	**(95,263,509)**
Net increase in cash and cash equivalents		**18,211,406**	**(3,940,811)**
Cash and cash equivalents at the beginning of the year	23.1	3,913,989	7,854,800
Unrealised gain in cash & cash equivalents		694,954	-
Cash and cash equivalents at end of the year	23.2	**22,820,349**	**3,913,989**

The accounting policies and notes from 01 to 28 form an integral part of these financial statements.

S J M S ASSOCIATES # 11, Castle Lane, Colombo - 04. Tel:0115 444 400 CHARTERED ACCOUNTANTS

DABUR LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

1. Corporate information

1.1 General

Dabur Lanka (Private) Limited 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 utilising 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 2020 were authorized for issue by the directors on 17 July 2020.

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 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.

2.1.3 Statement of compliance

The financial Statements of the company as at 31 March 2020 and for the year then ended, comply with Sri Lanka Accounting Standards, and the requirements of the Companies Act No.07 of 2007.

SJMS ASSOCIATES
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2.1.4 Use of estimates and judgements

The preparation of financial statements in conformity with SLFRS/ LKAS requires Directors to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgments.

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 and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes.

Note 10	- Property, plant and equipment – useful life of assets
Note 17	- Deferred tax
Note 18	- Measurement of retirement benefit obligation

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 is measured based on the consideration to which the company expects to be entitled in respect of the sale of goods. The company recognises revenue when it transfers control of a product to a customer.

For sale of goods, revenue is recognised 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 recognised 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.

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11, Castle Lane,
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(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 realise 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 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:

Assets	%
Buildings	5
Plant and machinery	4.75
Office equipment and computer	25
Furniture and fixtures	6.33

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.

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2.2.3 Impairment of non -financial assets

Non- financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 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.

2.2.4 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 cost 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 labour and proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.
Finished Goods	- At actual cost of direct materials, direct labour and an appropriate proportion of fixed production overheads.

2.2.5 Financial assets – recognition and measurement

a) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised 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 financial asset is measured at amortised 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) **Classification and subsequent measurement (Contd…)**
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 amortised 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 amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Subsequent measurement and gains and losses:

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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.

c) **Classification**
The Company classifies its financial assets in the following categories: 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.

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.

S J M S ASSOCIATES
11, Castle Lane,
Colombo - 04.
Tel:0115 444 400
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e) **Impairment of financial assets**

Assets carried at amortized 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 other receivables, 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 expected 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 profit or loss. Cash flows relating to other receivables falling due within a period of less than one year are not discounted if the effect of discounting is immaterial.

2.2.6 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.

2.2.7 Equity instruments
2.2.7.1 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.

2.2.7.2 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.

2.2.8 Liabilities and provisions
2.2.8.1 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.

SJMS ASSOCIATES
11, Castle Lane,
Colombo - 04.
Tel:0115 444 400
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2.2.8.2 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.

2.2.8.3 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. 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.

2.2.8.4 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 the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

2.2.8.5 Foreign currency transactions

All transactions in foreign currencies are converted to Sri Lankan 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 Lankan 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.

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		2019/2020 Rs.	2018/2019 Rs.
3.	**Revenue from operations**		
	Export sales	1,602,581,893	1,519,681,385
	Local sales	-	19,827,855
	Operating income	260,790	3,763,700
		1,602,842,683	1,543,272,940
4.	**Other income**		
	Interest income on savings account	839,533	267,456
		839,533	267,456
5.	**Employee benefit expenses**		
	Salaries, wages and bonus	94,306,261	87,782,409
	Contribution to EPF and ETF	13,011,660	18,512,720
	Workmen and staff welfare	5,102,102	5,582,245
		112,420,023	111,877,374
6.	**Finance costs**		
	Interest on short term loans	9,076,059	9,242,037
	Bank charges	3,273,398	3,589,022
	Exchange loss/ (gain)	(7,487,908)	15,761,761
	Gratuity - interest cost	879,491	998,464
		5,741,040	29,591,284
7.	**Depreciation expense**		
	Depreciation on PP&E	130,140,232	127,803,791
		130,140,232	127,803,791
8.	**Other expenses**		
	Freight and forwarding charges	35,930,709	47,125,220
	Power and fuel	46,589,458	43,303,638
	Reversal of over provision of advertising and publicity	(775,510)	35,021,454
	Stores and spares consumed	36,679,121	27,943,423
	Repair to plant and machinery	11,078,495	10,735,171
	Repair to others	5,643,384	8,653,062
	Rent	5,348,797	6,334,587
	Insurance	4,899,090	4,603,458
	Travel and conveyance	9,107,236	9,848,486
	Legal and professional	3,348,384	3,574,132
	Telephone and fax expenses	2,410,732	2,105,040
	Security expenses	7,074,642	7,514,542
	General charges	7,137,407	6,449,958
	Local sale upfront duty charges and Excise Duty	-	11,782,643
	Statutory audit fee	722,002	703,113
	Other audit fee	76,084	933,585
	Donation	90,000	40,000
	Commission, discounts and rebates	-	(135,951)
	Breakage and leakage	-	4,077,445
	Rates and taxes	311,243	1,500
	Bad debt provision	590,130	-
		176,261,403	230,614,506

		2019/2020 Rs.	2018/2019 Rs.
9.	**Income tax expenses**		
	Current tax expenses *(Note 9.1)*	-	-
	ESC written off	13,495,609	10,875,413
	Deferred tax expense (Note 9.3 and Note 18)	10,699,653	8,577,803
		24,195,262	19,453,216

9.1 The charge for the year can be reconciled to the profit before tax as follows:

	2019/2020	2018/2019
Profit before tax from continuing operations	84,458,357	4,708,492
Add: Disallowable expenses	136,482,720	132,640,474
(Less): Allowable expenses	(60,077,337)	(64,804,236)
Interest income	(839,533)	(267,456)
Adjusted profit	160,024,208	72,277,273
Sources of income		
Business profit	Nil	Nil
Interest income	839,533	267,456
Total statutory income	839,533	267,456
Loss claimed	(839,533)	(267,456)
Taxable income	-	-
Tax on interest income @ 28%	-	-
Current year tax expense	-	-

The company is liable for income tax at the rates of 28% (2018/19: 28%) with respect of interest income.

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 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/ (loss) per share

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

	2019/2020 Rs.	2018/2019 Rs.
Profit/ (loss) attributable to shareholders	60,263,095	(14,744,724)
Weighted average number of shares in issue during the year	203,760,233	203,760,233
Earnings/ (loss) per share	0.30	(0.07)

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11. Property, plant and equipment

	Freehold land Rs.	Building & road Rs.	Plant & machinery Rs.	Computers Rs.	Furniture & fittings Rs.	Office equipment Rs.	Total Rs.
<u>Cost</u>							
Balance as at 1 April 2018	227,089,828	565,443,052	1,501,726,422	19,224,673	19,185,604	858,141	2,333,527,720
Transfer from capital WIP	-	-	4,547,140	1,150,647	1,039,480		6,737,267
Disposal during the year	-	-	-	-	-	-	-
Balance as at 31 March 2019	227,089,828	565,443,052	1,506,273,561	20,375,320	20,225,084	858,141	2,340,264,987
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
Additions during the year	-	3,478,749	2,491,695	2,277,117	133,043	-	8,380,604
Balance as at 31 March 2020	227,089,828	568,921,801	1,508,765,256	22,652,437	20,358,127	858,141	2,348,645,591
<u>**Accumulated depreciation**</u>							
Balance as at 1 April 2018	-	133,162,370	421,050,120	17,509,037	4,740,858	468,381	576,930,766
Depreciation charge for the year		28,272,153	97,348,541	755,165	1,225,265	202,667	127,803,791
Balance as at 31 March 2019	-	161,434,522	518,398,661	18,264,203	5,966,123	671,047	704,734,556
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
Balance as at 31 March 2020	-	189,758,812	618,223,679	18,844,797	7,246,371	801,129	834,874,788
Carrying value							
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
Balance as at 31 March 2019	227,089,828	404,008,530	987,874,900	2,111,118	14,258,961	187,094	1,635,530,430

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

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		31.03.2020 Rs.	31.03.2019 Rs.
12.	**Inventories**		
	Raw materials	187,135,918	189,922,637
	Raw materials -utilities	3,321,211	1,106,460
	Packing material	98,658,584	78,749,946
	Semi finished - juices	1,134,894	168,466
	Finished goods - juice packs	45,361,605	31,610,182
		335,612,212	301,557,691
13.	**Trade receivables**		
	Receivables from domestic customers	-	3,853,586
	Related party receivable - Dabur India Limited	120,242,384	175,705,589
		120,242,384	179,559,174
14.	**Deposits, prepayments, advances and other receivables**		
	Deposit and advance payment	44,193,663	20,292,688
	VAT receivable	37,038,726	35,410,191
	NBT receivable	-	103,004
	ESC receivable	13,661,540	18,807,671
	Prepayments	1,600,861	2,927,039
	Other receivables	74,795	-
		96,569,586	77,540,593
15.	**Income tax receivable**		
	Balance at beginning of the year	366,460	353,118
	Add: Withholding tax receivable	39,333	13,341
	Balance at end of the year	405,792	366,460
16.	**Cash and cash equivalents**		
	Citi Bank - LKR current a/c	1,118,672	3,099,782
	Citi Bank - USD	16,273,584	-
	State Bank of India -LKR current a/c	4,497	7,497
	Sampath Bank PLC - LKR current a/c	4,973,417	189,699
	Cash in hand	450,179	617,011
		22,820,349	3,913,989

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		31.03.2020 Rs.	31.03.2019 Rs.
17.	**Stated capital**		
	Suggestions) shares ordinary shares at Rs.10 each	2,037,602,330	2,037,602,330
		2,037,602,330	2,037,602,330

17.2 Deemed equity

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.

		31.03.2020 Rs.	31.03.2019 Rs.
18.	**Deferred tax**		
	Balance at beginning of the year	31,723,403	23,145,600
	Provision for the year	10,699,653	8,577,803
	Balance at end of the year	42,423,056	31,723,403

The deferred tax liability arises from the temporary differences of:

	31.03.2020 Rs.	31.03.2019 Rs.
Property, plant and equipment	43,918,190	32,951,008
Gratuity	(1,495,134)	(1,227,605)
Deferred tax liability	42,423,056	31,723,403

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. A deferred tax asset has not been recognised in respect of carried forward tax losses, as the recoverability of such tax losses is doubtful.

		31.03.2020 Rs.	31.03.2019 Rs.
19.	**Retirement benefit obligation**		
	Balance at beginning of the year	8,768,609	8,797,035
	Interest cost for the year (2019/20: 10.03% & 2018/19: 11.35% of the opening balance)	879,491	998,464
	Charge for the year	2,242,173	2,449,698
	Gain arising due to change in assumptions	(1,210,744)	(3,476,588)
	Balance at end of the year	10,679,530	8,768,609

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

	31.03.2020	31.03.2019
Discount rate	10.03%	11.35%
Expected rate of salary increase	9%	12%
Normal retirement age	55 Years	55 Years

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	31.03.2020 Rs.	31.03.2019 Rs.
20. Amounts due to related parties		
Dabur India Ltd	-	629,076
Dabur Nepal (Pvt) Ltd	-	28,074
	-	657,150
21. Short term borrowing		
Citi Bank - USD	-	152,507,416
	-	152,507,416
22. Accrued expenses		
Salary payable	4,350,019	3,520,529
Creditors - employees	5,772,491	6,366,024
Outstanding liability	69,107,252	78,896,837
EPF payable	1,148,216	1,138,070
WHT payable	-	111,152
PAYE payable	-	510,741
Stamp duty payable	1,575	1,500
	80,379,553	90,544,853
23. Notes to the cash flow statement		
23.1 Cash and cash equivalents at the beginning of the year		
Cash and bank balances	3,913,989	7,854,800
	3,913,989	7,854,800
23.2 Cash and cash equivalents at the end of the year		
Cash and bank balances	22,820,349	3,913,989
	22,820,349	3,913,989

24. 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 raw material and packing materials purchased in USD. However, the risk will be mitigated through foreign currency earnings in USD against exports.

24. Financial risk management *(Contd...)*

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.

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.

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.

25. 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:

25.1 Capital commitments

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

25.2 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 13.02.2019 and has provided a bank guarantee.

The company has obtained the bank guarantee for Rs.4,133,916.75 from Citi Bank for the abovementioned tax appeal commencing from 8 February 2020 to 8 November 2020.

The appeal is currently undergoing the hearing process and the status of the hearing process is as follows.

25.2.1 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.

25.2.2 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.

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26. Events after the reporting date

No circumstances have arisen since the reporting date which require adjustments to or disclosure in the financial statements, other than the impact of COVID -19 which is disclosed under Note 27.

27. Related party transactions

Details of significant related party transactions are as follows:

27.1 Transactions with related entities

Company	Nature of Relationship	Nature of transaction	Transaction value Rs.	Balance as at 31.03.2020 Rs.
Dabur India Limited (DIL)	Ultimate parent company	Sale of goods	1,581,646,268	
		Due from DIL		120,242,384
		Reimbursement of expenses to DIL	588,477	
Namaste UAE	Sister company	Sale of goods	6,955,197	Nil

27.2 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. Atchutuni Sreedhar
Mr. Sandeep Kanswa (Appointed w.e.f 10 September 2019)
Mr. Rakesh Kumar Agarwal (Appointed w.e.f 25 March 2020)
Mr. Harkirat Singh Bedi (Resigned w.e.f.12 September 2019)
Mr. Joy Chatterjee (Resigned w.e.f. 12 September 2019)
Mr. Aditya Bharghava (Appointed w.e.f.10 September 2019 and resigned w.e.f.25 March 2020)

Compensation of key management personnel

Compensation to key management personnel are as follows:

	2019/2020 Rs.	2018/2019 Rs.
Short term employee benefits	19,688,915	25,238,945

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28. Impact of COVID-19

On 11 March 2020 the World Health Organization declared the novel coronavirus (COVID-19) outbreak a pandemic. Responding to the potentially serious threat that COVID – 19 presents to public health, the Sri Lankan government has taken measures to contain the outbreak, pending further developments. The impact of COVID-19 and measures to prevent its spread are affecting the local economies and the these have triggered significant disruptions to businesses worldwide, resulting in economic slowdown in many countries, including Sri Lanka.

The company does not foresee any indication of impairment of property, plant and equipment and trade receivables as at the reporting date due to the COVID -19 pandemic as the at the company continues with operational activity post the lockdown period which ended in 11 May 2020 and trade receivable solely represents the balance from the ultimate parent entity. 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. Since the company is currently is solely predominantly engaged in exports, the Directors intend to continue on the same basis in the following financial year.

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