



**AUDITED FINANCIAL STATEMENTS OF
SUBSIDIARIES OF VARUN BEVERAGES LIMITED AS
AT DECEMBER 31, 2017**

- VARUN BEVERAGES LANKA (PRIVATE) LIMITED
- VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED
- VARUN BEVERAGES (ZAMBIA) LIMITED
- VARUN BEVERAGES MOROCCO S.A.
- VARUN BEVERAGES NEPAL PRIVATE LIMITED
- OLE SPRING BOTTLERS PRIVATE LIMITED (Step- down subsidiary)

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

FINANCIAL STATEMENTS TOGETHER

WITH AUDITOR'S REPORT

FOR THE YEAR ENDED

31ST DECEMBER 2017

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

Report on the Financial Statements

We have audited the accompanying financial statements of Varun Beverages Lanka (Private) Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("Group") which comprise the statement of financial position as at 31st December 2017 and the statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year ended 31st December 2017, and a summary of significant accounting policies and other explanatory notes.

Board's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards for Small and Medium-sized Entities (SLFRS for SME's). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, if any, made by the management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As stated in Note 2.1.1 'Basis of preparation', the company deviates from the local accounting standards, Sri Lanka Accounting Standards for Small and Medium-sized Entities. (SLFRS for SMEs)

1. Borrowing cost amounting to Rs.665.4 million incurred to acquire property, plant and equipment has been capitalized in these financial statements to be in line with the group accounting policies. This practice is not in compliance with the requirements of Sections 17 and 25 of the SLFRS for SMEs. Borrowing cost capitalized under property plant and equipment includes net exchange loss of Rs 333.9 million that has arisen due to conversion of monetary assets and liabilities into the presentation currency from the year 2013. Accordingly, the total comprehensive loss for the year ended 31st December 2017 is understated by Rs.11.8 million and accumulated loss as of 31st December 2017 has been understated by Rs.584.6, which is the net impact of borrowing cost capitalized and the depreciation charged on the capitalized borrowing cost. Further, the net book value of property plant and equipment as of 31st December 2017 are overstated by Rs 584.6 million.

2. As discussed in note 15.1 to the financial statements, the company's zero rated redeemable preference shares, carried at the cost of Rs. 5,815.3 million is accounted under equity. According to Section 22 of SLFRS for SMEs, this instrument should initially be measured at fair value of the future cash payments. Accordingly, equity is overstated by Rs. 2,596.4 million as of the reporting date. The loss for the year ended 31st December 2017 and accumulated loss as of 31st December 2017 is understated by Rs.339.6 million and Rs.884.2 million respectively, due to the non-recognition of interest expense on the liability component of the redeemable preference shares.

Qualified Opinion

In our opinion, except for the effects of the matters referred to in the preceding paragraphs (1) and (2) in the basis for qualified opinion, the consolidated financial statements present fairly, in all material respects of the financial position of Varun Beverages Lanka (Pvt) Ltd., as at 31st December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium Sized Entities (SLFRS for SME's).

Report on Other Legal Requirements

As required by Section 163(2) of the Companies Act No. 07 of 2007, we state the following;

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion;
- Except for the above matters discussed in paragraphs (1) and (2), we have obtained all the information and explanations that were required for the audit and so far as appears from our examination, proper accounting records have been kept by the Company,
 - Except for the above matters discussed in paragraphs (1) and (2), the financial statements of the company and the Group give a true and fair view of its financial position as at 31st December 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium Sized Entities (SLFRS for SME's).
 - Except for the above matters discussed in paragraphs (1) and (2), the financial statements of the company, and the Group comply with the requirements of Sections 151 and 153 of the Companies Act.

SJMS Associates

SJMS ASSOCIATES

Chartered Accountants

Colombo

26th January 2018

VARUN BEVERAGES LANKA (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2017

	Note	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.	Company 31.12.2016 Rs.	Group 31.12.2016 Rs.
Revenue	4	1,418,874,111	4,881,116,993	731,897,753	4,811,282,004
Cost of sales	5	(1,238,990,126)	(3,163,007,745)	(653,371,608)	(2,864,760,262)
Gross profit		179,883,985	1,718,109,248	78,526,145	1,946,521,742
Other income	6	487,763,888	293,658,399	449,858,674	129,812,601
		667,647,874	2,011,767,647	528,384,819	2,076,334,343
Less: Expenditure					
Administrative expenses		(157,902,563)	(242,277,519)	(159,292,835)	(235,710,756)
Selling and distribution expenses		(439,482,932)	(1,685,889,711)	(431,573,494)	(1,613,593,775)
Profit/(loss) from operations		70,262,379	83,600,417	(62,481,510)	227,029,812
Finance and other costs	8	(143,552,046)	(202,863,716)	(229,413,216)	(402,992,053)
Loss before tax	7	(73,289,667)	(119,263,299)	(291,894,726)	(175,962,241)
Income tax expense/(reversal)	9	(2,874,553)	(4,537,036)	-	6,272,037
Loss for the year		(76,164,220)	(123,800,335)	(291,894,726)	(169,690,204)
Other comprehensive income/(expense)		-			
Actuarial gain/(loss) on employee		(7,833,942)	3,133,366	(11,370,874)	(945,440)
Total comprehensive income/ (expense) for the year		(83,998,162)	(120,666,969)	(303,265,600)	(170,635,644)
Attributable to :					
Owners of the parent		(83,998,162)	(120,666,969)	(303,265,600)	(170,635,644)
Non-controlling interest		(83,998,162)	(120,666,969)	(303,265,600)	(170,635,644)


The accounting policies and notes from 01 to 26 form an integral part of the financial statements.



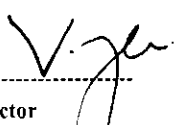
VARUN BEVERAGES LANKA (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2017

	Note	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.	Company 31.12.2016 Rs.	Group 31.12.2016 Rs.
Assets					
Non Current Assets					
Property, plant and equipment	10	2,950,627,059	5,312,905,025	3,243,961,440	5,233,517,461
Capital work-in-progress	11	1,825,428	2,106,240	190,215,946	208,700,924
Deferred tax asset	9.1	-	82,655,226	-	86,483,271
		<u>2,952,452,487</u>	<u>5,397,666,491</u>	<u>3,434,177,387</u>	<u>5,528,701,656</u>
Investment in subsidiary - Ole Springs Bottlers (Pvt) Ltd.		1,116,373,170	-	1,116,373,170	-
Current Assets					
Inventories	12	422,087,578	818,081,914	224,786,679	647,006,914
Trade and other receivables	13	230,769,902	1,633,436,507	585,433,561	1,333,214,076
Amounts due from related parties	23	2,181,715,025	233,979,332	263,359,915	29,584,627
Cash and cash equivalents	14	10,880,739	13,427,797	14,848,896	84,494,556
		<u>2,845,453,244</u>	<u>2,698,925,551</u>	<u>1,088,429,051</u>	<u>2,094,300,173</u>
Total Assets		<u>6,914,278,901</u>	<u>8,096,592,042</u>	<u>5,638,979,608</u>	<u>7,623,001,829</u>
Equity and Liabilities					
Equity					
Stated capital	15	6,383,031,600	6,383,031,600	3,674,392,600	3,674,392,600
Accumulated losses		(706,562,576)	(639,643,221)	(622,564,414)	(502,138,062)
Total Equity		<u>5,676,469,024</u>	<u>5,743,388,379</u>	<u>3,051,828,186</u>	<u>3,172,254,538</u>
Non Current Liabilities					
Bottle deposit payable	16	24,178,378	426,666,798	15,019,878	371,767,815
Borrowings	17	-	-	631,377,120	783,679,869
Retirement benefit obligations	18	34,806,732	83,168,099	19,475,322	72,089,760
Lease creditors	19	4,264,968	4,264,968	11,443,827	11,443,827
		<u>63,250,078</u>	<u>514,099,865</u>	<u>677,316,147</u>	<u>1,238,981,272</u>
Current Liabilities					
Borrowings	20	581,694,302	782,779,302	1,331,527,729	1,757,238,098
Lease creditors	19	7,194,691	7,194,691	9,953,973	9,953,973
Trade and other payables	21	248,926,566	574,022,550	121,312,187	707,927,209
Amounts due to related parties	23	10,043,882	37,913,160	78,966,619	140,570,924
Bank overdraft	22	326,700,359	437,194,096	368,074,767	596,075,816
Total Current Liabilities		<u>1,174,559,799</u>	<u>1,839,103,798</u>	<u>1,909,835,274</u>	<u>3,211,766,019</u>
Total Equity and Liabilities		<u>6,914,278,901</u>	<u>8,096,592,042</u>	<u>5,638,979,608</u>	<u>7,623,001,829</u>

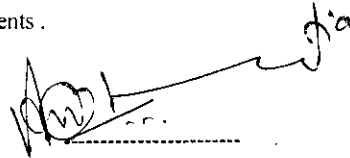
I certify that the financial statements have been prepared in compliance with the requirements of the Companies Act No 07 of 2007.


Chief Financial Officer

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


Director
26th January 2018




Director
26th January 2018

The accounting policies and notes from 01 to 26 form an integral part of the financial statements.

VARUN BEVERAGES LANKA (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2017

Company	Stated Capital Rs.	Accumulated Losses Rs.	Total Rs.
Balance as at 01.01.2016	1,994,807,600	(319,298,814)	1,675,508,786
Preference shares issued	1,679,585,000	-	1,679,585,000
Profit/ (loss) for the year	-	(291,894,726)	(291,894,726)
Other comprehensive income/(loss) for the year	-	(11,370,874)	(11,370,874)
Balance as at 31.12.2016	3,674,392,600	(622,564,414)	3,051,828,186
Preference shares issued	3,162,839,000	-	3,162,839,000
Preference shares redeemed	(454,200,000)	-	(454,200,000)
Profit/ (loss) for the year	-	(76,164,220)	(76,164,220)
Other comprehensive income/(loss) for the year	-	(7,833,942)	(7,833,942)
Balance as at 31.12.2017	6,383,031,600	(706,562,576)	5,676,469,024

Group	Stated Capital Rs.	Accumulated Losses Rs.	Total Rs.
Balance as at 01.01.2016	1,994,807,600	(314,664,228)	1,680,143,372
Preference shares issued	1,679,585,000	-	1,679,585,000
Profit/(loss) for the year	-	(169,690,204)	(169,690,204)
Depreciation on revalued asset	-	(16,838,190)	(16,838,190)
Other comprehensive income/(loss) for the year	-	(945,440)	(945,440)
Balance as at 31.12.2016	3,674,392,600	(502,138,062)	3,172,254,538
Preference shares issued	3,162,839,000	-	3,162,839,000
Preference shares redeemed	(454,200,000)	-	(454,200,000)
Profit/(loss) for the period	-	(123,800,335)	(123,800,335)
Depreciation on revalued asset	-	(16,838,190)	(16,838,190)
Other comprehensive income/(loss) for the period	-	3,133,366	3,133,366
Balance as at 31.12.2017	6,383,031,600	(639,643,221)	5,743,388,379

The accounting policies and notes from 01 to 26 form an integral part of the financial statements.



VARUN BEVERAGES LANKA (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2017

	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.	Company Year ended 31.12.2016 Rs.	Group Year ended 31.12.2016 Rs.
Cash Flows from Operating Activities				
Operating profit/(loss) before interest and taxation	70,262,379	83,600,417	(62,481,510)	227,029,812
Adjustment for:				
Depreciation	262,584,709	448,220,822	295,578,385	400,198,652
Gain/(loss) on disposal of property, plant and equipment	(19,090,854)	(19,188,601)	(4,226)	(4,226)
Bottles and shells damaged	-	12,160,998	-	11,657,390
Provision for gratuity	7,075,088	9,913,423	3,014,371	5,668,240
Operating profit before working capital changes	320,831,322	534,707,058	236,107,019	644,549,866
Working Capital Changes				
(Increase)/decrease in inventories	(197,300,910)	(171,075,010)	(53,807,134)	(162,795,638)
Increase/(decrease) in amounts due to related parties	(68,922,738)	(102,657,767)	(433,383,429)	22,125,754
(Increase)/decrease in amounts due from related parties	(1,918,355,110)	(204,394,705)	(211,649,533)	(150,058,997)
(Increase)/decrease in accounts receivable	354,528,523	(300,368,256)	(74,760,505)	(29,489,580)
Increase/(decrease) in accounts payable	136,772,879	(79,005,676)	(8,479,646)	151,879,088
Cash generated from/(used in) operations	(1,372,446,032)	(322,794,355)	(545,973,226)	476,210,493
Income tax paid	(2,739,417)	(563,166)	-	-
Interest paid	(139,280,658)	(193,403,116)	(229,113,101)	(399,569,203)
Gratuity paid	(1,525,152)	(2,838,463)	(1,212,340)	(6,403,783)
Cash flows from operating/(used in) activities	(1,515,991,259)	(519,599,100)	(776,298,668)	70,237,506
Cash Flows from Investing Activities				
Acquisition of property, plant and equipment	(201,130,086)	(504,786,502)	(260,218,576)	(503,884,415)
Expenditure on capital work in progress	(27,916,623)	(28,197,435)	(190,215,946)	(208,700,924)
Proceeds on sale of property, plant and equipment	467,277,753	202,159,651	41,239	41,239
Net cash used in investing activities	238,231,044	(330,824,285)	(450,393,284)	(712,544,100)
Cash Flows from Financing Activities				
Net borrowings	(1,381,210,546)	(1,758,138,665)	(540,344,778)	(1,040,182,368)
Issue of preference shares	3,162,839,000	3,162,839,000	1,679,585,000	1,679,585,000
Redemption of preference shares	(454,200,000)	(454,200,000)	-	-
Lease payments	(12,261,989)	(12,261,989)	(9,086,373)	(9,086,373)
Net cash flow from investing activities	1,315,166,465	938,238,346	1,130,153,850	630,316,259
Net increase/decrease in cash and cash equivalents	37,406,250	87,814,961	(96,538,103)	(11,990,335)
Cash and cash equivalents at the beginning of the period	(353,225,871)	(511,581,261)	(256,687,768)	(499,590,926)
Cash & cash equivalents at the end of the period (Note 14, 22)	(315,819,620)	(423,766,299)	(353,225,871)	(511,581,261)
Analysis of cash and cash equivalents at the end of the period				
Cash in hand and cash at bank	10,880,739	13,427,797	14,848,896	84,494,556
Bank overdraft	(326,700,359)	(437,194,096)	(368,074,767)	(596,075,816)
	(315,819,620)	(423,766,299)	(353,225,871)	(511,581,261)

The accounting policies and notes from 01 to 26 form an integral part of the financial statements.



VARUN BEVERAGES LANKA (PRIVATE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

1. General

1.1 Reporting Entity

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

1.2 Principal Activities and Nature of Operations

The principle activity of the company is to manufacture and sell Agro Processing Beverages, Mineral water and carbonated soft drinks.

1.3 Parent and Ultimate Parent Enterprises

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

1.4 Date of Authorization for Issue

The financial statements were approved for issue by the Board of Directors on 26th January 2018.

2. Summary of Significant Accounting Policies

2.1 Basis of Preparation

2.1.1 Basis of Consolidation

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

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

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

2.1.2 Going Concern

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

2.1.3 Consolidation

2.1.3.1 Consolidation Financial Statements

The consolidated financial statements of the company for year ended 31st December 2017 include Ole Springs Bottlers (Pvt) Ltd which is a wholly owned subsidiary of the company.



2.1.3.2 Subsidiaries

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

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

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

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

2.2 Functional and Presentation Currency

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

2.2.1 Transactions and Balances

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

2.3 Revenue

2.3.1 Sale of Goods

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

2.3.2 Other Income

2.3.2.1 Grants

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

2.3.2.2 Rent Income

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

2.4 Expenditure Recognition

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

2.4.1 Borrowing Costs

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

2.5 Leases

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

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

2.6 Income Tax Expense

2.6.1 Company

For a period of six (06) years reckoned from the year of assessment as may be determined by the Board of Investment of Sri Lanka (BOI) ("tax exemption period") the provisions of the Inland Revenue Act No. 10 of 2006 relating to the imposition, payment and recovery of income tax in respect of the profits and income of the Company shall not apply to the profit and income of the Company.

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

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

Deferred Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial statements and their corresponding tax bases (known as temporary differences). Deferred tax

Liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

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



2.6.2 **Subsidiary**

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

The company's liability to taxation has been computed in accordance with the provision of the Inland Revenue Act No. 10 of 2006, and amendments thereto.

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

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

2.7 **Stated Capital**

2.7.1 **Ordinary Shares**

Ordinary shares are classified as equity.

2.7.2 **Redeemable Preference Shares**

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

2.8 **Tangible Assets**

2.8.1 **Property, Plant and Equipment**

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

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

Assets	Rate (%)
Computers	25.00
Furniture and Fittings	10.00
Motor Vehicles	14.29
Trade Equipment	12.50
Office Equipment	25.00
Buildings	3.34
Plant and Machinery	4.75
Tools and Equipment	4.75
Bottles and Crates	12.50

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

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

2.8.2 Capital Work-in-Progress

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

2.9 Investment Property

The group owns a freehold land that is held to earn long-term rental income and for capital appreciation. The property is occupied by the group. Investment property is carried cost less accumulated depreciation and any accumulated impairment losses as the fair value of the building cannot be reliably determined without undue cost or effort due to a lack of reliable evidence about comparable market transaction. The cost represents the historical cost of acquisition.

2.10 Intangible Assets

2.10.1 Computer Software

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

2.11 Impairment of Non-Financial Assets

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

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

3.1 Financial Instruments

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

Investment in subsidiary is recognized at cost less impairment losses.

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

3.2 Defined Benefit Plan – Gratuity

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

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



3.3 Defined Contribution Plan - EPF & ETF

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the income statement as in the periods during which services are rendered by employees.

Employees' Provident Fund

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

Employees' Trust Fund

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

3.4. Inventories

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

Raw materials - On actual cost on a weighted average basis

Finished goods - Valued at standard cost basis

Other inventories - On actual cost on a weighted average basis

3.5 Judgments and Key Sources of Estimation Uncertainty

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

3.6 Events After the Reporting Period

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



	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.	Company Year ended 31.12.2016 Rs.	Group Year ended 31.12.2016 Rs.
4. Revenue				
Local sales	1,593,932,972	5,916,984,446	713,187,576	5,719,692,078
Export sales	20,372,151	20,994,540	33,302,762	40,244,716
Trade discount	(9,004,020)	(242,695,092)	-	(195,521,370)
	<u>1,605,301,103</u>	<u>5,695,283,895</u>	<u>746,490,338</u>	<u>5,564,415,424</u>
Nation Building Tax	(28,455,986)	(111,763,780)	(14,592,585)	(110,060,290)
Excise duty	(157,971,006)	(702,403,122)	-	(643,073,130)
	<u><u>1,418,874,111</u></u>	<u><u>4,881,116,993</u></u>	<u><u>731,897,753</u></u>	<u><u>4,811,282,004</u></u>
5. Cost of Finished Goods Manufactured				
Finished goods at the at the beginning of the year	49,493,579	132,136,338	49,858,146	116,552,170
Finished goods purchase	-	69,755,768	-	41,617,576
Factory cost transferred (Note 5.1)	1,251,888,823	3,102,236,929	653,007,041	2,838,726,855
Finished goods at the end of the year	(62,392,276)	(141,121,289)	(49,493,579)	(132,136,339)
	<u><u>1,238,990,126</u></u>	<u><u>3,163,007,745</u></u>	<u><u>653,371,608</u></u>	<u><u>2,864,760,262</u></u>
5.1 Factory Cost Transferred				
Raw materials at the beginning of the year	135,739,085	434,033,407	110,558,102	285,303,149
Raw material purchase	987,108,277	2,274,740,832	367,259,340	2,180,249,750
Raw material at the end of the year	(296,915,278)	(572,220,847)	(135,739,085)	(434,033,407)
Raw material consumed	<u>825,932,084</u>	<u>2,136,553,392</u>	<u>342,078,357</u>	<u>2,031,519,492</u>
Production overheads (Note 5.2)	425,956,739	965,683,536	310,928,684	807,207,363
	<u><u>1,251,888,823</u></u>	<u><u>3,102,236,929</u></u>	<u><u>653,007,041</u></u>	<u><u>2,838,726,855</u></u>

	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.	Company Year ended 31.12.2016 Rs.	Group Year ended 31.12.2016 Rs.
5.2 Production Overheads				
Salaries	62,660,458	121,577,273	46,227,046	100,543,977
Wages	5,529,975	33,575,179	10,364,612	34,106,075
Overtime	25,110,515	75,981,078	19,687,403	61,440,612
Bonus	7,395,971	16,725,247	5,300,401	14,766,212
Allowance	4,332,387	5,539,087	3,284,422	4,111,572
Employees' provident fund	7,519,255	14,589,273	5,552,702	12,070,735
Employees' trust fund	1,879,815	3,647,319	1,388,654	3,018,161
Staff welfare	2,690,285	8,479,254	2,200,598	7,259,616
Medical	993,429	2,336,894	756,068	1,118,377
Terminal gratuity	1,784,974	3,420,403	815,255	2,301,661
Fuel	16,779,448	59,425,960	11,808,831	61,791,742
Chemicals	31,139,429	64,407,936	16,124,862	56,927,663
Breakages	15,194,092	36,936,314	4,520,907	29,909,209
Lab consumables	-	2,882,128	-	2,228,759
Lab testing charges	4,563,655	4,563,655	3,076,214	3,076,214
Staff uniforms	-	1,313,030	-	1,858,122
Foreign travelling			105,246	105,246
Electricity	77,893,209	131,938,586	48,053,678	113,790,035
Postage and courier charges	122,786	122,786	240,401	240,401
Telephone	-	789,401	6,398	513,948
General insurance	3,110,182	4,026,978	2,685,273	4,138,485
Printing and stationary	2,023,203	2,023,203	511,503	511,503
Security charges	3,191,632	14,764,862	3,121,532	14,856,862
Motor vehicle fuel	-	1,082,743	-	522,524
Depreciation - Factory building	-	6,431,764	-	5,384,328
- Plant and machinery	110,462,081	116,949,999	97,253,020	101,942,673
- Office equipment	-	15,810	-	9,415
- Furniture and fittings	-	346,340	-	323,436
- Motor vehicles and forklift	-	501,712	-	253,041
- Computers	-	362,737	-	262,089
- Bottles and crates	-	145,723,972	-	79,696,937
Building repair and maintenance	3,506,227	9,793,180	3,923,232	10,451,333
Equipment maintenance	37,538,295	73,015,586	23,796,428	77,444,422
Travelling and transport	535,437	535,437	124,000	124,000
Loading charges	-	1,858,411	-	107,980
	<u>425,956,739</u>	<u>965,683,536</u>	<u>310,928,684</u>	<u>807,207,363</u>



	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.	Company Year ended 31.12.2016 Rs.	Group Year ended 31.12.2016 Rs.
6. Other Income				
Grant from abroad	261,548,006	261,548,006	102,485,645	102,485,645
Blow molding income	57,601,503	-	81,444,619	-
Administration service income	43,200,000	-	43,200,000	-
Technical fee income	75,457,035	-	100,609,384	-
Disposal of property, plant and equipment	19,090,854	19,188,601	4,226	4,226
Scrap sales	2,165,998	11,508,244	1,667,563	13,864,627
Rent income	27,706,062	-	111,715,847	891,599
Miscellaneous income	251,928	612,314	8,731,390	11,327,787
Interest income	742,503	801,234	-	1,238,717
	<u>487,763,888</u>	<u>293,658,399</u>	<u>449,858,674</u>	<u>129,812,601</u>

7. Loss Before Tax is Stated after Charging all Expenses Including the Following:

Personnel cost	317,750,301	648,564,385	240,506,934	470,244,800
Defined contribution plan costs - EPF &ETF	33,510,334	45,843,530	24,040,090	35,071,462
Provision for gratuity	7,075,088	9,913,423	3,014,371	5,668,240
Bonus	25,885,863	38,592,705	16,882,537	29,520,694
Depreciation	262,584,709	448,220,822	295,578,385	400,198,652
Insurance	5,549,893	6,466,688	4,378,294	5,831,506
Auditor's fees	1,244,986	2,056,424	1,410,922	2,461,182

8. Finance Cost

Bank overdraft interest	49,057,426	69,922,930	37,288,264	67,264,314
Lease interest	2,323,856	2,323,856	3,171,599	3,171,599
Long term loan interest	45,723,357	45,723,357	98,782,045	133,795,993
Short term loan interest	26,011,047	52,556,697	29,592,692	121,398,783
Bank charges	1,610,703	3,165,542	956,522	5,116,580
Guarantee fee	10,663,829	10,663,829	57,241,100	57,241,100
Exchange loss	6,214,295	11,370,761	2,080,879	11,580,834
Interest on gratuity	1,947,532	7,136,744	300,115	3,422,850
	<u>143,552,046</u>	<u>202,863,716</u>	<u>229,413,216</u>	<u>402,992,053</u>

	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.	Company Year ended 31.12.2016 Rs.	Group Year ended 31.12.2016 Rs.
9. Taxation				
Income tax expenses				
Deferred tax (Note 9.2)	-	3,828,045	-	(26,077,416)
Income tax expenses	135,136	145,825	-	21,266,789
Tax payment for previous year	2,739,417	563,166	-	(1,461,410)
	<u>2,874,553</u>	<u>4,537,036</u>	<u>-</u>	<u>(6,272,037)</u>

9.1 Reconciliation of the total tax charge

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

Accounting profit/(loss) as per income tax computation	(73,289,667)	(119,263,299)	(291,894,726)	(175,962,241)
Allowable credits	(621,697,737)	(970,899,882)	(431,736,880)	(613,352,705)
Non- deductible expenses	548,250,712	799,501,021	316,933,051	486,270,740
Interest income	742,503	801,233	-	1,238,717
Tax loss claimed up to 35%	(259,876)	(280,432)	-	(36,712,573)
Tax loss removed for tax holiday period	-	146,736,692	-	406,698,555
Tax profit/ (loss) for the year of assessment	<u>(146,254,065)</u>	<u>(143,404,666)</u>	<u>(406,698,555)</u>	<u>68,180,493</u>
 Tax expense	 <u>135,136</u>	 <u>145,825</u>	 <u>-</u>	 <u>19,090,538</u>

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

9.2 Group

Deferred tax balances

	Property, plant & equipment Rs.	Retirement benefit obligation Rs.	Unused tax losses Rs.	Total Rs.
Balance as at 1 st January 2016	(104,340,533)	9,368,207	155,378,181	60,405,855
Recognised in profit or loss	(102,477,768)	5,363,836	123,191,348	26,077,416
Balance as at 31 st December 2016	<u>(206,818,301)</u>	<u>14,732,043</u>	<u>278,569,529</u>	<u>86,483,271</u>
 Balance as at 1 st January 2017	 (206,818,301)	 14,732,043	 278,569,529	 86,483,271
Recognised in profit or loss	(40,109,631)	(1,190,860)	37,472,446	(3,828,045)
Balance as at 31 st December 2017	<u>(246,927,932)</u>	<u>13,541,183</u>	<u>316,041,975</u>	<u>82,655,226</u>



	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.	Company 31.12.2016 Rs.	Group 31.12.2016 Rs.
10. Property, Plant and Equipment				
Freehold property, plant and equipment (Note 10.1 and 10.2)	2,914,682,850	5,276,960,815	3,205,033,106	5,194,589,129
Leasehold property, plant and equipment (Note 10.3 and 10.4)	35,944,209	35,944,209	38,928,334	38,928,334
	<u>2,950,627,059</u>	<u>5,312,905,025</u>	<u>3,243,961,440</u>	<u>5,233,517,463</u>

**10.1 Company
Freehold Property, Plant and Equipment**

Description	Balance at the beginning of the year Rs.	Additions Rs.	Disposals/ Write off Rs.	Balance at the end of the year Rs.
Cost				
Blow molding	129,238,128	-	-	129,238,128
Building	847,565,609	36,873,002	-	884,438,611
Computers	10,342,995	1,528,500	-	11,871,495
Furniture & fittings	2,875,487	328,098	-	3,203,584
Machinery and other equipment	1,906,724,357	308,602,805	(226,738,823)	1,988,588,339
Motor vehicles	175,264,680	15,289,000	(2,745,535)	187,808,145
Office equipment	4,143,288	8,103,772	-	12,247,059
Trade equipment	1,230,038,374	46,712,051	(592,539,896)	684,210,529
Total	<u>4,306,192,916</u>	<u>417,437,227</u>	<u>(822,024,254)</u>	<u>3,901,605,889</u>

Accumulated Depreciation

Blow molding	35,787,553	6,138,811	-	41,926,364
Buildings	81,526,783	28,780,009	-	110,306,792
Computers	5,888,718	1,904,937	-	7,793,655
Furniture & fittings	784,987	311,318	-	1,096,306
Machinery and other equipment	268,667,719	102,846,058	(43,767,774)	327,746,003
Motor vehicles	95,075,102	26,776,858	(2,158,592)	119,693,368
Office equipment	1,139,510	1,026,215	-	2,165,724
Trade equipment	612,289,439	91,816,378	(327,910,989)	376,194,828
Total	<u>1,101,159,810</u>	<u>259,600,584</u>	<u>(373,837,355)</u>	<u>986,923,039</u>

Written Down Value	<u>3,205,033,106</u>	<u>2,914,682,850</u>
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10.2 Group
Freehold Property, Plant and Equipment

	Balance at the beginning of the year Rs.	Additions Rs.	Disposals/ Write Off Rs.	Balance at the end of the year Rs.
Cost				
Land	972,314,280	-	-	972,314,280
Buildings	940,917,691	86,846,380	-	1,027,764,071
Blow molding	129,238,128	-	-	129,238,128
Computers	38,642,813	2,166,530	(58,638)	40,750,705
Furniture & fittings	13,309,522	390,000	-	13,699,521
Motor vehicles	198,489,757	29,329,000	(2,745,535)	225,073,222
Machinery and other equipment	2,364,387,123	326,788,141	(226,738,823)	2,464,436,440
Office equipment	11,898,371	8,552,372	(199,000)	20,251,742
Tools & equipment	5,967,102	-	-	5,967,102
Trade equipment	2,526,086,080	285,506,198	(34,448,669)	2,777,143,609
Total	<u>7,201,250,865</u>	<u>739,578,620</u>	<u>(264,190,665)</u>	<u>7,676,638,820</u>
Accumulated Depreciation				
Buildings	118,949,503	36,771,310	-	155,720,813
Computers	31,318,821	2,993,148	(58,638)	34,253,331
Blow molding	35,787,553	6,138,811	-	41,926,364
Furniture & fittings	9,207,647	843,041	-	10,050,688
Motor vehicles	116,687,721	28,282,428	(2,158,592)	142,811,557
Machinery and other equipment	369,584,565	125,838,478	(43,767,774)	451,655,269
Office equipment	7,487,169	1,489,008	(25,897)	8,950,279
Tools & equipment	5,617,063	31,859	-	5,648,922
Trade equipment	1,312,021,695	259,686,804	(23,047,716)	1,548,660,783
Total	<u>2,006,661,736</u>	<u>462,074,886</u>	<u>(69,058,618)</u>	<u>2,399,678,005</u>
Written Down Value	<u>5,194,589,129</u>			<u>5,276,960,815</u>

10.3 Company
Leasehold Property, Plant and Equipment

Description	Balance at the beginning of the year Rs.	Additions Rs.	Transfers Rs.	Balance at the end of the year Rs.
Cost				
Machinery and other equipment	31,099,193	-	-	31,099,193
Motor vehicles	10,548,404	-	-	10,548,404
Total	<u>41,647,597</u>	<u>-</u>	<u>-</u>	<u>41,647,597</u>
Accumulated Depreciation				
Machinery and other equipment	2,083,469	1,477,212	-	3,560,681
Motor vehicles	635,794	1,506,913	-	2,142,707
Total	<u>2,719,263</u>	<u>2,984,125</u>	<u>-</u>	<u>5,703,388</u>
Written Down Value	<u>38,928,334</u>			<u>35,944,209</u>



10.4 Group
Leasehold Property, Plant and Equipment

Description	Balance at the beginning of the year Rs.	Additions Rs.	Transfers Rs.	Balance at the end of the year Rs.
Cost				
Machinery and other equipment	31,099,193	-	-	31,099,193
Motor vehicles	10,548,404	-	-	10,548,404
Total	<u>41,647,597</u>	<u>-</u>	<u>-</u>	<u>41,647,597</u>
Accumulated Depreciation				
Machinery and other equipment	2,083,469	1,477,212	-	3,560,681
Motor vehicles	635,794	1,506,913	-	2,142,707
Total	<u>2,719,263</u>	<u>2,984,125</u>	<u>-</u>	<u>5,703,388</u>
Written Down Value	<u>38,928,334</u>			<u>35,944,209</u>

11. Capital Work-in-Progress
11.1 Company

Description	Balance at the beginning of the year Rs.	Additions Rs.	Transfers Rs.	Balance at the end of the year Rs.
Building	1,141,772	3,033,761	(4,175,533)	-
Plant and machinery	189,074,174	24,882,862	(212,131,608)	1,825,428
	<u>190,215,946</u>	<u>27,916,623</u>	<u>(216,307,141)</u>	<u>1,825,428</u>

11.2 Group

Description	Balance at the beginning of the period Rs.	Additions Rs.	Transfers Rs.	Balance at the end of the period Rs.
Building	19,626,750	3,314,573	(22,660,511)	280,812
Plant and machinery	189,074,174	24,882,862	(212,131,608)	1,825,428
	<u>208,700,924</u>	<u>28,197,435</u>	<u>(234,792,119)</u>	<u>2,106,240</u>

	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.	Company 31.12.2016 Rs.	Group 31.12.2016 Rs.
12. Inventories				
Finished goods	62,392,276	141,121,289	49,493,579	132,136,339
Raw materials	296,915,278	572,220,847	135,739,085	434,033,407
Chemicals and fuel	7,233,207	19,412,894	6,233,704	18,484,946
Goods in transit	-	-	-	2,150,410
Spare parts	55,546,817	85,326,884	33,320,311	60,201,812
	<u>422,087,578</u>	<u>818,081,914</u>	<u>224,786,679</u>	<u>647,006,914</u>
13. Trade and Other Receivables				
Trade debtors	93,661,753	1,366,996,493	125,434,605	937,042,551
Less: Impairment provision for trade debtors	(95,137)	(10,988,419)	(95,137)	(10,988,419)
	<u>93,566,616</u>	<u>1,356,008,074</u>	<u>125,339,468</u>	<u>926,054,132</u>
Other receivables	31,610,959	51,107,731	204,438,992	86,881,101
Deposits and prepayments	10,260,118	75,272,295	13,759,996	51,241,068
VAT receivable	76,255,067	66,554,439	233,943,288	224,175,562
Staff loans and festival advances	1,966,980	2,896,882	1,756,746	2,848,449
Income tax and economic service charge receivables	17,110,162	81,597,088	6,195,072	42,013,763
	<u>230,769,902</u>	<u>1,633,436,507</u>	<u>585,433,561</u>	<u>1,333,214,076</u>
14. Cash and Cash Equivalents				
Standard chartered bank-FCBU	-	-	8,145,167	8,145,167
AXIS bank -DBU	40,346	53,659	40,346	53,659
Hatton National Bank - Kaduwela	957,970	957,970	-	1,068,000
Hatton National Bank - Wattala	-	-	-	609,620
Peoples' Bank - Hanwella	-	-	-	46,206,803
Peoples' Bank - Corporate Division	-	-	-	9,194,322
Peoples' Bank - Corporate Division - Margin Money	-	-	-	1,560,911
Standard Chartered Bank - Fort Branch	-	571	-	613,071
Saving AC - Hatton National Bank	3,891,661	3,891,661	-	-
Shipping Guarantee Margin Account	-	-	1,360,000	1,360,000
Marginal AC - Commercial Bank of Ceylon PLC	-	1,085,000	-	-
Sampath Bank	-	149,300	-	-
National Development Bank - Colombo 02	165,923	165,923	-	5,319,160
Saving AC - Sampath Bank	-	323	-	4,168,461
Cash in hand	5,824,839	7,123,391	5,303,383	6,195,383
	<u>10,880,739</u>	<u>13,427,797</u>	<u>14,848,896</u>	<u>84,494,556</u>



		Company 31.12.2017 Rs.	Group 31.12.2017 Rs.	Company 31.12.2016 Rs.	Group 31.12.2016 Rs.
15. Stated Capital					
Issued and fully paid shares	No of Shares				
Ordinary shares	56,775,000	567,750,000	567,750,000	567,750,000	567,750,000
Redeemable preference shares 15.1	58,152,816	5,815,281,600	5,815,281,600	3,106,642,600	3,106,642,600
		<u>6,383,031,600</u>	<u>6,383,031,600</u>	<u>3,674,392,600</u>	<u>3,674,392,600</u>

15.1 Redeemable preference shares

Date of Issue	Discount rate	No of Shares	Cost Rs.	Fair Value Rs.	Equity Component Rs.
06/06/2011	15.72%	9,084,000	908,400,000	412,381,865	496,018,135
18/06/2015	10.56%	5,379,966	537,996,600	311,689,322	226,307,278
08/10/2015	11.95%	2,077,610	207,761,000	112,559,973	95,201,027
02/06/2016	14.70%	5,845,950	584,595,000	278,194,445	306,400,555
30/09/2016	12.56%	5,056,750	505,675,000	266,103,901	239,571,099
09/12/2016	13.98%	5,893,150	589,315,000	290,018,899	299,296,101
24/01/2017	14.39%	11,930,360	1,193,036,000	575,987,286	617,048,714
04/05/2017	13.87%	3,021,950	302,195,000	149,487,334	152,707,666
29/08/2017	12.54%	11,052,140	1,105,214,000	582,155,803	523,058,197
26/10/2017	12.33%	5,623,940	562,394,000	299,210,266	263,183,734
Gross outstanding		64,965,816	6,496,581,600	3,277,789,094	3,218,792,506
Less: Redemption payments		(6,813,000)	(681,300,000)		
Net Outstanding		<u>58,152,816</u>	<u>5,815,281,600</u>		

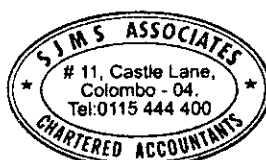
The fair value of the above redeemable preference shares have been determined by discounting the redemption cash flows by the interest rate applicable for 7 year treasury bonds prevailing at the point of the issue of shares.

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

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

Initial measurement value of the debt component of above redeemable preference shares is Rs 3,277,789,094. The equity component of the above preference shares is Rs 3,218,792,506 which is the difference between the cost and the fair value of the redeemable preference shares.

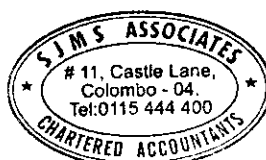
Further interest cost of Rs. 339,575,550 and Rs. 884,222,553 should be recognized as an expense against the current year profit and retained earnings respectively in relation to the above redeemable preference shares.



	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.	Company 31.12.2016 Rs.	Group 31.12.2016 Rs.
16. Bottle Deposit Payable				
Bottle deposit payable - others	22,028,378	389,751,583	12,516,128	340,345,200
Cash deposit payable	2,150,000	36,915,215	2,503,750	31,422,615
	<u>24,178,378</u>	<u>426,666,798</u>	<u>15,019,878</u>	<u>371,767,815</u>
17. Borrowings				
Long term loans				
People's Bank	-	-	91,710,838	131,265,838
Hatton National Bank PLC	-	-	77,260,000	160,560,000
National Development Bank	-	-	40,832,347	40,832,347
People's Leasing and finance PLC	13,785,520	13,785,520	25,720,676	25,720,676
Commercial Bank of Ceylon PLC	-	-	-	75,915,550
Sampath Bank PLC	-	-	-	33,328,000
Standard Chartered Bank	-	-	1,063,225,001	1,063,225,001
	<u>13,785,520</u>	<u>13,785,520</u>	<u>1,298,748,863</u>	<u>1,530,847,413</u>
Short term payable within one year	<u>(13,785,520)</u>	<u>(13,785,520)</u>	<u>(667,371,744)</u>	<u>(747,167,544)</u>
Long term payable after one year	<u>-</u>	<u>-</u>	<u>631,377,119</u>	<u>783,679,869</u>
17.1 Securities Pledged				
Securities Pledged for Long Term Loans				
<u>People's Leasing-Term Loan</u>				
Mortgage over vehicles.				
18. Retirement Benefit Obligations				
Balance at the beginning of the period	19,475,322	72,089,761	6,002,302	68,457,013
Current service cost	7,075,088	9,913,423	3,014,371	5,668,240
Interest charge for the period	1,947,532	7,136,744	300,115	3,422,850
	<u>28,497,942</u>	<u>89,139,928</u>	<u>9,316,788</u>	<u>77,548,103</u>
(Gains)/ losses arising from changes in actuarial valuation	7,833,942	(3,133,366)	11,370,874	945,440
Payments during the period	<u>(1,525,152)</u>	<u>(2,838,463)</u>	<u>(1,212,340)</u>	<u>(6,403,783)</u>
Balance at the end of the period	<u>34,806,732</u>	<u>83,168,099</u>	<u>19,475,322</u>	<u>72,089,760</u>

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

Expected future salary increment	13%	13% & 9%	9%	9% & 13%
Discount rate	13%	13%	10%	10% & 13%
Staff turnover rate	3%	3%	3%	3%
Retirement age	55 Years	55 Years	55 Years	55 Years



19. Lease creditors

Lease Liability-Nation Trust Bank-166473412

	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.	Company 31.12.2016 Rs.	Group 31.12.2016 Rs.
Balance at the beginning of the period	6,340,761	6,340,761	-	-
Lease obtained during the period	-	-	7,178,220	7,178,220
Repayments during the period	(1,435,644)	(1,435,644)	(837,459)	(837,459)
	4,905,117	4,905,117	6,340,761	6,340,761
Interest in suspense	(961,484)	(961,484)	(1,535,990)	(1,535,990)
	3,943,633	3,943,633	4,804,771	4,804,771
Payable within one year	(979,985)	(979,985)	(861,123)	(861,123)
Payable after one year	2,963,648	2,963,648	3,943,649	3,943,649

Lease Liability-Nation Trust Bank-166473519

Balance at the beginning of the period	2,784,143	2,784,143	-	-
Lease obtained during the period	-	-	3,151,860	3,151,860
Repayments during the period	(630,372)	(630,372)	(367,717)	(367,717)
	2,153,771	2,153,771	2,784,143	2,784,143
Interest in suspense	(422,154)	(422,154)	(674,411)	(674,411)
	1,731,617	1,731,617	2,109,732	2,109,732
Payable within one year	(430,297)	(430,297)	(378,106)	(378,106)
Payable after one year	1,301,320	1,301,320	1,731,626	1,731,626

Security Pledged

Mortgage over vehicles

Lease Liability-Melsta Regal Finance Ltd-FL/HOF/15/00959

Balance at the beginning of the period	14,438,851	14,438,851	24,316,639	24,316,639
Repayments during the period	(9,103,633)	(9,103,633)	(9,877,788)	(9,877,788)
	5,335,218	5,335,218	14,438,851	14,438,851
Interest in suspense	(239,264)	(239,264)	(1,554,541)	(1,554,541)
	5,095,953	5,095,953	12,884,310	12,884,310
Payable within one year	(5,095,953)	(5,095,953)	(7,802,236)	(7,802,236)
Payable after one year	-	-	5,082,074	5,082,074

Lease Liability-Melsta Regal Finance Ltd-FL/HOF/15/01024

Balance at the beginning of the period	1,801,514	1,801,514	2,971,785	2,971,785
Repayments during the period	(1,076,798)	(1,076,798)	(1,170,271)	(1,170,271)
	724,716	724,716	1,801,514	1,801,514
Interest in suspense	(36,261)	(36,261)	(202,528)	(202,528)
	688,455	688,455	1,598,986	1,598,986
Payable within one year	(688,455)	(688,455)	(912,509)	(912,509)
Payable after one year	-	-	686,478	686,478
Total payable within one year	7,194,691	7,194,691	9,953,973	9,953,973
Total payable after one year	4,264,968	4,264,968	11,443,827	11,443,827
Total lease payable	11,459,658	11,459,658	21,397,800	21,397,800

Security Pledged

Mortgage over Husky Machinery Spares



	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.	Company 31.12.2016 Rs.	Group 31.12.2016 Rs.
20. Short Term Borrowings				
People's Bank	78,000,000	78,000,000	29,350,000	61,915,022
Hatton National Bank PLC	-	-	-	146,560,000
Standard Chartered Bank	80,062,182	80,062,182	324,959,385	324,959,385
National Development Bank PLC	-	-	-	120,545,102
Sampath Bank PLC	-	-	-	43,300,000
Commercial Bank PLC	100,000,000	301,085,000	-	-
Accor Developer (Pvt) Ltd	309,846,600	309,846,600	309,846,600	309,846,600
Softlogic Finance PLC	-	-	-	2,944,445
Short term portion of long term liability (Note 17)	13,785,520	13,785,520	667,371,744	747,167,544
	<u>581,694,302</u>	<u>782,779,302</u>	<u>1,331,527,729</u>	<u>1,757,238,097</u>
21. Trade and Other Payables				
Trade payables	137,467,284	267,061,789	59,653,414	395,034,867
Stamp duty	31,700	96,845	51,775	117,375
Excise duty	49,212,524	162,058,486	-	119,276,752
Nation building tax	-	674,605	-	3,048,611
Accrued and other payables	26,858,696	104,415,642	16,924,332	140,497,674
Economic service charge payable	1,801,710	6,160,531	965,085	6,234,351
Deposit payables	-	-	176,861	176,861
Other creditors	33,554,652	33,554,652	43,540,718	43,540,718
	<u>248,926,566</u>	<u>574,022,550</u>	<u>121,312,187</u>	<u>707,927,211</u>



	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.	Company 31.12.2016 Rs.	Group 31.12.2016 Rs.
22. Bank Overdraft				
Peoples' Bank - Corporate Division	50,527,543	95,452,752	29,894,681	29,894,681
Peoples' Bank - Hanwella	-	13,375,473	-	-
Hatton National Bank PLC - Kaduwela	-	1,092,518	23,200,618	132,822,051
Standard Chartered Bank - Fort	-	-	305,980,859	305,980,859
Hatton National Bank - Wattala	-	-	-	-
Standard Chartered Bank - Fort	207,802,606	207,802,606	-	-
Sampath Bank	-	-	-	96,235,007
National Development Bank	-	3,024	8,482,585	8,482,585
Commercial Bank of Ceylon PLC	68,370,211	119,467,723	516,023	22,660,632
	<u>326,700,359</u>	<u>437,194,096</u>	<u>368,074,767</u>	<u>596,075,816</u>

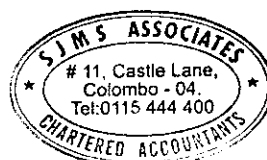
22.1 Securities Pledged for Short Term Loan & Bank Overdrafts

- a) People's Bank Documents of title of goods shipped, Indemnity of the company.
Secondary mortgage over land and building at Embulgama, Ranala.

Mortgage over property plant and machinery and empty bottles at no 140, Low Level Road, Embulgama, Ranala.
- b) Hatton National Bank Existing concurrent secondary mortgage bond for Rs 400Mn over immovable property and plant and machinery in Ranala and everything is standing thereon (including the existing building and the buildings which are to be constructed in the future together with any for the development, modifications or alterations thereto) with all fixtures, fitting, services and such other rights attached or appertaining thereto.

Concurrent mortgage bond for Rs. 367 Mn over Property at no 140, Low Level Road Embulgama, Ranala - (Peoples Bank 197Mn and HNB Rs.170Mn) on First pari passu basis. First Pari passu charge for Rs.367 Mn on the immovable plant and machinery at no 140, Low Level Road, Embulgama, Ranala (Peoples bank - Rs.197Mn and HNB - Rs.170Mn).
- c) Standard Chartered Bank Primary concurrent mortgage over stocks and receivables for Rs. 450Mn located at No 140, Low Level Road, Embulgama, Ranala.

Corporate Guarantee from Ole Springs Bottlers (Pvt) Ltd.
- d) Commercial Bank Primary Concurrent mortgage for Rs 700Mn along with Standard Chartered Bank, Hatton National Bank over Stocks & Book debtors to be executed. General Terms and Conditions relating to overdraft, import Demand Loans & Short Term Loans signed by the Company. Corporate Guarantee from Varun Beverages Lanka (Pvt) Ltd.



23. Related Party Transactions

Identification of Related Parties

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

During the period, Mr. Ravi Kant Jaipuriya, Mr. Vishal Jain, Mr. Ajay Kumar Bhartia and Mr. Tilak de Zoysa were the directors of the company.

	Amount due from related parties		Amount due to related parties	
	Company	Group	Company	Group
	31.12.2017	31.12.2017	31.12.2017	31.12.2017
	Rs.	Rs.	Rs.	Rs.
Ole Springs Bottlers (Pvt) Ltd	1,947,735,693	-	-	-
Varun Beverages Ltd	-	-	10,043,882	37,913,160
Fellow Subsidiaries				
Varun Beverages (Zimbabwe) Pvt Ltd	4,392,860	4,392,860		
Varun Beverages (Nepal) Pvt Ltd	216,513,766	216,513,766		
Varun Beverages (Zambia) Limited	13,072,706	13,072,706	-	-
	<u>2,181,715,025</u>	<u>233,979,332</u>	<u>10,043,882</u>	<u>37,913,160</u>

	Amount due from related parties		Amount due to related parties	
	Company	Group	Company	Group
	31.12.2016	31.12.2016	31.12.2016	31.12.2016
	Rs.	Rs.	Rs.	Rs.
Ole Springs Bottlers (Pvt) Ltd	233,775,287	-	-	-
Varun Beverages Ltd	-	-	78,966,619	140,570,924
Fellow Subsidiaries				
Varun Beverages Mozambique Limitada	3,662,189	3,662,189	-	-
Varun Beverages (Zambia) Limited	25,922,439	25,922,439	-	-
	<u>263,359,915</u>	<u>29,584,628</u>	<u>78,966,619</u>	<u>140,570,924</u>

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

Company

	Sales/(Purchase)		Other transactions	
	Year ended	Year ended	Year ended	Year ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Rs.	Rs.	Rs.	Rs.
Ole Springs Bottlers (Pvt) Ltd. - Other transactions				223,636,672
Sales	1,368,464,585	451,257,560	367,354,062	
Purchases	(21,858,240)	(41,635,442)		
Varun Beverages Ltd		-	(68,922,737)	177,709,309
Fellow Subsidiaries				
Varun Beverages Mozambique Limitada		3,589,040	(3,662,189)	(10,998,869)
Varun Beverages (Zimbabwe) Pvt Ltd	4,392,860			
Varun Beverages (Nepal) Pvt Ltd			216,513,766	
Varun Beverages Zambia Ltd	9,759,325	18,418,989	(22,609,058)	(33,134,914)
	<u>1,360,758,529</u>	<u>431,630,147</u>	<u>488,673,844</u>	<u>357,212,198</u>



Group	Sales/(Purchase)		Other transactions	
	Year ended	Year ended	Year ended	Year ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Rs.	Rs.	Rs.	Rs.
Varun Beverages Ltd	(70,973,823)	(135,454,656)	(173,631,587)	69,904,965
Fellow Subsidiaries				
Varun Beverages Mozambique Limitada	-	3,589,040	(3,662,189)	(10,998,869)
Varun Beverages (Zimbabwe) Pvt Ltd	4,392,860	-	-	-
Varun Beverages (Nepal) Pvt Ltd	-	-	216,513,766	-
Varun Beverages Zambia Ltd	9,759,325	18,418,989	(22,609,058)	(33,134,914)
	<u>(56,821,639)</u>	<u>(113,446,627)</u>	<u>16,610,933</u>	<u>25,771,182</u>

24. Remuneration to Key Management Personnel

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

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

	Company	Group	Company	Group
	Year ended	Year ended	Year ended	Year ended
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	Rs.	Rs.	Rs.	Rs.
Directors	20,718,244	20,718,244	10,293,359	10,293,359

25. Capital Commitments and Contingencies

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

The Department of Inland Revenue has issued assessment in respect of PAYE tax for the Y/A 2010/11, 2011/12, 2012/13, 2013/14, 2014/15, and total amount is Rs.1,388,779/-. All cases have been appealed and pending to

The Department of Inland Revenue has issued assessments in respect of NBT for the years 2013 & 2014 amounting to Rs16,568,673 and against which the company has already made appeals.

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

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

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

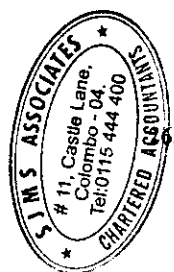
Estimated amount of the contracts remaining to be executed on capital account not provided for (net of advance) is Rs.25,893,298/-

Legal cases have been filed against the company is Rs. 777,000 and to its subsidiary Ole Spring Bottlers (Pvt) Ltd up to Rs.490,000 for employee and product related matters.

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

Events after the Reporting Period End

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



VARUN BEVERAGES LANKA (PRIVATE) LIMITED

**DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017**

VARUN BEVERAGES LANKA (PRIVATE) LIMITED
DETAIL NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.	Company Year ended 31.12.2016 Rs.	Group Year ended 31.12.2016 Rs.
1. Administrative Expenses				
Salaries - Staff	40,789,813	47,949,199	26,207,442	37,949,752
Wages	282,439	1,039,464	64,200	4,809,026
Overtime	1,556,391	1,812,658	1,148,968	3,937,413
Allowances	-	791,041	-	796,756
Staff training expenses	-	142,029	-	-
Bonus	3,378,825	4,014,167	1,997,597	2,477,955
Compensation	-	98,825	-	237,636
Tea and fooding	-	15,809,901	-	10,532,551
Medical expenses	2,609,354	3,051,425	1,100,851	1,454,370
Terminal gratuity	1,161,957	1,360,689	462,191	783,525
Employees' provident fund	2,917,627	3,454,067	2,121,266	2,584,377
Employees' trust fund	1,223,698	1,438,342	786,223	1,138,230
Lease rental	2,880,000	-	2,880,000	-
Foreign travelling	2,211,178	12,223,757	1,552,221	5,296,800
External auditors' remuneration	1,244,986	2,056,424	1,410,922	2,461,182
Internal auditors' remuneration	-	2,118,942	122,086	1,439,681
Auditors expense reimburse	-	207,163	-	96,316
Telephone	1,178,789	4,132,487	720,658	2,604,904
Printing and stationery	374,944	9,411,314	192,481	7,036,179
Postage and telegrams	-	887,084	-	717,351
Stamp duty	307,400	878,612	235,818	501,993
Repairs and maintenance - vehicles	22,590	6,327,322	114,718	8,540,296
Depreciation - Building	28,780,009	30,037,716	27,739,110	28,744,800
- Furniture and fittings	311,318	496,701	272,618	445,741
- Office equipment	1,026,215	1,473,198	507,979	774,163
- Motor vehicle	28,283,772	29,287,630	23,693,000	24,199,301
- Computer	1,904,937	2,630,412	1,350,105	1,874,284
Computer maintenance	1,316,000	3,559,485	786,992	2,959,195
Fees and penalties	307,922	422,030	295,578	357,378
Motor vehicle insurance	-	395,506	86,892	178,550
Staff welfare	3,692,248	4,744,899	3,221,281	3,848,427
Equipment repairs and maintenance	18,929	18,929	393,977	393,977
Rent and accommodation charges	2,590,000	5,879,200	32,668,387	34,927,387
Courier charges	879,863	879,863	819,460	819,460
Staff recruitment	49,200	1,045,690	500,000	508,000
Subscriptions and periodicals	861,375	1,105,501	1,219,049	1,716,008
ROC document fees	-	-	-	62,650
Entertainment	275,000	380,180	233,792	262,852
Electricity charges	748,605	904,304	383,926	383,926
Insurance staff	2,439,711	2,439,711	1,693,020	1,693,020
Meal expenses	-	-	-	-
Motor bike allowance	-	-	-	-
Other allowance to staff	3,450,388	3,450,388	4,002,425	4,002,425
BOI charges	-	-	-	-
Motor vehicle license fees	-	-	-	-
Legal & professional charges	4,382,290	8,069,440	3,904,683	8,537,755
Accounting charges	-	569,744	-	519,897



	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.	Company Year ended 31.12.2016 Rs.	Company Year ended 31.12.2016 Rs.
1. Administrative Expenses - (Continued)				
Travelling and transport	237,570	4,360,338	598,851	3,332,421
Donations	-	-	-	31,201
Other taxes	13,888,827	16,899,510	13,749,316	17,328,826
Sundry written off	236,368	236,368	30,096	30,079
Water	82,026	90,495	24,654	68,012
Fuel	-	3,695,369	-	2,314,727
	<u>157,902,563</u>	<u>242,277,519</u>	<u>159,292,835</u>	<u>235,710,756</u>



	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.	Company Year ended 31.12.2016 Rs.	Group Year ended 31.12.2016 Rs.
2. Selling and distribution expenses				
Salaries - staff	141,398,670	177,574,334	102,005,910	132,925,552
Wages	1,772,125	108,833,914	223,457	43,478,010
Overtime	8,250,034	26,250,623	5,280,104	15,842,064
Bonus - executives	15,111,067	17,853,291	9,584,539	12,276,527
Employees' provident fund	15,622,449	17,282,400	11,234,886	12,375,869
Employees' trust fund	4,347,490	5,432,129	2,956,359	3,884,090
Medical expenses	6,063,537	7,169,603	4,349,951	4,808,599
Conference and meeting expenses	172,055	1,711,241	1,419,826	1,905,082
Terminal gratuity	4,128,157	5,132,331	1,736,925	2,583,054
Security charges	-	-	-	1,308,077
Telephone	5,195,052	5,195,052	3,929,105	3,978,646
Electricity	-	-	-	1,048,895
Printing and stationery	530,554	530,554	1,438,513	1,438,513
Sales promotion and discounts	43,333,459	702,097,578	11,336,673	727,928,899
Meals expenses	3,505,944	49,544,735	18,776,495	28,671,338
Entertainment	-	-	10,500	10,500
Other allowance to staff	26,067,495	47,640,536	26,013,372	30,303,991
Staff Incentive	412,813	11,930,960	3,699,279	51,243,996
Rent and accommodation expenses	2,839,795	5,293,295	2,933,800	2,933,800
Staff welfare	416,773	707,014	240,248	393,168
Travelling expenses	130,872	1,081,168	653,110	1,429,776
Transport expenses	30,719,880	193,781,954	34,075,593	222,571,498
Foreign travelling	2,515,195	2,515,195	1,383,407	1,383,407
Vehicle maintenance expenses	23,663,949	52,098,520	19,746,301	31,472,201
Motor vehicle fuel	1,776,022	42,743,102	13,163,523	25,563,677
Staff recruitment charges	-	-	940,000	940,000
Export handling charges	1,562,326	1,595,622	3,442,890	3,745,917
Leakage and breakage	697,834	37,950,939	351,467	32,339,939
Contract outlet expenses	2,021,663	34,091,693	3,605,830	30,360,780
Repair and maintenance	-	8,510	-	-
Bad debt write off	-	409,981	-	184,081
Sundry written off	-	-	-	5,935,640
Depot rent	-	-	-	868,354
Loading unloading charges	-	69,750	-	1,289,228
Trade equipment damage	-	-	-	-
Depreciation - trade equipment	91,816,378	113,962,832	144,762,552	156,288,444
Trade equipment maintenance	5,411,347	15,376,956	2,278,882	19,882,164
Trade equipment hire charges	-	23,900	-	-
	<u>439,482,932</u>	<u>1,685,889,711</u>	<u>431,573,494</u>	<u>1,613,593,775</u>



VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED
(Incorporated in Zimbabwe)

FINANCIAL STATEMENTS
- 31 DECEMBER 2017 -



AA Omar & Company
Chartered Accountants (Zimbabwe)

VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

Annual report and financial statements

For the year ended 31 December 2017

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of the company.

Principal activities

The principal activity of the company is manufacturing, sale and distribution of carbonated soft drinks and bottled water.

Results	2017 US\$	2016 US\$
Profit /(loss) before tax	(504,279)	58,290
Tax (charge)	-	(14,569)
Profit /(loss) for the year	<u>(504,279)</u>	<u>43,721</u>

Dividend

The directors do not recommend the payment of a dividend for the period.

Directors

Following are the directors who held office during the year and to the date of this report:

- i) Lowe Andrew Worsley
- ii) Iyer Shankar Krishanan
- iii) Das Diptiman

Independent Auditor

The company's auditor, A A Omar & Company, has expressed willingness to continue in office in accordance with Companies Act.

By order of the board



Director

Harare 28/5/2018 2018

VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

Annual report and financial statements

For the year ended 31 December 2017

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit for that year. It also requires the directors to ensure that the company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

- i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Zimbabwe Companies Act.

Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the board of directors on 28/JAN/ 2018 and signed on its behalf by:

SHANKAR KRISHNAN IYER

Director name

[Signature]
Signature

DIPTIMAN DAS

Director name

[Signature]
Signature



AA Omar & Company

Chartered Accountants (Zimbabwe)

▲ P O Box 7059
Harare, Zimbabwe
Telephone 706562, 706577, 706597
Facsimile 707349
E-mail omar @ africaonline.co.zw

▲ 41 Harvey Brown Avenue
Milton Park
Harare, Zimbabwe

INDEPENDENT AUDITOR'S REPORT

to the shareholders of

VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

We have audited the financial statements of Varun Beverages (Zimbabwe) (Private) Limited (the "Company"), which comprise the statement of financial position as at 31 December 2017 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information, set out on pages 2 to 14.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zimbabwe (Chapter 24:03), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

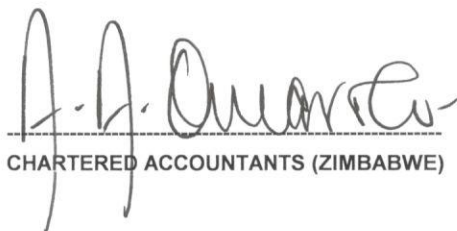
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the period then ended, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Zimbabwe (Chapter 24:03).



CHARTERED ACCOUNTANTS (ZIMBABWE)

HARARE
29 January 2018

A member of



Independent legal & accounting firms

VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

ACCOUNTING CONVENTION

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards, ("IFRS") and International Financial Reporting Interpretations Committee, ("IFRS IC") interpretations and the requirements of the Companies Act of Zimbabwe (Chapter 24:03).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

CURRENCY

The financial statements are expressed in United States dollars.

GOING CONCERN

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current financing.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

The Company therefore continues to adopt the going concern basis in preparing its financial statements.

ASSETS AND DEPRECIATION

Recognition and measurement

Items of equipment are measured at historical cost less accumulated depreciation and impairment losses.

Costs include expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the cost of dismantling the asset and removing items and restoring site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Where parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Subsequent costs

The cost of replacing part of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of the day to day servicing of equipment is recognised in profit or loss as incurred.

Fixed assets are depreciated at the following rates on straight line basis:

Building	-5%
Computer equipment	-20%
Furniture and fittings	-20%
Market equipment	-20%
Motor vehicles	-20%
Office equipment	-20%
Plant and machinery	-10%

Depreciation methods, useful lives and residual values are reassessed at each reporting date. Gains or losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

The carrying amounts of the Company's items of equipment are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount exceeds its recoverable amount.

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

Derecognition

The carrying amount of an item of equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

PRE - OPERATIVE EXPENSES

The company incurred costs which are strictly related to the erection and installation of a manufacturing process of soft drinks and which the directors have resolved to capitalise.

Financial instruments

In accordance with IAS 39, 'Financial instruments: recognition and measurement', all financial assets and liabilities have to be recognised in the statement of financial position and measured in accordance with their assigned category.

Financial assets

The Company classifies its financial assets in the following categories; at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than;

- a) those that the entity intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- b) those that the entity upon initial recognition designates as available for sale; or
- c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method. Loans and advances are stated net of allowances for impairment.

Financial liabilities

The Company's financial liabilities are measured at amortised cost. Financial liabilities measured at amortised cost include lines of credit, amounts due to group companies and trade and other liabilities. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or have expired.

Revenue recognition

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

Revenue is measured at the fair value of the consideration received or receivable. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, measurement of the associated costs incurred to earn the revenue.

STOCK

Stock is valued at the lower of cost, established on the moving weighted average basis, and estimated net realisable value.

VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

INCOME STATEMENT FOR THE YEAR
ENDED 31 DECEMBER 2017

	31 December 2017 \$	31 December 2016 \$
Revenue	12 929 594	7 512 478
Other income	-	26
Total income	12 929 594	7 512 504
Costs of sales	(11 135 205)	(6 621 177)
Total net income	1 794 389	891 327
Depreciation	(36 199)	(2 692)
Operating expenses	(2 262 469)	(830 345)
(Loss) Profit before income tax	(504 279)	58 290
Income tax expense	-	(14 569)
(Loss) Profit for the year	(504 279)	43 721
Other comprehensive income	-	-
Total comprehensive (loss) income for the year	(504 279)	43 721

VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

BALANCE SHEET - 31 DECEMBER 2017

	Notes	31 December 2017 \$	31 December 2016 \$
ASSETS			
Non current assets			
Property and equipment	3	374 121	24 067
Capital work in progress	3	14 855 140	1 090 636
		-----	-----
		15 229 261	1 114 704
Current assets			
Inventory	4	655 521	745 036
Trade and other receivables	5	4 121 556	2 985 619
Short term advance	6	-	3 747 722
Cash resources		4 356 656	1 454 456
		-----	-----
		9 133 734	8 932 832
		-----	-----
Total assets		24 362 994 =====	10 047 536 =====
EQUITY AND LIABILITIES			
Equity			
Share capital	7	1 100	1 100
Retained profit		(458 510)	45 768
		-----	-----
Shareholders equity		(457 410)	46 868
		-----	-----
Non current liabilities			
Loans	8	17 007 444	5 500 000
		-----	-----
Current liabilities			
Trade and other payables	9	1 472 969	705 337
Affiliated companies	10	6 342 073	3 796 292
Taxation	2	(2 081)	(961)
		-----	-----
		7 812 961	4 500 668
		-----	-----
Total equity and liabilities		24 362 994 =====	10 047 536 =====

D.D.S.

_____))
 _____))
 _____) Directors
 _____))
 _____)

29 January 2018

VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital \$	Capital redemption reserve fund \$	Retained profits \$	Total equity \$
Year ended 31 December 2016				
Balance as at 1 January 2016	100	-	2 047	2 147
Issue of shares	1 100	-	-	1 100
Redemption of shares	(100)	-	-	(100)
Transfer to capital redemption reserve fund	-	100	(100)	-
Capital redemption reserve written off	-	(100)	100	-
Profit for the period	-	-	43 721	43 721
Total comprehensive income	1 100	-	45 768	46 868
Balance as at 31 December 2016	1 100	-	45 768	46 868
Year ended 31 December 2017				
Balance as at 1 January 2017	1 100	-	45 768	46 868
Issue of shares	-	-	-	-
Redemption of shares	-	-	-	-
Transfer to capital redemption reserve fund	-	-	-	-
Capital redemption reserve written off	-	-	-	-
Loss for the period	-	-	(504 279)	(504 279)
Total comprehensive loss	1 100	-	(458 511)	(457 410)
Balance as at 31 December 2017	1 100	-	(458 510)	(457 410)

VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017

	31 December 2017 \$	31 December 2016 \$
Cash flows from operating activities		
Profit before income tax	(504 279)	58 290
Adjustments for non cash items:		
Depreciation	36 199	2 692
Operating cash flows before changes in working capital	(468 079)	60 982
Changes in working capital:		
Increase in Inventory	89 515	(704 205)
Increase in other receivables	(1 135 937)	(2 758 022)
Increase in short term advance	3 747 722	(247 722)
Increase in trade and other payables	767 632	544 902
Increase in amounts due to group companies	2 545 781	3 079 221
Net cash flows (used in)/generated from operating activities	5 546 634	(24 843)
Income tax paid	(1 120)	(15 911)
Net cash (used in)/ generated from operating activities	5 545 514	(40 754)
Cash flows from investing activities		
Purchase of equipment	(14 150 758)	(552 788)
Net cash used in investing activities	(14 150 758)	(552 788)
Cash flows from financing activities		
Proceeds from issuance of share capital	-	1 000
Proceeds from long term borrowings	11 507 444	2 000 000
Net cash (used in)/ generated from financing activities	11 507 444	2 001 000
Net (decrease)/increase in cash and cash equivalents	2 902 200	1 407 458
Cash and cash equivalents at the beginning of the period	1 454 456	46 998
Cash and cash equivalents as at 31 December 2017	4 356 656	1 454 456

VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2017

31 December 2017	31 December 2016
\$	\$

1. BUSINESS

Importation and distribution of beverages

2. TAXATION

Income tax - current year	-	-
- previous year	(961)	-
- amounts paid	(1 120)	(961)
	<u>(2 081)</u>	<u>(961)</u>
	=====	=====

3. PROPERTY AND EQUIPMENT

	Cost \$	Aggregate depreciation \$	Net book value \$	Net book value \$
CWIP-Land & Building	5 029 499	-	5 029 499	-
CWIP-Plant & Machinery	6 805 226	-	6 805 226	-
Pre-operative expenses	3 020 415	-	3 020 415	1 090 636
Computer equipment	8 798	1 520	7 279	4 599
Furniture and fittings	3 274	1 137	2 137	2 621
Market Equipments	362 565	28 037	334 528	-
Motor vehicles	33 200	8 103	25 097	14 181
Office equipment	5 677	598	5 079	2 666
	<u>15 268 654</u>	<u>39 393</u>	<u>15 229 261</u>	<u>1 114 704</u>
	=====	=====	=====	=====

4. INVENTORY

Goods for resale	102 258	670 816
Goods in transit	553 263	74 220
	<u>655 521</u>	<u>745 036</u>
	=====	=====

5. TRADE AND OTHER RECEIVABLES

Trade	1 018 565	1 558 912
Other	3 102 991	1 426 707
	<u>4 121 556</u>	<u>2 985 619</u>
	=====	=====

6. SHORT TERM ADVANCE

Advance paid for purchase of land
(NMB Bank Ltd)

-	3 747 722
=====	=====

The mortgage loan has been advanced to facilitate the purchase of land stand number 1824 Ardbennie and accrues interest at the rate of 7% per annum. The facility is secured over stand 1824 Ardbennie.

7. SHARE CAPITAL

Authorised shares

1 900 Ordinary shares of \$1 each

100 Redeemable Preference shares of \$1 each

1 900	1 900
100	100
-----	-----
2 000	2 000
=====	=====

Issued and fully paid

100 Ordinary shares of \$1 each (converted to Preference shares during the period and redeemed)

Additional shares issued and fully paid - 1 100 of \$1 each

-	-
1 100	1 100
-----	-----
1 100	1 100
=====	=====

The unissued shares are under the control of the directors.

8. LOANS

NMB Bank Limited

Varun Beverages Limited, Gurgaon, India

Standard Chartered Bank, London- Term Loan

3 500 000	3 500 000
3 650 000	2 000 000
9 857 444	-
-----	-----
17 007 444	5 500 000
=====	=====

The company secured a credit facility of \$3 500 000.00 from NMB Bank Limited on 29.12.2015 which is specifically earmarked for the purchase of land situated at number 1824 Ardbennie Township, Harare.

This facility bears interest at the rate of 7% per annum, and is payable in 15 years.

The loan from M/s. Varun Beverages Ltd. Gurgaon, India is for a period of 8 years bearing an interest rate of LIBOR+4% p.a, with no fixed repayment terms

The loan from Standard Chartered Bank London is a term loan for Building, Plant & Machinery, loan is bearing an interest of 2.5% + LIBOR, principal of this loan is payable in 5 years.

9. TRADE AND OTHER PAYABLES

Trade	294 947	205 256
Other	1 178 022	500 081
	<u>1 472 969</u>	<u>705 337</u>
	=====	=====

10. AFFILIATED COMPANIES

Varun Beverages (Zambia) Limited	4 579 780	3 507 437
Varun Beverages (Mozambique) Limited	160 575	288 855
Varun Beverages Lanka Pvt Ltd	28 650	-
Varun Beverages Limited India	1 573 068	-
	<u>6 342 073</u>	<u>3 796 292</u>
	=====	=====

11. RETIREMENT BENEFITS

All eligible employees are contributory members of the National Social Security Authority pension scheme.

VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

SCHEDULES TO THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 31 DECEMBER 2017

				31 December 2017	31 December 2016
FIXED ASSETS AND DEPRECIATION	Cost	Aggregate depreciation	Net book value	Depreciation for the year	Depreciation for the year
	\$	\$	\$	\$	\$
Pre-operative expenses					
1 January 2017	1 090 636	-	1 090 636		
Addition- Pre-operative exp	1 929 779	-	1 929 779		
	<u>3 020 415</u>	<u>-</u>	<u>3 020 415</u>		
	=====	=====	=====		
CWIP-Land & Building					
1 January 2017	-	-	-		
Addition-Land & Building	5 029 499	-	5 029 499		
	<u>5 029 499</u>	<u>-</u>	<u>5 029 499</u>		
	=====	=====	=====		
CWIP-Plant & Machinery					
1 January 2017	-	-	-		
Addition-Plant & Machinery	6 805 226	-	6 805 226		
	<u>6 805 226</u>	<u>-</u>	<u>6 805 226</u>		
	=====	=====	=====		
Computer equipment					
1 January 2017	4 835	236	4 599		
Addition: Computers and printers	3 963	-	3 963		
	<u>8 798</u>	<u>236</u>	<u>8 562</u>		
Depreciation - 20%	-	1 284	1 284	1 284	236
	<u>8 798</u>	<u>1 520</u>	<u>7 279</u>		
	=====	=====	=====		
Furniture and fittings					
1 January 2017	2 936	315	2 621		
Addition: Furniture	338	-	338		
	<u>3 274</u>	<u>315</u>	<u>2 959</u>		
Depreciation - 20%	-	822	822	822	315
	<u>3 274</u>	<u>1 137</u>	<u>2 137</u>		
	=====	=====	=====		

Market equipment

Addition: Coolers and Iceboxes

Depreciation - 20%

362 565	-	362 565		
-	28 037	28 037	28 037	-
<u>362 565</u>	<u>28 037</u>	<u>334 528</u>		
=====	=====	=====		

Motor vehicles

1 January 2017

Addition: Cars

Depreciation - 20%

16 800	2 619	14 181		
16 400	-	16 400		
<u>33 200</u>	<u>2 619</u>	<u>30 581</u>		
-	5 484	5 484	5 484	2 119
<u>33 200</u>	<u>8 103</u>	<u>25 097</u>		
=====	=====	=====		

Office equipment

1 January 2017

Addition: Office equipments

Depreciation - 20%

2 689	24	2 665		
2 988	-	2 988		
<u>5 677</u>	<u>24</u>	<u>5 653</u>		
-	574	574	574	24
<u>5 677</u>	<u>598</u>	<u>5 079</u>		
=====	=====	=====		

DEPRECIATION PER INCOME STATEMENT

<u>36 199</u>	<u>2 692</u>
=====	=====

OPERATING EXPENSES

Selling and distribution expenses

Salaries and wages

General and administration expenses

1 062 861	309 192
813 185	277 216
386 423	243 937
<u>2 262 469</u>	<u>830 345</u>
=====	=====

VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

INCOME TAX EXPENSE - 31 DECEMBER 2017

	31 December 2017 \$	31 December 2016 \$
Charge for the year		
Current income tax:		
- charge for the year	-	14 569
- prior year underprovision	-	-
- deferred income tax provision	-	-
	<u>-----</u>	<u>-----</u>
Income tax expense	-	14 569
	<u>=====</u>	<u>=====</u>

VARUN BEVERAGES (ZAMBIA) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

Varun Beverages (Zambia) Limited*Annual report and financial statements**For the year ended 31 December 2017***CONTENTS**

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Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2017

COMPANY INFORMATION

BOARD OF DIRECTORS

: Mr. Rajnish Gupta
: Mr. Shankar Krishnan Iyer
: Mr. Satyanarayan Sharma
: Mr. Amreek Singh

SHAREHOLDERS

: 90% - Varun Beverages Limited, India
: 8.4% - Africa Bottling Company Limited
: 1.6% - Rajnish Gupta

**REGISTERED OFFICE AND PRINCIPAL PLACE
OF BUSINESS**

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

INDEPENDENT AUDITOR

: PKF Zambia Chartered Accountants
: P.O. Box 31290
: Lusaka
: Zambia

COMPANY SECRETARY

: PKF Consulting Zambia Limited
: P.O. Box 31290
: Lusaka
: Zambia

PRINCIPAL BANKERS

: Zambia National Commercial Bank Plc., Zambia
: First National Bank Zambia Limited, Zambia
: Indo-Zambia Bank Limited, Zambia
: Standard Chartered Bank Plc., Zambia
: Ecobank Zimbabwe Limited, Zimbabwe

LEGAL ADVISORS

: MMK
: Plot No.11058 Zimbabwe House,
: Haile Selassie Avenue, Long Acres
: P.O. Box 34972
: Lusaka
: Zambia

ULTIMATE PARENT

: Varun Beverages Limited, India

Varun Beverages (Zambia) Limited*Annual report and financial statements**For the year ended 31 December 2017***REPORT OF THE DIRECTORS**

The directors submit their report and the audited financial statements for the year ended 31 December 2017, which disclose the state of affairs of the Company.

PRINCIPAL ACTIVITIES

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

RESULTS	2017 ZMW	2016 ZMW
Profit before tax	28,430,780	43,941,044
Tax (charge)	-	-
Profit for the year	<u>28,430,780</u>	<u>43,941,044</u>

DIVIDEND

The directors do not recommend the declaration of a dividend for the year (2016: Nil).

DIRECTORS

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

INDEPENDENT AUDITOR

The Company's auditor, PKF Zambia Chartered Accountants, has indicated willingness to continue in office in accordance with the Companies Act, 1994.

OTHER

In accordance with Section 177 of the Companies Act, 1994 the board of directors also report that during the year:

- total exports amounted to ZMW 94,961,206 (2016: ZMW 83,330,290);
- the Company purchased property, plant and equipment amounting to ZMW 23,293,702 (2016: ZMW 30,058,525);
- as at the reporting date, the carrying value of property, plant and equipment was not less than its recoverable amount;
- the company made donations amounting to ZMW 25,000 (2016 Nil);
- Director's remuneration amounted to ZMW 1,174,888 (2016 ZMW 4,640,905);
- the Company values the importance of the safety of its employees. To this effect the Company has a safety code that all employees are required to adhere to;
- the total remuneration of employees during the year amounted to ZMW 37,097,435 (2016: ZMW 38,079,746);

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2017

REPORT OF THE DIRECTORS (CONTINUED)

OTHER (CONTINUED)

- the average number of employees was as below:

Month	Number 2017	Number 2016
January	471	392
February	468	391
March	428	384
April	439	390
May	427	389
June	457	381
July	423	379
August	464	385
September	473	408
October	519	423
November	521	451
December	514	455

BY ORDER OF THE BOARD

DIRECTOR
LUSAKA

18th Jan' 2018

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Zambian Companies Act, Section 164 requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company keeps proper accounting records that are sufficient to show and explain the transactions of the company; that disclose, with reasonable accuracy, the financial position of the company and that enable them to prepare financial statements of company that comply with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of Section 164 of the Zambian Companies Act, 1994. The directors are also responsible for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required by Section 164 of the Zambian Companies Act, 1994. They also accept responsibility for:

- i. Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstances.

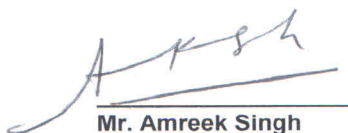
The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the company as at 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Zambian Companies Act, 1994.

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

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

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

Approved by the board of directors on _____ 2018 signed on its behalf by:


Mr. Amreek Singh

Mr. Rajnish Gupta

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

Opinion

We have audited the financial statements of Varun Beverages (Zambia) Limited set out on pages 8 to 22, which comprise the statement of financial position as at 31 December 2017, the statement of profit or loss and retained earnings, statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SMEs) and the Companies Act, 1994.

Basis for Opinion

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

Other information

The directors are responsible for the other information. The other information comprises the Company information, report of the directors and the schedule of expenditure but does not include the financial statements and our report of the independent auditor thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS for SMEs and the requirements of the Companies Act, 1994, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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



Accountants &
business advisers

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

Report on other legal and regulatory requirements

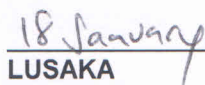
As required by the Companies Act, 1994 we report to you, based on our audit, that:

- i. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii. in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- iii. the Company's statement of financial position and statement of profit or loss and retained earnings are in agreement with the books of account.

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



Chartered Accountants
LUSAKA


LUSAKA

2018

AR/LSK/008/18


Steve Chibwe

Varun Beverages (Zambia) Limited
Annual report and financial statements
For the year ended 31 December 2017

STATEMENT OF PROFIT OR LOSS AND RETAINED EARNINGS

	Notes	2017 ZMW	2016 ZMW
Revenue	3	307,996,976	325,114,701
Cost of sales	4	<u>(148,333,291)</u>	<u>(145,429,906)</u>
Gross profit		159,663,685	179,684,795
Other operating income	5	9,673,544	-
Administrative expenses		(19,375,412)	(16,906,112)
Selling and distribution expenses		(45,477,764)	(41,358,145)
Employment costs		(37,097,435)	(38,079,746)
Depreciation on property, plant and equipment	9	<u>(22,491,754)</u>	<u>(23,162,478)</u>
Operating profit	6	44,894,864	60,178,314
Finance costs	7	<u>(16,464,084)</u>	<u>(16,237,270)</u>
Profit before tax		28,430,780	43,941,044
Tax charge	8	<u>-</u>	<u>-</u>
Profit for the year		<u><u>28,430,780</u></u>	<u><u>43,941,044</u></u>
Accumulated losses			
At start of year		(55,179,464)	(99,120,508)
Profit for the year		<u>28,430,780</u>	<u>43,941,044</u>
At end of year		<u><u>(26,748,684)</u></u>	<u><u>(55,179,464)</u></u>


The notes on pages 11 to 22 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

Varun Beverages (Zambia) Limited
Annual report and financial statements
For the year ended 31 December 2017
STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2017 ZMW	2016 ZMW
Non-current assets			
Property, plant and equipment	9	179,578,214	178,880,863
		<u>179,578,214</u>	<u>178,880,863</u>
Current assets			
Inventories	10	30,756,364	39,660,963
Trade and other receivables	11	81,206,747	69,408,737
Cash and cash equivalents	12	5,650,679	1,534,687
		<u>117,613,790</u>	<u>110,604,387</u>
		<u>297,192,004</u>	<u>289,485,250</u>
EQUITY			
Share capital	13	500,000	500,000
Accumulated losses		<u>(26,748,684)</u>	<u>(55,179,464)</u>
Equity attributable to the owners of the company		<u>(26,248,684)</u>	<u>(54,679,464)</u>
Non-current liabilities			
Trade and other payables	14	52,141,021	61,991,595
Borrowings	15	164,403,695	129,286,235
		<u>216,544,716</u>	<u>191,277,830</u>
Current liabilities			
Trade and other payables	14	87,010,058	94,969,459
Borrowings	15	19,885,914	57,917,425
		<u>106,895,972</u>	<u>152,886,884</u>
		<u>297,192,004</u>	<u>289,485,250</u>

The financial statements on pages 8 to 22 were approved and authorised for issue by the board of Directors on 18th Jan' 2018 and were signed on its behalf by:

 DIRECTOR

DIRECTOR

The notes on pages 11 to 22 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2017

STATEMENT OF CASH FLOWS

	Notes	2017 ZMW	2016 ZMW
Cash flows from operating activities			
Profit before tax		28,430,780	43,941,044
Adjustments for:			
Depreciation on property, plant and equipment	9	22,491,754	23,162,478
Interest expense	7	9,491,221	12,895,811
Foreign exchange gains/(losses)	7	6,414,791	(11,988,574)
Net cash from operations before working capital changes		66,828,546	68,010,759
Changes in working capital:			
- inventories		8,904,599	(12,729,084)
- trade and other receivables		(11,798,010)	19,805,537
- trade and other payables		(17,809,975)	(44,382,796)
Interest paid	7	(9,491,221)	(12,895,811)
Net cash from operating activities after working capital changes		36,633,939	17,808,605
Cash flows from investing activities			
Cash paid for purchase of property, plant and equipment	9	(23,293,703)	(30,058,525)
Proceeds from disposal of investment		-	10,924
Proceeds from disposal of property, plant and equipment		104,598	4,725,580
Net cash (used in) investing activities		(23,189,105)	(25,322,021)
Cash flows from financing activities			
Proceeds/(re-payment) of borrowings		43,877,713	(12,074,265)
Net cash from/(used in) financing activities		43,877,713	(12,074,265)
Increase/(decrease) in cash and cash equivalents		57,322,548	(19,587,681)
Movement in cash and cash equivalents			
At start of year		(45,257,078)	(37,657,971)
Increase/(decrease)		57,322,548	(19,587,681)
Effect of exchange rate changes		(6,414,791)	11,988,574
Total cash at end of the year	12	5,650,679	(45,257,078)

The notes on pages 11 to 22 form an integral part of these financial statements.

Report of the independent auditor - pages 5 to 7.

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2017

NOTES

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

1) General Information

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

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

2) Significant accounting policies

a) Basis of preparation

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

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

These financial statements comply with the requirements of the Companies Act, 1994. The statement of profit or loss and retained earnings represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

Going concern

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

As at 31 December 2017, the company had a deficiency in shareholders' funds amounting to ZMW 26,248,684 (2016: ZMW 54,679,464). Based on the following factors, the directors are of the opinion that the Company is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

- the financial performance of the company during the year ended 31 December 2017;
- and financial position of the Company;
- its risk management policies, and
- continued financial support from the company's lenders and related parties.

b) Key sources of estimation uncertainty

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

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

Varun Beverages (Zambia) Limited*Annual report and financial statements**For the year ended 31 December 2017***NOTES (CONTINUED)****2) Significant accounting policies (continued)****b) Key sources of estimation uncertainty (continued)**

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

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

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

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

d) Revenue recognition

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

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

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

e) Property, plant and equipment

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

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

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

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

NOTES (CONTINUED)

2) Significant accounting policies (continued)

e) Property, plant and equipment (continued)

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

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

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

f) Financial assets

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

g) Financial liabilities

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

h) Cash and cash equivalents

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

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

i) Inventories

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

j) Borrowings

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

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

k) Borrowing costs

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

NOTES (CONTINUED)

2) Significant accounting policies (continued)

l) Translation of foreign currencies

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

m) Leases

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

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

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

n) Employee benefit obligations

Gratuity

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

Pension obligations

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

Accrued leave

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

o) Impairment of non-financial assets other than inventories

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

NOTES (CONTINUED)

2) Significant accounting policies (continued)

p) Current and deferred income tax

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

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

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

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

q) Share capital

Ordinary shares are classified as equity.

r) Comparatives

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

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2017

NOTES (CONTINUED)

	2017 ZMW	2016 ZMW
3. Revenue		
Carbonated soft drinks	289,710,015	301,755,568
Bottled drinking water	24,758,248	27,319,811
Other sales - Trading	1,427	92,362
Scrap sales	185,044	199,983
Sale of raw material	-	360,967
Excess provision written back**	-	15,330,032
Trade discount	(6,657,758)	(19,944,022)
	<u>307,996,976</u>	<u>325,114,701</u>
** Excess provision written back relates to Interest provision on Deferred VAT & Excise Duty		
4. Cost of sales		
Consumption of raw materials	<u>148,333,291</u>	<u>145,429,906</u>
	<u>148,333,291</u>	<u>145,429,906</u>
5. Other operating income		
Profit on disposal of property, plant and equipment	<u>9,673,544</u>	<u>-</u>
	<u>9,673,544</u>	<u>-</u>
6. Operating profit		
The following items have been charged/(credited) in arriving at operating profit/(loss):		
Depreciation on property, plant and equipment (Note 9)	22,491,754	23,162,478
(Profit) on disposal of property, plant and equipment (Note 9)	(9,673,544)	-
Auditor's remuneration	250,000	180,000
Directors' emoluments	1,174,888	4,640,905
Trade receivables - impairment	1,858,986	2,452,556
Staff costs		
- Salaries and wages	32,347,213	25,685,098
- Pension	1,018,329	668,022
- Other staff cost	<u>3,731,893</u>	<u>11,726,626</u>
7. Finance costs		
Net foreign exchange losses/(gains)	6,414,791	(11,988,574)
Interest expense:		
- bank loan	2,111,077	11,833,963
- bank overdraft	2,150,644	10,421,589
- holding company	4,947,375	1,160,792
- others	<u>840,198</u>	<u>4,809,500</u>
	<u>16,464,084</u>	<u>16,237,270</u>

Varun Beverages (Zambia) Limited*Annual report and financial statements**For the year ended 31 December 2017***NOTES (CONTINUED)**

8. Tax	2017 ZMW	2016 ZMW
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

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

- From the year 2018 to 2022, the company will pay tax at the rate of 0%.
- From 2023 to 2025 the company will pay tax on 50% of its taxable profits.
- From 2026 to 2027 the company will pay tax on 75% of its taxable profits.
- From 2028 the company will pay tax on 100% of its taxable profits.

No deferred tax has been recognised in these financial statements because the temporary differences are not material.

Varun Beverages (Zambia) Limited

Annual report and financial statements

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NOTES (CONTINUED)**9. Property, plant and equipment**

	Land and buildings ZMW	Plant and machinery ZMW	Motor vehicles ZMW	Furniture and fittings ZMW	Total ZMW
Cost					
At start of year	34,520,995	213,153,891	24,026,388	1,482,056	273,183,330
Additions	-	19,059,021	4,154,473	80,208	23,293,702
Disposals	(5,042)	(149,769)	(171,300)	-	(326,111)
At end of year	34,515,953	232,063,143	28,009,561	1,562,264	296,150,921
Depreciation					
At start of year	3,793,939	75,998,085	13,368,026	1,142,417	94,302,467
Disposals	(327)	(108,206)	(112,980)	-	(221,513)
Charge for the year	624,999	18,114,309	3,683,613	68,832	22,491,753
At end of year	4,418,611	94,004,188	16,938,659	1,211,249	116,572,707
Net book value					
31 December 2017	<u>30,097,342</u>	<u>138,058,955</u>	<u>11,070,902</u>	<u>351,015</u>	<u>179,578,214</u>
31 December 2016	<u>30,727,056</u>	<u>137,155,806</u>	<u>10,658,362</u>	<u>339,639</u>	<u>178,880,863</u>

10. Inventories

	2017 ZMW	2016 ZMW
Finished goods	7,313,905	4,646,507
Consumables and advertising materials	19,397,163	6,472,466
Raw materials	4,045,296	28,541,990
	<u>30,756,364</u>	<u>39,660,963</u>

11. Trade and other receivables

Trade receivables	16,844,722	16,152,064
Less: provision for impairment	(1,858,986)	(2,452,556)
Net trade receivables	14,985,737	13,699,508
Prepayments and other receivables	12,278,043	9,208,741
Receivables from related parties (Note 17)	53,942,967	46,500,488
	<u>81,206,747</u>	<u>69,408,737</u>

During the year, the company recognised an additional impairment loss of ZMW 1,858,986 (ZMW 2016: 2,452,556) against trade receivables due to default by customers.

12. Cash and cash equivalents

	2017 ZMW	2016 ZMW
Cash and bank balances	<u>5,650,679</u>	<u>1,534,687</u>

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2017

NOTES (CONTINUED)**12. Cash and cash equivalents (continued)**

For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the following:

	2017 ZMW	2016 ZMW
Cash and bank balances	5,650,679	1,534,687
Bank overdraft (Note 15)	-	(46,791,764)
	<u>5,650,679</u>	<u>(45,257,077)</u>

13. Share capital**Authorised, issued and fully paid**

50,000 (2016: 50,000) Ordinary shares of ZMW 10 each	<u>500,000</u>	<u>500,000</u>
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14. Trade and other payables**Non-current**

Deferred VAT	18,974,954	30,849,735
Deferred excise duty	-	25,256
Security deposits	<u>33,166,067</u>	<u>31,116,604</u>
	<u>52,141,021</u>	<u>61,991,595</u>

Current

Trade payables	34,046,518	46,494,507
Deferred excise duty	808,263	8,264,753
Deferred VAT	12,722,120	10,204,532
Payables to related parties (Note 16)	16,435,277	8,437,988
Other payables and accruals	<u>22,997,879</u>	<u>21,567,678</u>
	<u>87,010,057</u>	<u>94,969,458</u>

Total trade and other payables

	<u>139,151,078</u>	<u>156,961,053</u>
--	--------------------	--------------------

Deferred VAT

The deferred VAT relates to imported machinery on which the Zambia Revenue Authority allowed payment to be spread over a period of five years.

Deferred Excise Duty

The deferred excise duty relates to local manufactured product which the Zambia Revenue Authority allowed payment to be spread over a period of five years.

Security deposits

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

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2017

NOTES (CONTINUED)

	2017 ZMW	2016 ZMW
15. Borrowings		
Non-current		
Bank borrowings	-	18,944,923
Loans from related parties (Note 16)	163,301,737	101,978,935
Loans from directors (Note 16)	1,101,958	1,091,288
Unsecured loans	-	6,460,687
Finance leases	-	810,402
	<u>164,403,695</u>	<u>129,286,235</u>
Current		
Bank overdraft (Note 12)	-	46,791,764
Loans from related parties (Note 16)	19,885,914	-
Bank borrowings	-	9,490,620
Finance leases	-	1,635,041
	<u>19,885,914</u>	<u>57,917,425</u>
Total borrowings	<u><u>184,289,609</u></u>	<u><u>187,203,660</u></u>

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2017

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

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

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

	2017 ZMW	2016 ZMW
i) Sale of goods and services		
- Subsidiary	-	-
- Other related parties	94,899,296	61,582,728
	<u>94,899,296</u>	<u>61,582,728</u>
ii) Purchase of goods and services		
- Parent	(17,837,071)	(13,160,997)
- Other related parties	-	(3,584,797)
	<u>(17,837,071)</u>	<u>(16,745,794)</u>
iii) Receivables from related parties (Note 11)		
- Subsidiary	-	-
- Other related parties	53,942,967	46,500,488
	<u>53,942,967</u>	<u>46,500,488</u>
iv) Payables to related parties (Note 14)		
- Parent	(16,435,277)	(6,720,650)
- Other related parties	-	(1,717,338)
	<u>(16,435,277)</u>	<u>(8,437,988)</u>
v) loans from related parties (Note 15)		
- Parent	142,164,760	61,353,259
- Other related parties	41,022,891	40,625,676
	<u>183,187,651</u>	<u>101,978,935</u>
vi) loans from directors (Note 15)	1,101,958	1,091,288
	<u>1,101,958</u>	<u>1,091,288</u>

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

Loan - 1 Principal amount \$ 6,131,157 with interest rate one month Libor plus 4%

Loan - 2 Principal amount \$ 7,760,058 with interest rate Three month Libor plus 2 %

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

Varun Beverages (Zambia) Limited*Annual report and financial statements**For the year ended 31 December 2017***NOTES (CONTINUED)**

	2017 ZMW	2016 ZMW
17. Related party transactions and balances		
vi) Key management compensation	<u>5,465,200</u>	<u>5,212,336</u>
	<u>5,465,200</u>	<u>5,212,336</u>

18. Contingent liabilities

The Company has received demand notice from the Zambia Revenue Authority who are demanding penalties for Additional Excise Duty amounting to ZMW 3,711,320. These penalties have not been accrued in the financial statements as Company has appealed against the assessment.

19. Events after the end of the reporting date

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

20. Presentation currency

The financial statements are presented in Zambian Kwacha.

**VARUN
BEVERAGES
MOROCCO S.A**

**GENERAL REPORT OF
AUDIT
For the year ended 31
December 2017**



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

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VARUN BEVERAGES MOROCCO S.A
Bouskoura Casablanca

<p align="center">GENERAL REPORT OF AUDIT For the year ended 31 December 2017</p>

Shareholders,

Accordance with the terms of our accord by your General Meeting, we audited the financial statements of the company **VARUN BEVERAGES MOROCCO S.A** attached, which comprise the balance sheet, statement of income and expenses, the cash flow statement and statement of additional information (ETIC) for the year ended 31 December 2017. These financial statements show a amount of equity to 55.583.053,56 MAD and include a loss of - 59.936.967,89 MAD.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the financial statements

1. The company VBM has a loan from the parent company. Due to fluctuation of the USD/MAD exchange rate at 31/12/2017, the company had to book a reserve representing the risk of exchange loss, which was not done.

Except for the impact of the situation described in paragraph 1, we certify that the statements referred to in the first paragraph above are regular and sincere and fairly, in all material respects, fairly the result of operations for the year then ended, the financial position and assets



Ahmed CHAHBI
Expert Comptable DPLE
Commissaire aux comptes

of the company **VARUN BEVERAGES MOROCCO S.A** at 31 December 2017 in accordance with accounting standards admitted in Morocco.

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

Specific verifications and information

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

Ahmed CHAHBI
Casablanca January 25, 2018



Ahmed CHAHBI
Expert Comptable DPLE
Commissaire aux comptes

**VARUN
BEVERAGES
MOROCCO S.A**

**FINANCIAL STATEMENTS
For the year ended 31
December 2017**

Balance Sheet (Assets)

VARUN BEVERAGES MOROCCO

EXERCISE CLOSED IN 31/12/2017

	Assets	EXERCICE			Net 31/12/2016
		Gross	Depreciations and provisions	Net 31/12/2017	
A C T I F	PROPERTY VALUE IN NO (a)	50 774 201,30	48 311 439,11	2 462 762,19	4 545 595,43
	Preliminary expenses	41 202,00	41 202,00		
	Accrued Deferred	50 732 999,30	48 270 237,11	2 462 762,19	4 545 595,43
	Bond redemption premiums				
	INTANGIBLE ASSETS (b)	1 506 263,46	1 482 776,11	23 487,35	26 614,71
	Capital Research & Development				
	Patents, trademarks, rights, and similar goodwill	1 506 263,46	1 482 776,11	23 487,35	26 614,71
	Other intangible assets		-		
	PROPERTY & EQUIPMENT (c)	586 285 662,24	191 941 198,77	394 344 463,47	364 228 640,72
	Land	53 561 350,00		53 561 350,00	53 561 350,00
I M M O B I L I S E	Constructions	40 110 279,60	13 641 995,87	26 468 283,73	27 763 650,04
	Plant, machinery and equipment	462 314 942,75	162 852 463,04	299 462 479,71	275 514 047,03
	Transportation Equipment	20 965 554,07	11 420 875,88	9 544 678,19	4 965 416,51
	Furniture, office equipment & facilities various	6 419 837,45	4 025 863,98	2 393 973,47	2 424 177,13
	Other tangible assets				
	Assets under construction and Asset in progress	2 913 698,37		2 913 698,37	
	FINANCIAL ASSETS (d)	2 257 340,62		2 257 340,62	1 808 460,62
	Term loans				
	Other financial receivables	2 257 340,62		2 257 340,62	1 808 460,62
	Equity securities		-		
A C T I F	Other investments				
	TRANSLATION ADJUSTMENTS - ASSETS (e)				
	Decrease in nonperforming loans				
	Increase in borrowings				
	TOTAL I (a+b+c+d+e)	640 823 467,62	241 735 413,99	399 088 053,63	370 609 311,48
	STOCKS (f)	62 562 358,62		62 562 358,62	62 612 334,84
	Trading Goods	9 551 515,73		9 551 515,73	8 876 543,50
	Consumable raw materials and supplies	37 262 986	-	37 262 985,64	40 460 276,82
	Work in progress				
	Intermediate products and residual products				
C I R C U L A N T	Finished goods	15 747 857		15 747 857	13 275 515
	CURRENT ASSETS (g)	70 857 986,01	2 800 895,75	68 057 090,26	75 587 687,74
	Supplier receivables, advances				
	Accounts receivable	59 531 792,12	2 800 895,75	56 730 896,37	64 763 240,02
	Staff and Employees	2 185 309,07		2 185 309,07	755 965,07
	State and taxes	8 670 971,11		8 670 971,11	9 290 224,84
	Accounts associated & Account of shareholder				
	Other receivables	6 355,38		6 355,38	37 789,48
	Accrued Assets& Prepaid Exp	463 558,33		463 558,33	740 468,33
	SECURITIES AND INVESTMENT SECURITIES (h)				
T R E S O R .	Exchange difference- ASSETS (i) (Circulating items)	219 255,16		219 255,16	124 039,50
	TOTAL II (f+g+h+i)	133 639 599,79	2 800 895,75	130 838 704,04	138 324 062,08
	CASH - ASSETS	2 334 365,27		2 334 365,27	3 218 643,40
T R E S O R .	Checks and cash values ...	1 933 181		1 933 181,03	2 590 504,03
	Bank T.G. and C.C.P.	369 011		369 011,07	602 903,81
	Cash, Imprest and flow-	32 173		32 173,17	25 235,56
	TOTAL III	2 334 365,27		2 334 365,27	3 218 643,40
	TOTAL GENERAL I+II+III	776 797 432,68	244 536 309,74	532 261 122,94	512 152 016,96

Tableau n°1

Balance Sheet (Liabilities)**VARUN BEVERAGES MOROCCO**

EXERCISE CLOSED IN 31/12/2017

	Liabilities	Exercise 31/12/2017	Exercise PREVIOUS YEAR 31/12/2016
	EQUITY		
	Capital social ou personnel (1)	459 000 000,00	374 000 000,00
	fewer shareholders, subscribed capital uncalled		
	called capital		
	which paid		
F	Premium, merger, contribution		
I	Revaluation		
N	Legal reserve		
A	Other reserves		
N	Retained earnings (2)& Accumulation of losses and gains	-343 479 978,55	-280 257 964,51
	Net results pending allocation (2)		
C	Net profit for the year (2)	-59 936 967,89	-63 222 014,04
E	TOTAL Equity (a)	55 583 053,56	30 520 021,45
M	ALLIED CAPITAL (b)		0,00
E	Investment grants		0,00
N	Regulated provisions		
T	Donations		
P	DEBT FINANCING (c)	303 450 363,47	296 014 017,64
E	Bonds		
R	Other borrowings	303 450 363,47	296 014 017,64
M	Others Debt Financing		
A	SUSTAINABLE PROVISIONS FOR LIABILITIES AND CHARGES (d)		
N	Provisions for charges		
E	Provisions for risks	-	-
N	Exchange difference- Liabilities (e)		
T	Increase in nonperforming loans		
	Decrease in borrowings		
	TOTAL I (a+b+c+d+e)	359 033 417,03	326 534 039,09
P	DEBT FOR CURRENT LIABILITIES	131 947 241,00	117 627 463,86
A	Accounts payable	69 634 118,03	67 285 810,24
S	Customers payable, advance payments	1 845 442,81	6 422 934,00
S	Staff and Employees	1 478 653,39	94 469,12
I	Social security	2 526 002,09	2 350 487,79
F	State and Taxes	21 608 126,74	21 651 499,44
	Accounts associated&Account of shareholder	34 364 328,59	19 822 263,27
C	Other creditors		
I	Adjustment accounts - liabilities (Interest Payable)	490 569,35	
R	OTHER PROVISIONS FOR LIABILITIES AND CHARGES(EXCHANGE) (g)	207 455,17	493 894,38
C	ECARTS DE CONVERSION - PASSIF (h)(Elements circulants)	160 458,60	0,04
U	TOTAL II (f+g+h)	132 315 154,77	118 121 358,28
T	CASH - LIABILITIES	40 912 551,14	67 496 619,59
R	Discount credits	4 210 956,13	8 322 349,03
E	Credits CASH		
S	Banking regulation(credit balance)	36 701 595,01	59 174 270,56
O	TOTAL III	40 912 551,14	67 496 619,59
	TOTAL I+II+III	532 261 122,94	512 152 016,96

Tableau n°2

PROFIT & LOSS (excluding taxes)**VARUN BEVERAGES MOROCCO**

EXERCISE CLOSED IN 31/12/2017

			OPERATIONS		Totals of the exercise 31/12/2017 3 = 1 + 2	Totals of the exercise PREVIOUS YEAR 31/12/2016
			Relating to the year	for earlier years		
			1	2		
E X P L O I T A T I O N F I N A N C I E R V V I V I I	I	OPERATING INCOME				
		Sales of Trading goods (Turnover trading)	9 810 101,94		9 810 101,94	6 715 414,10
		Sales goods&services produced &Turnover Manufact	337 012 209,90		337 012 209,90	301 767 281,05
		Change in product inventory (+ -) 1& stock	2 472 342,73		2 472 342,73	3 186 492,60
		Asset Produced by the company itself				
		Operating subsidies	2 325 390,70		2 325 390,70	11 112 894,51
		Other operating income				
		Operating Provision Reversed, transfers charges				
		TOTAL I	351 620 045,27		351 620 045,27	322 782 082,26
	II	OPERATING EXPENSES				
		Purchases resold merchandise &Trading goods	5 247 867,10		5 247 867,10	5 871 050,20
		Purchases consumed raw materials and supplies	149 756 615,89		149 756 615,89	137 365 989,74
		Other external expenses	108 275 354,98		108 275 354,98	102 693 280,76
		Taxes	34 596 655,84		34 596 655,84	30 973 130,45
		Staff costs	55 761 846,11		55 761 846,11	53 161 449,91
		Other operating expenses				
		Operating allowances &Depreciation	36 376 543		36 376 543,19	35 488 306,53
		TOTAL II	390 014 883,11		390 014 883,11	365 553 207,59
	III	OPERATING INCOME (I - II)			-38 394 837,84	-42 771 125,33
	IV	FINANCIAL PRODUCTS				
		Income from equity securities and other investments				
		Foreign exchange gains	1 023 043,18		1 023 043,18	426 580,94
		Interest and other financial products				
		Financial times, transfers charges	493 894		493 894,38	149 713,17
		TOTAL IV	1 516 937,56		1 516 937,56	576 294,11
	V	FINANCIAL CHARGES				
		Interest expense	19 326 970,57		19 326 970,57	17 856 584,67
		Foreign exchange loss	855 859,79		855 859,79	668 325,57
		Other financial charges				
		Provision exchange loss	219 255,16		219 255,16	
		TOTAL V	20 402 085,52		20 402 085,52	18 524 910,24
	VI	FINANCIAL RESULTS (IV - V)			-18 885 147,96	-17 948 616,13
	VII	CURRENT INCOME (III - VI)			-57 279 985,80	-60 719 741,46

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

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

Tableau n°2

PROFIT & LOSS (excluding taxes)**VARUN BEVERAGES MOROCCO****EXERCISE CLOSED IN 31/12/2017**

			OPERATIONS		Totals of The exercise 3 = 1 + 2	Totals of L'exercice PREVIOUS YEAR
			Relating to the year 1	for earlier years 2		
	VII	CURRENT RESULT(Report)			-57 279 985,80	-60 719 741,46
N O N C O U N T A N T	VIII	NO-CURRENT RESULT				
		Proceeds from sale of Asset	52 161,54		52 161,54	83 333,32
		Balancing subsidy				
		Reversal of capital grants				874 155,18
		Other No-current income	35 520,00		35 520,00	28 573,72
		Non-current times, transfers charges				
		TOTAL VIII	87 681,54		87 681,54	986 062,22
	IX	NO-RECURRING EXPENSES				
		Net value of depreciation assets sold	85 044,66		85 044,66	
		Grants				
		Other non-current expenses	918 075,24		918 075,24	1 881 767,80
		Allocations to non-current amortization and provisions				
		TOTAL IX	1 003 119,90		1 003 119,90	1 881 767,80
	X	NO-CURRENT INCOME (VIII- IV)			-915 438,36	-895 705,58
	XI	PROFIT BEFORE TAXES (VII+ X)			-58 195 424,16	-61 615 447,04
	XII	INCOME TAX			1 741 543,73	1 606 567,00
	XIII	NET PROFIT (XI - XII)			-59 936 967,89	-63 222 014,04

	XIV	TOTAL INCOME (I + IV + VIII)			353 224 664,37	324 344 438,59
	XV	TOTAL EXPENSES(II + V + IX + XII)			413 161 632,26	387 566 452,63
	XVI	NET PROFIT (XIV - XV)			-59 936 967,89	-63 222 014,04

Tableau n°5

INTERMEDIATE BALANCES OF MANAGEMENT (E.S.G)**VARUN BEVERAGES MOROCCO**

I - TABLE OF RESULTS TRAINING(T.F.R.)				EXERCISE CLOSED IN 31/12/2017	
				EXERCISE	EXERCISE PREVIOUS YEAR
	1		Sales of Trading goods (Turnover trading)	9 810 101,94	6 715 414,10
	2	-	Purchases resold merchandise & Trading goods	5 247 867,10	5 871 050,20
I		=	GROSS MARGINS ON SALES TRADING GOODS	4 562 234,84	844 363,90
II		+	PRODUCTION OF THE EXERCISE (3+4+5)	339 484 552,63	304 953 773,65
	3		Sales goods&services produced & Turnover Manufact	337 012 209,90	301 767 281,05
	4		Change in product inventory & stock	2 472 342,73	3 186 492,60
	5		Asset Produced by the company itself		
III		-	CONSUMPTION OF THE EXERCISE (6+7)	258 031 970,87	240 059 270,50
	6		Purchases consumed raw materials and supplies	149 756 615,89	137 365 989,74
	7		Other external expenses	108 275 354,98	102 693 280,76
IV		=	VALUE ADDED (I+II+III)	86 014 816,60	65 738 867,05
V	8	+	Operating subsidies	2 325 390,70	11 112 894,51
	9	-	Taxes	34 596 655,84	30 973 130,45
	10	-	Staff Costs	55 761 846,11	53 161 449,91
			GROSS SURPLUS OPERATING(E.B.E) OR		
		=	GROSS OPERATING INSUFFICIENCY(I.B.E)	-2 018 294,65	-7 282 818,80
	11	+	Other operating income		
	12	-	Other operating expenses		
	13	+	Operating Provision Reversed, transfers charges		
	14	-	Operating allowances & Depreciation	36 376 543,19	35 488 306,53
VI		=	OPERATING INCOME (+ ou -)	-38 394 837,84	-42 771 125,33
VII			FINANCIAL RESULTS	-18 885 147,96	-17 948 616,13
VIII		=	CURRENT RESULTS (+ ou -)	-57 279 985,80	-60 719 741,46
IX			No CURRENT RESULTS (+ ou -)	-915 438,36	-895 705,58
	15	-	INCOME TAX	1 741 543,73	1 606 567,00
X		=	NET PROFIT (+ ou -)	-59 936 967,89	-63 222 014,04

Tableau n°5

II -AUTOFINANCING CAPACITY (C.A.F) - AUTOFINANCING

EXERCISE CLOSED IN 31/12/2017

I	1		NET PROFIT OF EXERCISE (+ ou -)		
			* Profit +		
			* Loss -	-59 936 967,89	-63 222 014,04
	2	+	Operating allocations	36 376 543,19	35 488 306,53
	3	+	Financial allocations		
	4	+	No,current allocations		
	5	-	Operating reversals		
	6	-	Financial reversals		
	7	-	No current reversals		874 155,18
	8	-	Proceeds from sale of Asset	52 161,54	83 333,32
	9	+	Net value of depreciation assets sold	85 044,66	
			AUTOFINANCING CAPACITY	-23 527 541,58	-28 691 196,01
	10	-	Distributions of profits		
II			AUTOFINANCING	-23 527 541,58	-28 691 196,01

Independent Auditor's Report
To the Members of Varun Beverages Limited

Report on the Financial Statements

1. We have audited the accompanying financial statements of *Varun Beverages (Nepal) Pvt. Ltd.* ('the Company'), which comprise the Balance Sheet as at 31 December 2017, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the state of affairs (financial position), profit or loss (financial performance including other comprehensive income), cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards ('Ind AS') specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.



7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on these financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Ind AS specified under Section 133 of the Act, of the state of affairs (financial position) of the Company as at 31 December 2017, and its profit/loss (financial performance including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Other Matters

9. The Company had prepared separate sets of statutory financial statements for the year ended 31 December 2016 and 31 December 2015 in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) on which we issued auditor's reports to the shareholders of the Company dated 10/02/2017 and 15/02/2016 respectively. These financial statements have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have also been audited by us. Our opinion is not modified in respect of this matter.

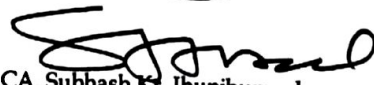
Report on Other Legal and Regulatory Requirements

10. As required by Section 143(3) of the Act, we report to the extent applicable, that:
- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
 - c) the financial statements dealt with by this report are in agreement with the books of account;
 - d) in our opinion, the aforesaid financial statements comply with Ind AS specified under Section 133 of the Act;
 - e) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
 - i. the Company, as detailed in Note 26 to the financial statements, has disclosed the impact of pending litigations on its financial position;

For, SUBHASH & CO.
Chartered Accountants
Firm Registration No: 49

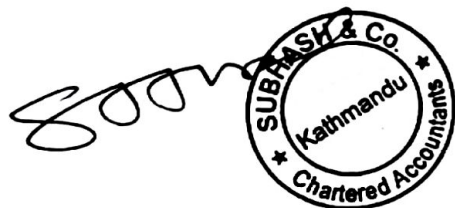
Place: Kathmandu
Date: 25/01/2018




CA. Subhash K. Jhunjunwala
Partner
ICAN Membership No: 16

Varun Beverages (Nepal) Pvt. Ltd.
Balance sheet As At 31st December, 2017

		Indian GAAP	Indian GAAP	Indian GAAP	IND AS - Adjustment	IND AS - Adjustment	IND AS - Adjustment	Final Post Ind AS	Final Post Ind AS	Final Post Ind AS
	Note	NPR 31-12-2017	NPR 31-12-2016	NPR 01-01-2016	NPR 31-12-2017	NPR 31-12-2016	NPR 01-01-2016	NPR 31-12-2017	NPR 31-12-2016	NPR 01-01-2016
Assets										
1) Non - Current Assets										
(a) Property, Plant and Equipment	3	992,610,665	1,034,101,944	990,592,485	88,071,842	88,071,842	-	1,080,682,507	1,122,173,785	990,592,485
(b) Capital Work In Progress	3	491,024,518	129,984,280	94,252,498	-	-	-	491,024,518	129,984,280	94,252,498
(c) Investment Property	4	-	-	-	-	-	-	-	-	-
(d) Intangible Assets	5	-	-	-	-	-	-	-	-	-
(e) Investment in Subsidiary and Associates	6	-	-	-	-	-	-	-	-	-
(f) Financial Assets										
(i) Investments	8	-	-	-	-	-	-	-	-	-
(ii) Loans	9	-	-	-	-	-	-	-	-	-
(iii) Others	9	-	-	-	-	-	-	-	-	-
(g) Deferred Tax Assets	10	76,841,274	54,316,739	41,445,650	1,425,334	812,388	131,020	78,266,608	55,129,127	41,576,670
(h) Non Current Tax Assets	11	-	-	-	-	-	-	-	-	-
(i) Other Non - Current Assets	12	1,209,070,191	767,739,695	677,849,155	-	-	-	1,209,070,191	767,739,695	677,849,155
Total Non - Current Assets		2,769,546,648	1,986,142,657	1,804,139,787	89,497,176	88,884,229	131,020	2,859,043,824	2,075,026,886	1,804,270,807
2) Current Assets										
(a) Inventories	13	390,565,609	408,763,040	233,752,357	-	-	-	390,565,609	408,763,040	233,752,357
(b) Financial Assets										
(i) Investments	7	-	-	-	-	-	-	-	-	-
(ii) Trade Receivables	14	80,270,029	95,862,550	54,920,590	(8,908,339)	(5,077,423)	(818,873)	71,361,690	90,785,127	54,101,717
(iii) Cash and Cash Equivalents	15	6,501,296	2,684,730	13,685,892	-	-	-	6,501,296	2,684,730	13,685,892
(iv) Other Bank Balances	16	472,567,320	530,544,403	530,510,883	-	-	-	472,567,320	530,544,403	530,510,883
(v) Loans	17	-	-	-	-	-	-	-	-	-
(vi) Others	17A	11,659,505	11,660,367	10,323,756	-	-	-	11,659,505	11,660,367	10,323,756
(c.) Current Tax Assets (Net)	11	-	-	8,129,003	-	-	-	-	-	8,129,003
(d) Other Current Assets	18	556,122,500	246,067,381	287,517,587	-	-	-	556,122,500	246,067,381	287,517,587
Total Current Assets		1,517,686,260	1,295,582,470	1,138,840,068	(8,908,339)	(5,077,423)	(818,873)	1,508,777,921	1,290,505,046	1,138,021,195
Total Assets		4,287,232,908	3,281,725,127	2,942,979,855	80,588,837	83,806,806	(687,853)	4,367,821,745	3,365,531,933	2,942,292,002



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Varun Beverages (Nepal) Pvt. Ltd.
Balance sheet As At 31st December, 2017

		Indian GAAP NPR 31-12-2017	Indian GAAP NPR 31-12-2016	Indian GAAP NPR 01-01-2016	IND AS - Adjustment NPR 31-12-2017	IND AS - Adjustment NPR 31-12-2016	IND AS - Adjustment NPR 01-01-2016	Final Post Ind AS NPR 31-12-2017	Final Post Ind AS NPR 31-12-2016	Final Post Ind AS NPR 01-01-2016
Equity & Liabilities										
Equity										
(a) Equity Share Capital	19	76,250,000	76,250,000	76,250,000	-	-	-	76,250,000	76,250,000	76,250,000
(b) Other Equity	20	980,087,435	580,128,735	448,836,071	80,588,837	83,806,806	(687,853)	1,060,676,272	663,935,541	448,148,218
Total Equity		1,056,337,435	656,378,735	525,086,071	80,588,837	83,806,806	(687,853)	1,136,926,272	740,185,541	524,398,218
Liabilities										
1) Non-Current Liabilities										
(a) Financial Liabilities										
(i) Borrowings	21	-	-	-	-	-	-	-	-	-
(ii) Trade Payables										
(iii) Other Financial Liabilities										
(b) Provisions	22	63,508,273	52,771,644	49,140,931	-	-	-	63,508,273	52,771,644	49,140,931
(c) Government Grants	23									
(d) Deferred Revenue	24									
(e) Deferred Tax Liabilities (Net)	25									
(f) Other Non - Current Liabilities	26	118,243,641	227,783,684	177,348,023	-	-	-	118,243,641	227,783,684	177,348,023
Total Non - Current Liabilities		181,751,913	280,555,328	226,488,953	-	-	-	181,751,913	280,555,328	226,488,953
2) Current Liabilities										
(a) Financial Liabilities										
(i) Borrowings	21	899,981,278	1,287,697,123	993,355,145	-	-	-	899,981,278	1,287,697,123	993,355,145
(ii) Trade Payables	27	1,036,016,824	461,537,330	384,060,418	-	-	-	1,036,016,824	461,537,330	384,060,418
(iii) Other financial Liabilities	28	1,028,694,983	544,340,373	771,342,400	-	-	-	1,028,694,983	544,340,373	771,342,400
(b) Provisions	29	5,677,305	4,925,391	5,299,548	-	-	-	5,677,305	4,925,391	5,299,548
(c) Government Grants										
(d) Deferred Revenue										
(e) Current Tax Liability	29	26,068,305	3,067,444	-	-	-	-	26,068,305	3,067,444	-
(f) Other Current Liabilities	30	52,704,866	43,223,404	37,347,319	-	-	-	52,704,866	43,223,404	37,347,319
Total Current Liabilities		3,049,143,560	2,344,791,064	2,191,404,831	-	-	-	3,049,143,560	2,344,791,064	2,191,404,831
Total Liabilities		3,230,895,473	2,625,346,392	2,417,893,784	-	-	-	3,230,895,473	2,625,346,392	2,417,893,784
Total Equity & Liabilities		4,287,232,908	3,281,725,127	2,942,979,855	80,588,837	83,806,806	(687,853)	4,367,821,745	3,365,531,933	2,942,292,002

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

CA. S. K. Jhunjhunwala
Partner
Place: Kathmandu
Dated: 25/01/2018
Kathmandu
Chartered Accountants

Director

Director



Varun Beverages (Nepal) Pvt. Ltd.
Profit & Loss For The Period Ended 31st December, 2017

		Note	Indian GAAP NPR 31-12-2017	Indian GAAP NPR 31-12-2016	IND AS - Adjustment NPR 31-12-2017	IND AS - Adjustment NPR 31-12-2016	Final Post Ind AS NPR 31-12-2017	Final Post Ind AS NPR 31-12-2016
I	Revenue From Operations	31	6,432,116,936	5,308,681,993	-	-	6,432,116,936	5,308,681,993
II	Other Income	32	59,750,646	50,968,129	-	-	59,750,646	50,968,129
III	Total Income (I + II)		6,491,867,582	5,359,650,121	-	-	6,491,867,582	5,359,650,121
IV	Expenses							
	Cost of Materials Consumed	33	2,510,011,368	1,931,587,175	-	-	2,510,011,368	1,931,587,175
	Purchase of Stock in Trade	34	1,175,799	3,185,653	-	-	1,175,799	3,185,653
	(Increase)/ Decrease in Inventories	35	(2,767,460)	(52,536,277)	-	-	(2,767,460)	(52,536,277)
	Excise Duty		659,522,670	529,413,924	-	-	659,522,670	529,413,924
	Employee Benefits Expense	36	293,273,839	263,397,361	-	-	293,273,839	263,397,361
	Finance Costs	37	67,926,936	56,650,917	-	-	67,926,936	56,650,917
	Depreciation and Amortization Expense	38	115,081,431	96,739,071	-	-	115,081,431	96,739,071
	Other Expenses	39	2,028,959,520	1,922,225,646	3,830,915	4,258,551	2,032,790,436	1,926,484,197
	Total Expenses (IV)		5,673,184,104	4,750,663,471	3,830,915	4,258,551	5,677,015,019	4,754,922,021
V	Profit/(loss) Before Prior Period Items (III-IV)		818,683,479	608,986,650	(3,830,915)	(4,258,551)	814,852,563	604,728,100
VI	Prior Period Items	40	-	-	-	-	-	-
VII	Profit/(loss) Before Tax (V-VI)		818,683,479	608,986,650	(3,830,915)	(4,258,551)	814,852,563	604,728,100
	Earnings Before Interest, Tax, Depn & Amortization (EBITDA)		941,941,200	711,408,510	(3,830,915)	(4,258,551)	938,110,285	707,149,960
VIII	Tax Expense:							
	(1) Current Tax		136,249,314	97,493,234	-	-	136,249,314	97,493,234
	(2) Adjustment of Tax Relating to Earlier Periods		(22,524,535)	(12,871,088)	(612,946)	(681,368)	(23,137,481)	(13,552,456)
	(3) Deferred Tax		113,724,779	84,622,146	(612,946)	(681,368)	113,111,833	83,940,778
	Profit (Loss) For the Year (VII-VIII)		704,958,700	524,364,504	(3,217,969)	(3,577,183)	701,740,731	520,787,322
X	OTHER COMPREHENSIVE INCOME	41						
A	<u>Items That Will Not be Reclassified to Profit or Loss</u>							
(i)	Remeasurement of the Defined Benefit Plans		-	-	-	-	-	-
	Income tax relating to items that will not be reclassified to P & L		-	-	-	-	-	-
B	<u>Items that will be reclassified to Profit or Loss</u>							
	Other Comprehensive Income for the Year, Net of Tax		-	-	-	-	-	-
XI	Total Comprehensive Income For The Year, Net of Tax (IX+X)		704,958,700	524,364,504	(3,217,969)	(3,577,183)	701,740,731	520,787,322

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

CA. S. K. Jhunjhunwala
Partner
Place: Kathmandu
Dated: 25/01/2018



Varun Beverages (Nepal) Pvt. Ltd.

Summary Of Significant Accounting Policies And Other Explanatory Information On The Standalone Financial Statements For The Year Ended 31st December, 2017

		Indian GAAP NPR 31-12-2017	Indian GAAP NPR 31-12-2016	Indian GAAP NPR 01-01-2016	IND AS - Adjustment NPR 31-12-2017	IND AS - Adjustment NPR 31-12-2016	IND AS - Adjustment NPR 01-01-2016	Final Post Ind AS NPR 31-12-2017	Final Post Ind AS NPR 31-12-2016	Final Post Ind AS NPR 01-01-2016
	Note									
3) Property, plant and equipment	Note 3	992,610,665	1,034,101,944	990,592,485	88,071,842	88,071,842	-	1,080,682,507	1,122,173,785	990,592,485
3) Capital work in progress	Note 3	491,024,518	129,984,280	94,252,498	-	-	-	491,024,518	129,984,280	94,252,498
4) Investment property	Note 4	-	-	-	-	-	-	-	-	-
5) Goodwill	Note 5	-	-	-	-	-	-	-	-	-
5) Intangible assets	Note 5	-	-	-	-	-	-	-	-	-
5) Intangibles under development	Note 5	-	-	-	-	-	-	-	-	-
6) Investment in subsidiary and associates	Note 6	-	-	-	-	-	-	-	-	-
7) Other investment										
8. Non Current Loans (Unsecured considered good, unless otherwise stated) Security Deposits Loan to Related Parties Other Loans										
		-	-	-	-	-	-	-	-	-
9) Others Financial assets										
10. Deferred Tax Assets		76,841,274	54,316,739	41,445,650	1,425,334	812,388	131,020	78,266,608	55,129,127	41,576,670
Unabsorbed Depn & carry forward losses - Deferred Tax		29,155,679	41,117,639	28,627,351	-	-	-	29,155,679	41,117,639	28,627,351
Provision for doubtful debts - Deferred Tax		33,848,479	1,659,692	1,930,203	1,425,334	812,388	131,020	35,273,813	2,472,080	2,061,223
Provision for retirement benefits - Deferred Tax		13,837,116	11,539,408	10,888,096	-	-	-	13,837,116	11,539,408	10,888,096
11. Income Tax Assets Advance Tax (Net of Provisions)		-	-	8,129,003	-	-	-	-	-	8,129,003
12. Other non-current assets										
(i) Capital advances		1,191,297,442	767,258,719	677,180,949	-	-	-	1,191,297,442	767,258,719	677,180,949
(ii) Advances other than capital advances		17,772,749	480,975	668,205	-	-	-	17,772,749	480,975	668,205
(a) Security Deposits		-	-	-	-	-	-	-	-	-
(b) Advances to related parties		-	-	-	-	-	-	-	-	-
(c) Other Advances		-	-	-	-	-	-	-	-	-
Income tax paid (includes amount paid under protest)		289,986,283	175,186,283	120,926,283	-	-	-	289,986,283	175,186,283	120,926,283
Balance with statutory authorities (paid under protest)		5,738,524	5,703,973	4,907,276	-	-	-	5,738,524	5,703,973	4,907,276
Prepaid expenses		1,209,070,191	767,739,695	677,849,155	-	-	-	1,209,070,191	767,739,695	677,849,155



Kmm

Varun Beverages (Nepal) Pvt. Ltd.

Summary Of Significant Accounting Policies And Other Explanatory Information On The Standalone Financial Statements For The Year Ended 31st December, 2017

	Note	Indian GAAP NPR 31-12-2017	Indian GAAP NPR 31-12-2016	Indian GAAP NPR 01-01-2016	IND AS - Adjustment NPR 31-12-2017	IND AS - Adjustment NPR 31-12-2016	IND AS - Adjustment NPR 01-01-2016	Final Post Ind AS NPR 31-12-2017	Final Post Ind AS NPR 31-12-2016	Final Post Ind AS NPR 01-01-2016
13. Inventories										
(a) Raw material		213,006,192	215,872,595	112,370,201	-	-	-	213,006,192	215,872,595	112,370,201
(b) Work-in-progress		4,716,644	3,491,661	-	-	-	-	4,716,644	3,491,661	-
(c) Intermediate goods										
(d) Finished goods		77,994,928	76,452,451	27,407,835	-	-	-	77,994,928	76,452,451	27,407,835
(e) Raw material in transit		-	17,928,677	-	-	-	-	-	17,928,677	-
(f) Stores and spares		94,847,845	95,017,656	93,974,321	-	-	-	94,847,845	95,017,656	93,974,321
		390,565,609	408,763,040	233,752,357	-	-	-	390,565,609	408,763,040	233,752,357
Detail of raw material										
Concentrate		17,717,936	54,628,084							
Sugar		113,099,945	120,264,858							
Others		82,188,311	40,979,652							
		213,006,192	215,872,595	-	-	-	-	-	-	-
Detail of work-in-progress										
Beverages		4,716,644	3,491,661							
		4,716,644	3,491,661	-	-	-	-	-	-	-
Detail of finished goods										
Beverages		76,662,764	74,907,411							
Others		1,332,164	1,545,040							
		77,994,928	76,452,451	-	-	-	-	-	-	-
14. Trade receivables										
O/S for a period exceeding 6 months from the due date										
Unsecured, considered good		80,270,029	95,862,550	54,920,590	-	-	-	80,270,029	95,862,550	54,920,590
Unsecured, considered doubtful		8,153,842	8,298,460	9,651,015	-	-	-	8,153,842	8,298,460	9,651,015
		88,423,871	104,161,010	64,571,604	-	-	-	88,423,871	104,161,010	64,571,604
		(8,153,842)	(8,298,460)	(9,651,015)	(8,908,339)	(5,077,423)	(818,873)	(17,062,181)	(13,375,883)	(10,469,888)
Less : Provision for bad and doubtful debts		80,270,029	95,862,550	54,920,590	(8,908,339)	(5,077,423)	(818,873)	71,361,690	90,785,127	54,101,717
15. Cash and cash equivalents										
Balance with banks :										
- On current accounts		4,943,826	1,130,522	12,245,200	-	-	-	4,943,826	1,130,522	12,245,200
Cash on hand		1,557,470	1,554,208	1,440,692	-	-	-	1,557,470	1,554,208	1,440,692
		6,501,296	2,684,730	13,685,892	-	-	-	6,501,296	2,684,730	13,685,892
16. Other bank balances										
Deposits with original maturity more than 3 months but less than 12 months *		472,567,320	530,544,403	530,510,883	-	-	-	472,567,320	530,544,403	530,510,883
		472,567,320	530,544,403	530,510,883	-	-	-	472,567,320	530,544,403	530,510,883
17. Loans										
Security deposits										
Loan to related Parties										



Varun Beverages (Nepal) Pvt. Ltd.

Summary Of Significant Accounting Policies And Other Explanatory Information On The Standalone Financial Statements For The Year Ended 31st December, 2017

	Note	Indian GAAP NPR 31-12-2017	Indian GAAP NPR 31-12-2016	Indian GAAP NPR 01-01-2016	IND AS - Adjustment NPR 31-12-2017	IND AS - Adjustment NPR 31-12-2016	IND AS - Adjustment NPR 01-01-2016	Final Post Ind AS NPR 31-12-2017	Final Post Ind AS NPR 31-12-2016	Final Post Ind AS NPR 01-01-2016
17A. Other financial assets										
Bank deposits having maturity more than 12 months		11,659,505	11,660,367	10,323,756	-	-	-	11,659,505	11,660,367	10,323,756
Interest accrued on loans										
Income accrued on Investments		11,659,505	11,660,367	10,323,756	-	-	-	11,659,505	11,660,367	10,323,756
18. Other current assets										
(Unsecured considered good, unless otherwise stated)										
Prepaid expenses		5,738,524	5,703,973	4,907,276	-	-	-	5,738,524	5,703,973	4,907,276
Advances										
Balance with statutory/government authorities		15,422,046	20,920,415	-	-	-	-	15,422,046	20,920,415	-
Advances to:										
Employees****		5,513,562	3,714,725	6,973,269	-	-	-	5,513,562	3,714,725	6,973,269
Contractors and suppliers***		371,013,154	77,722,279	25,701,737	-	-	-	371,013,154	77,722,279	25,701,737
Others		157,665,205	136,423,594	246,993,464	-	-	-	157,665,205	136,423,594	246,993,464
Claims receivable		770,010	1,582,395	2,941,841	-	-	-	770,010	1,582,395	2,941,841
		556,122,500	246,067,381	287,517,587	-	-	-	556,122,500	246,067,381	287,517,587
19. Equity share capital										
Authorised share capital										
3,380,451 Equity Shares of '1000/- each		3,380,451,000	990,451,000	990,451,000				2,110,787,409	990,451,000	990,451,000
990,451 Equity shares of '1000/- each		3,380,451,000	990,451,000	990,451,000	-	-	-	2,110,787,409	990,451,000	990,451,000
Subscribed and fully paid-up										
68,250 Ordinary Shares of '1000/- each		76,250,000	76,250,000	76,250,000	-	-	-	76,250,000	76,250,000	76,250,000
8,000 Bonus Shares of '1000/- each		76,250,000	76,250,000	76,250,000	-	-	-	76,250,000	76,250,000	76,250,000
20. Other equity										
Revaluation Reserve		-	88,071,842	88,071,842	-	-	(88,071,842)	-	88,071,842	-
Add : Transferred during the year*			(88,071,842)					-	(88,071,842)	-
Balance at the end of the year		-	-	88,071,842	-	-	(88,071,842)	-	-	-
Securities premium reserve										
Balance at the end of the year		53,600,356	53,600,356	53,600,356	-	-	-	53,600,356	53,600,356	53,600,356
Capital Reserve										
		-	-	-	88,071,842	88,071,842	88,071,842	88,071,842	88,071,842	88,071,842
Surplus in the statement of profit and loss										
Balance at the beginning of the year		221,528,379	2,163,875	93,914,489	(4,265,036)	(687,853)	(687,853)	217,263,343	1,476,021	93,226,636
Less: Transfer to debenture redemption reserve										
Add: Profit for the year		704,958,700	524,364,504	213,249,385	(3,217,969)	(3,577,183)	-	701,740,731	520,787,322	213,249,385
Balance at the end of the year		926,487,079	526,528,379	307,163,874	80,588,837	83,806,806	87,383,988	1,007,075,916	610,335,185	394,547,862
		980,087,435	580,128,735	448,836,071	80,588,837	83,806,806	(687,853)	1,060,676,272	663,935,541	448,148,218

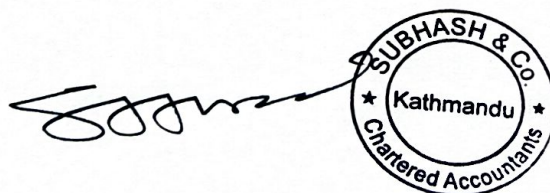


Varun Beverages (Nepal) Pvt. Ltd.

Summary Of Significant Accounting Policies And Other Explanatory Information On The Standalone Financial Statements For The Year Ended 31st December, 2017

	Note	Indian GAAP NPR 31-12-2017	Indian GAAP NPR 31-12-2016	Indian GAAP NPR 01-01-2016	IND AS - Adjustment NPR 31-12-2017	IND AS - Adjustment NPR 31-12-2016	IND AS - Adjustment NPR 01-01-2016	Final Post Ind AS NPR 31-12-2017	Final Post Ind AS NPR 31-12-2016	Final Post Ind AS NPR 01-01-2016
21. Borrowings										
Current borrowings										
Loans repayable on demand from:										
Banks-working capital facilities (secured)		899,981,278	1,287,697,123	993,355,145	-	-	-	899,981,278	1,287,697,123	993,355,145
		899,981,278	1,287,697,123	993,355,145	-	-	-	899,981,278	1,287,697,123	993,355,145
27. Trade payables										
Trade payables										
Total outstanding dues of creditors other than micro enterprises and small enterprises		1,036,016,824	461,537,330	384,060,418	-	-	-	1,036,016,824	461,537,330	384,060,418
		1,036,016,824	461,537,330	384,060,418	-	-	-	1,036,016,824	461,537,330	384,060,418
28. Other financial liabilities										
Interest on borrowings		5,512,131	3,281,452	8,723,621	-	-	-	5,512,131	3,281,452	8,723,621
Capital Creditors		153,605,898	2,927,496	-	-	-	-	153,605,898	2,927,496	-
Proposed Dividend		289,750,000	(0)	289,750,000	-	-	-	289,750,000	(0)	289,750,000
Security deposits		553,925,147	507,016,376	438,936,778	-	-	-	553,925,147	507,016,376	438,936,778
Employee related payables		25,901,808	31,115,049	33,932,002	-	-	-	25,901,808	31,115,049	33,932,002
		1,028,694,983	544,340,373	771,342,400	-	-	-	1,028,694,983	544,340,373	771,342,400
22. Provisions										
Provision for employee benefits										
Gratuity		59,786,492	49,421,159	45,635,506	-	-	-	59,786,492	49,421,159	45,635,506
Compensated absences		3,721,781	3,350,485	3,505,425	-	-	-	3,721,781	3,350,485	3,505,425
Proposed Dividend										
		63,508,273	52,771,644	49,140,931	-	-	-	63,508,273	52,771,644	49,140,931
29. Provisions										
Provision for employee benefits										
Gratuity		-	-	-	-	-	-	-	-	-
Compensated absences		5,677,305	4,925,391	5,299,548	-	-	-	5,677,305	4,925,391	5,299,548
		5,677,305	4,925,391	5,299,548	-	-	-	5,677,305	4,925,391	5,299,548
23. Government grants										
Deferred Government Grants										
		-	-	-	-	-	-	-	-	-
24. Deferred revenue										
Guarantee liability										
		-	-	-	-	-	-	-	-	-

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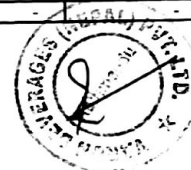


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Varun Beverages (Nepal) Pvt. Ltd.

Summary Of Significant Accounting Policies And Other Explanatory Information On The Standalone Financial Statements For The Year Ended 31st December, 2017

	Note	Indian GAAP NPR 31-12-2017	Indian GAAP NPR 31-12-2016	Indian GAAP NPR 01-01-2016	IND AS - Adjustment NPR 31-12-2017	IND AS - Adjustment NPR 31-12-2016	IND AS - Adjustment NPR 01-01-2016	Final Post Ind AS NPR 31-12-2017	Final Post Ind AS NPR 31-12-2016	Final Post Ind AS NPR 01-01-2016
25. Deferred tax liabilities (Net)										
Deferred tax liabilities										
Timing difference on fixed assets (depreciation and amortisation)										
Deferred tax assets										
Unabsorbed depreciation										
Provision for doubtful debts										
Provision for retirement benefits										
Other expenses allowable on payment basis										
		-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-
26. Other non-current liabilities										
Provision for Contingent Liability		118,243,641	227,783,684	177,348,023	-	-	-	118,243,641	227,783,684	177,348,023
(Net of tax paid under protest)		118,243,641	227,783,684	177,348,023	-	-	-	118,243,641	227,783,684	177,348,023
29. Current tax liability										
Provision for income tax (net of taxes paid)		26,068,305	3,067,444	-	-	-	-	26,068,305	3,067,444	-
		26,068,305	3,067,444	-	-	-	-	26,068,305	3,067,444	-
30. Other current liabilities										
Advances from customers		23,124,388	12,877,313	10,864,938	-	-	-	23,124,388	12,877,313	10,864,938
Statutory dues payable		29,580,479	30,346,091	26,482,381	-	-	-	29,580,479	30,346,091	26,482,381
		52,704,866	43,223,404	37,347,319	-	-	-	52,704,866	43,223,404	37,347,319
31. Revenue from operations										
Revenue from operations (gross)		6,417,419,554	5,296,459,593		-	-		6,417,419,554	5,296,459,593	
Sale of products										
Other operating revenue		14,697,383	12,222,400		-	-		14,697,383	12,222,400	
Scrap sales		6,432,116,936	5,308,681,993		-	-		6,432,116,936	5,308,681,993	
32. Other income										
Interest on:										
- Bank Deposits		45,178,281	21,608,581		-	-		45,178,281	21,608,581	
- Loan to Subsidiaries		14,298,369	14,307,606		-	-		14,298,369	14,307,606	
- Others		13,222	(274,370)		-	-		13,222	(274,370)	
Net gain on foreign currency transactions & translations										
Profit on sale of current investments										
Excess provisions written back										
Guarantee comm/comm income from subsidiaries		260,774	15,326,311		-	-		260,774	15,326,311	
-others										
Gain on sale of fixed assets (net)		59,750,646	50,968,129		-	-		59,750,646	50,968,129	

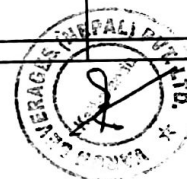


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Varun Beverages (Nepal) Pvt. Ltd.

Summary Of Significant Accounting Policies And Other Explanatory Information On The Standalone Financial Statements For The Year Ended 31st December, 2017

	Note	Indian GAAP NPR 31-12-2017	Indian GAAP NPR 31-12-2016	Indian GAAP NPR 01-01-2016	IND AS - Adjustment NPR 31-12-2017	IND AS - Adjustment NPR 31-12-2016	IND AS - Adjustment NPR 01-01-2016	Final Post Ind AS NPR 31-12-2017	Final Post Ind AS NPR 31-12-2016	Final Post Ind AS NPR 01-01-2016
33. Cost of materials consumed										
Raw material and packing material consumed								215,872,595	112,370,201	
Inventories at beginning of the year		215,872,595	112,370,201		-	-		2,507,144,965	2,035,089,570	
Purchases during the year (net)		2,507,144,965	2,035,089,570		-	-		2,723,017,560	2,147,459,770	
		2,723,017,560	2,147,459,770		-	-		-	-	
Sold during the year		-	-		-	-		213,006,192	215,872,595	
Inventories at end of the year		213,006,192	215,872,595		-	-		2,510,011,368	1,931,587,175	
		2,510,011,368	1,931,587,175		-	-		-	-	
PROVISION (INCREASE DECREASE IN STOCK)		(2,767,460)	(52,536,277)		-	-		(2,767,460)	(52,536,277)	
Excise paid		659,522,670	529,413,924		-	-		659,522,670	529,413,924	
34. Purchases of traded goods										
Beverages		1,175,799	3,185,653		-	-		1,175,799	3,185,653	
Others		1,175,799	3,185,653		-	-		1,175,799	3,185,653	
35. Changes in inventories of finished goods, work-in-progress and traded goods										
As At the Beginning of The Year										
Finished Goods		76,452,451	27,407,835							
Intermediate Goods		-	-							
Work In Progress		3,491,661	-							
		79,944,112	27,407,835		-	-		-	-	
As At the Closing of The Year										
Finished Goods		77,994,928	76,452,451							
Intermediate Goods		-	-							
Work In Progress		4,716,644	3,491,661		-	-		-	-	
		82,711,573	79,944,112		-	-		-	-	
		(2,767,460)	(52,536,277)		-	-		-	-	
36. Employee benefits expense										
Salaries and wages		263,555,289	234,257,227		-	-		263,555,289	234,257,227	
Contribution to provident and other funds		7,568,515	7,278,973		-	-		7,568,515	7,278,973	
Share based payments		22,150,035	21,861,161		-	-		22,150,035	21,861,161	
Staff welfare expenses		293,273,839	263,397,361		-	-		293,273,839	263,397,361	
37. Finance costs										
Interest on:										
Term loans		-	-		-	-		66,876,595	55,922,210	
Working Capital Facilities		66,876,595	55,922,210		-	-		-	-	
Other Borrowing Costs:		1,050,342	728,707		-	-		1,050,342	728,707	
Processing Fees		67,926,936	56,650,917		-	-		67,926,936	56,650,917	



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Varun Beverages (Nepal) Pvt. Ltd.

Summary Of Significant Accounting Policies And Other Explanatory Information On The Standalone Financial Statements For The Year Ended 31st December, 2017

	Note	Indian GAAP NPR 31-12-2017	Indian GAAP NPR 31-12-2016	Indian GAAP NPR 01-01-2016	IND AS - Adjustment NPR 31-12-2017	IND AS - Adjustment NPR 31-12-2016	IND AS - Adjustment NPR 01-01-2016	Final Post Ind AS NPR 31-12-2017	Final Post Ind AS NPR 31-12-2016	Final Post Ind AS NPR 01-01-2016
38. Depreciation and amortisation expense										
Depreciation on tangible assets		115,081,431	96,739,071		-	-		115,081,431	96,739,071	
Amortisation of intangible assets		115,081,431	96,739,071		-	-		115,081,431	96,739,071	
39. Other expenses										
Power and fuel		148,597,653	156,575,561		-	-		148,597,653	156,575,561	
Repairs and maintenance										
Plant and equipment		67,406,280	69,644,532		-	-		67,406,280	69,644,532	
Buildings		19,445,487	34,455,072		-	-		19,445,487	34,455,072	
Others		11,920,673	10,338,612		-	-		11,920,673	10,338,612	
Stores and spares consumed		52,615,023	50,216,877		-	-		52,615,023	50,216,877	
Rent		19,722,181	15,788,256		-	-		19,722,181	15,788,256	
Rates and taxes		952,545	104,866,083		-	-		952,545	104,866,083	
Insurance		8,837,795	8,541,387		-	-		8,837,795	8,541,387	
Printing and stationery		2,183,200	2,011,993		-	-		2,183,200	2,011,993	
Communication		3,746,696	3,912,743		-	-		3,746,696	3,912,743	
Travelling and conveyance		23,188,143	34,235,495		-	-		23,188,143	34,235,495	
Payment to the auditors		925,000	550,000		-	-		925,000	550,000	
Vehicle running and maintenance		6,792,845	7,785,816		-	-		6,792,845	7,785,816	
Lease and hire charges		542,357	3,722,045		-	-		542,357	3,722,045	
Management Fee		472,520,110	388,265,332		-	-		472,520,110	388,265,332	
Security and service charges		15,872,100	13,269,733		-	-		15,872,100	13,269,733	
Professional charges and consultancy		12,459,732	8,166,210		-	-		12,459,732	8,166,210	
Bank charges		2,289,474	3,256,716		-	-		2,289,474	3,256,716	
Advertisement and sales promotion		465,767,649	485,305,955		-	-		465,767,649	485,305,955	
Meeting and conference		883,114	10,987		-	-		883,114	10,987	
Freight, octroi and insurance paid (net)		144,283,828	136,326,782		-	-		144,283,828	136,326,782	
Delivery vehicle running and maintenance		232,970,880	126,590,559		-	-		232,970,880	126,590,559	
Distribution expenses		81,432,242	74,966,407		-	-		81,432,242	74,966,407	
Loading and unloading charges		21,104,424	18,136,210		-	-		21,104,424	18,136,210	
Donations		436,100	380,200		-	-		436,100	380,200	
Fixed assets written off		9,626,175	1,289,198		-	-		9,626,175	1,289,198	
Loss on sale of fixed assets (net)		34,123,090	161,051,585		-	-		34,123,090	161,051,585	
Bad Debts & Advances Written Off		161,666,690			3,830,915	4,258,551		165,497,606	4,258,551	
Provision For Bad & Doubtful Debts		-	-		-	-		6,648,036	2,565,301	
General office and other miscellaneous expenses		6,648,036	2,565,301		-	-		6,648,036	2,565,301	
		2,028,959,520	1,922,225,646		3,830,915	4,258,551		2,032,790,436	1,926,484,197	
40. Prior period items										
Depreciation of leasehold land for earlier years		-	-		-	-		-	-	
41. Other comprehensive income										
Remeasurement of the defined benefit plans										
IT relating to items that will not be reclassified to P & L										



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Varun Beverages (Nepal) Pvt. Ltd.
Summary of Significant Accounting Policies and Other Explanatory Information For The Year Ended 31st December, 2017

VBL Nepal in NPR
3 Tangible Assets

Fig. in `NPR

Gross Block	Land Freehold	Land Leasehold	Buildings	Plant and Equipment	Furniture And Fixtures	Vehicles	Office Equipment	Computers	Containers	PM Vending Machines & Refrig (Visi Cooler)	Total
Balance as at 1st January, 2016	94,871,275	-	197,352,654	662,513,477	8,932,393	195,253,910	4,433,601	6,916,284	371,529,235	413,799,576	1,955,602,405
Additions	68,762,570	-	-	39,665,838	160,166	5,192,716	536,999	200,226	216,138,437	61,139,691	391,796,642
Disposals	-	-	-	(22,106,204)	-	(5,036,992)	-	-	(287,593,534)	(257,737,786)	(572,474,516)
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December, 2016	163,633,845	-	197,352,654	680,073,111	9,092,559	195,409,634	4,970,600	7,116,510	300,074,138	217,201,481	1,774,924,531
Additions	-	-	2,974,897.18	72,280,371	132,219	31,760	981,422	482,086	109,452,082	1,535,349	187,870,185
Disposals & Reversals	-	-	-	-	-	(4,947,504)	-	-	(60,336,608)	-	(65,284,112)
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-	-
Other adjustments	(68,762,570)	-	-	-	-	-	-	-	-	-	(68,762,570)
- Foreign exchange fluctuation	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December, 2017	94,871,275	-	200,327,551	752,353,482	9,224,778	190,493,890	5,952,022	7,598,595	349,189,612	218,736,830	1,828,748,035
Accumulated Depreciation	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1st January, 2016	-	-	65,754,172	318,327,234	6,781,110	146,548,674	2,984,862	6,054,397	216,008,250	202,551,221	965,009,921
Depreciation charge	-	-	5,524,688	19,983,789	323,254	11,154,266	496,395	292,670	35,110,524	23,853,486	96,739,071
Reversal on disposal of assets	-	-	-	(14,652,407)	-	(4,785,143)	-	-	(207,497,141)	(182,063,555)	(408,998,246)
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December, 2016	-	-	71,278,860	323,658,616	7,104,365	152,917,798	3,481,257	6,347,066	43,621,633	44,341,151	652,750,746
Depreciation charge	-	-	5,559,683	21,526,817	334,754	10,734,817	710,997	255,024	50,166,177	25,793,162	115,081,431
Reversal on disposal of assets	-	-	-	-	-	(4,700,129)	-	-	(15,066,520)	-	(19,766,649)
Balance as at 31st December, 2017	-	-	76,838,543	345,185,433	7,439,119	158,952,486	4,192,254	6,602,091	78,721,289	70,134,313	748,065,528
Net Block	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1st January, 2016	94,871,275	-	131,596,482	344,186,242	2,151,283	48,705,235	1,448,739	861,887	155,520,985	211,248,356	990,592,485
Balance as at 31st December, 2016	163,633,845	-	126,073,794	356,414,495	1,988,195	42,491,835	1,489,343	769,443	256,452,505	172,860,330	1,122,173,785
Balance as at 31st December, 2017	94,871,275	-	123,489,008	407,168,049	1,785,659	31,541,403	1,759,768	996,504	270,468,323	148,602,517	1,080,682,506



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Varun Beverages (Nepal) Pvt. Ltd.

3. CAPITAL WORK-IN-PROGRESS

PARTICULARS	As at 01-01-2017	Transferred on Amalgamation	Additions	Deductions & Adjustments	Capitalised	As at 31-12-2017
<u>Kathmandu Unit</u>						
Buildings	2,974,897		9,869,259		2,974,897	9,869,259
Plant and machinery	48,109,408		24,047,736		67,543,564	4,613,580
Visi Coolers	53,705,791		174,689,736		114,197,763	114,197,763
Plastic Shell	25,190,866		791,416		25,982,281	-
Glass Bottles	3,318				3,318	(0)
Computer			50,000			50,000
<u>Parasi Unit</u>						
Land & Land Development			109,562,570			109,562,570
Building & Other Civil Work			37,279,119			37,279,119
Plant & Machinery			215,452,227			215,452,227
Current Year	129,984,280	-	571,742,062	-	210,701,824	491,024,518



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OLE SPRINGS BOTTLERS (PVT) LTD

FINANCIAL STATEMENTS TOGETHER

WITH AUDITOR'S REPORT

FOR THE YEAR ENDED

31ST DECEMBER 2017

TO THE SHAREHOLDERS OF OLE SPRINGS BOTTLERS (PVT) LTD

Report on the Financial Statements

We have audited the accompanying financial statements of Ole Springs Bottlers (Pvt) Ltd, ("the Company"), which comprise the statement of financial position as at 31st December 2017, and the statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year ended 31st December 2017, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

The Board of Directors ("the Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs), and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility,

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, if any, made by the management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

1. As disclosed in Note 13 to the financial statements, the company's redeemable preference shares, carried at a cost of Rs. 175,544,380, is accounted for under equity. According to Section 22 of the SLFRS for SMEs, this instrument should initially be measured at the fair value of the future cash payments. However, due to the non-availability of the terms and conditions, the impact cannot be quantified.

Qualified Opinion

In our opinion, except for the possible effects arising from the matter referred to in the preceding paragraph, under basis for qualified opinion these financial statements give a true and fair view of the financial position of the Company as at 31st December 2017, and of its financial performance and cash flows for the year ended 31st December 2017 then ended in accordance with the Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs).

Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of qualified opinion, scope and limitations of the audit are as stated above.
- b) In our opinion:
 - except for above matter referred to in the basis for qualified opinion, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - the financial statements of the Company, comply with the requirements of Section 151 of the Companies Act.

SJMS Associates

SJMS ASSOCIATES
Chartered Accountants

Colombo

26th January 2018

P. E. A. Jayewickreme, M. B. Ismail, Ms. S. L. Jayasuriya, G. J. David, Ms. F. M. Marikkar, Ms. M. S. J. Henry, R. H. M. Minfaz, Ms. S. Y. Kodagoda

OLE SPRINGS BOTTLERS (PVT) LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2017


	Note	Year ended 31.12.2017 Rs.	Year ended 31.12.2016 Rs.
Revenue		4,651,140,511	4,473,854,958
Cost of sales		<u>(3,231,614,349)</u>	<u>(2,788,596,830)</u>
Gross profit		1,419,526,162	1,685,258,128
Other income	4	12,739,111	18,912,178
Administrative expenses		(130,454,957)	(122,497,909)
Selling and distribution expenses		(1,274,112,841)	(1,292,844,528)
Profit from operations		<u>27,697,475</u>	<u>288,827,869</u>
Finance and other costs	6	(59,311,670)	(173,578,837)
Profit/ (loss) before tax		<u>(31,614,194)</u>	<u>115,249,032</u>
Income tax expense	7	(1,662,483)	6,272,037
Profit/ (loss) for the year		<u>(33,276,677)</u>	<u>121,521,069</u>
Other comprehensive income/expenses			
Actuarial gain on employee benefit obligations, net		10,967,308	10,425,434
Total comprehensive income for the year		<u><u>(22,309,369)</u></u>	<u><u>131,946,503</u></u>

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

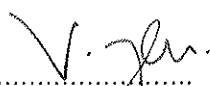
OLE SPRINGS BOTTLERS (PVT) LTD
STATEMENT OF FINANCIAL POSITION
AS AT 31ST DECEMBER 2017

	Note	31.12.2017 Rs.	31.12.2016 Rs.
Assets			
Non Current Assets			
Property, plant and equipment	8	1,984,277,964	1,611,556,022
Investment property	9	378,000,000	378,000,000
Capital work-in progress		280,813	18,484,983
Deferred tax	7.3	82,655,226	86,483,271
		<u>2,445,214,002</u>	<u>2,094,524,275</u>
Current Assets			
Inventories	10	412,862,086	424,728,547
Trade and other receivables	11	1,347,355,061	863,876,558
Deposits and prepayments	12	65,012,177	37,481,071
Cash and cash equivalents		2,547,058	69,645,660
		<u>1,827,776,382</u>	<u>1,395,731,836</u>
Total Assets		<u><u>4,272,990,385</u></u>	<u><u>3,490,256,111</u></u>
Equity and Liabilities			
Equity			
Stated capital	13	978,416,450	978,416,450
Retained earnings		221,743,833	260,891,392
Total equity		<u>1,200,160,283</u>	<u>1,239,307,842</u>
Non Current Liabilities			
Deposits payable	14	402,488,419	356,747,937
Borrowings	15	-	152,302,750
Retirement benefit obligations	16	48,361,367	52,614,439
		<u>450,849,786</u>	<u>561,665,126</u>
Current Liabilities			
Borrowings	15	-	79,795,800
Short term loans	17	201,085,000	345,914,569
Trade and other payables	18	334,796,608	740,192,134
Amounts due to related parties	20	1,975,604,971	295,379,591
Bank overdraft	19	110,493,737	228,001,049
Total Current Liabilities		<u>2,621,980,316</u>	<u>1,689,283,143</u>
Total Equity and Liabilities		<u><u>4,272,990,385</u></u>	<u><u>3,490,256,111</u></u>

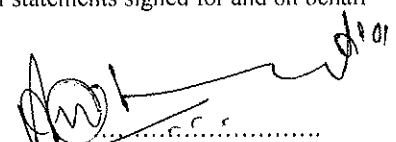
I certify that the financial statements have been prepared in compliance with the requirements of the Companies Act No 07 of 2007.


.....
Chief Financial Officer

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


.....
Director
26th January 2018




.....
Director
26th January 2018

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

OLE SPRINGS BOTTLERS (PVT) LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2017

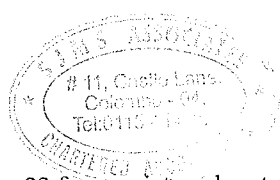
	Stated capital Rs.	Retained earnings Rs.	Total Rs.
Balance as at 01.01.2016	978,416,450	145,783,079	1,124,199,529
Total comprehensive income for the year			
Profit for the year	-	121,521,069	121,521,069
Depreciation on revalued assets	-	(16,838,190)	(16,838,190)
Other comprehensive income for the year	-	10,425,434	10,425,434
Balance as at 31.12.2016	978,416,450	260,891,392	1,239,307,842
Total comprehensive income for the period			
Loss for the year	-	(33,276,677)	(33,276,677)
Depreciation on revalued assets	-	(16,838,190)	(16,838,190)
Other comprehensive income for the year	-	10,967,308	10,967,308
Balance as at 31.12.2017	978,416,450	221,743,833	1,200,160,283

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



OLE SPRINGS BOTTLERS (PVT) LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2017

	Year ended 31.12.2017 Rs.	Year ended 31.12.2016 Rs.
Cash flows from operating activities		
Operating profit before interest and taxation	27,697,475	288,827,869
<i>Adjustments for:</i>		
Interest		
Depreciation	185,636,113	104,620,267
Profit on disposal of property, plant and equipment	(97,747)	-
Bottles and shells damaged	3,697,654	10,368,161
Trade equipment damaged	-	1,289,228
Provision for gratuity	2,838,335	5,776,604
Operating profit before working capital changes	219,771,829	410,882,129
(Increase)/ decrease in inventories	11,866,461	(108,305,038)
(Increase)/ decrease in trade and other receivables	(481,302,254)	(90,659,867)
(Increase)/ decrease in deposits and prepayments	(27,531,106)	(19,107,723)
(Increase)/ decrease in intercompany receivables	-	297,309,553
Increase/ (decrease) in trade and other payables	(359,655,044)	313,935,848
Increase/ (decrease) in intercompany payables	1,680,225,379	219,790,157
Cash generated from operations	1,043,375,266	1,023,845,058
Income tax paid	(10,689)	1,461,409
Interest paid	(54,122,458)	(173,578,837)
Gratuity paid	(1,313,311)	(5,191,443)
Cash flows from operating activities	987,928,809	846,536,187
Cash flows from investing activities		
Acquisition of property, plant and equipment	(560,862,830)	(262,150,824)
Proceeds on sale of property, plant and equipment	270,850	-
Net cash utilized in investing activities	(560,591,980)	(262,150,824)
Cash flows from financing activities		
Net borrowings	(376,928,119)	(499,837,593)
Net cash utilized in financing activities	(376,928,119)	(499,837,593)
Net increase/ (decrease) in cash and cash equivalents	50,408,711	84,547,770
Cash and cash equivalents at the beginning of the period	(158,355,389)	(242,903,158)
Cash and cash equivalents at the end of the period	(107,946,679)	(158,355,389)
Analysis of cash and cash equivalents at the end of the period		
Cash in hand and cash at bank	2,547,058	69,645,660
Bank overdraft	(110,493,737)	(228,001,049)
	(107,946,679)	(158,355,389)



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

**OLE SPRINGS BOTTLERS (PVT) LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017**

1. General

1.1 Reporting entity

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

1.2 Principal activities and nature of operations

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

1.3 Parent and ultimate parent enterprises

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

1.4 Date of authorization for issue

The financial statements were approved for issue by the Board of Directors on 26th January 2018

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared on a going concern basis and in compliance with the Sri Lanka Accounting Standard for Small and Medium-Sized Entities (SLFRS for SMEs) laid down by The Institute of Chartered Accountants of Sri Lanka except for Note 2.8.2.

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

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

2.2 Foreign currency and presentation currency

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

2.3 Revenue

2.3.1 Goods sold

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

2.3.2 Interest

Interest income is recognized on accrual basis.

2.3.3 Other gains and losses

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

2.3.4 Others

Other income is recognized on an accrual basis.

2.4 Expenditure recognition

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

2.5 Leases

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

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

2.6 Borrowing cost

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

2.7.1 Income tax expense

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

Current tax

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

Deferred tax

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

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

2.8 Stated capital

2.8.1 Ordinary shares

Ordinary shares are classified as equity.



2.8.2 Redeemable preference shares

The company has classified redeemable preference shares under equity.

2.9 Property, plant and equipment

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

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

Assets	Rate (%)
Computers	25.00
Furniture and Fittings	10.00
Motor Vehicles	14.29
Trade Equipment	12.50
Office Equipment	25.00
Buildings	3.34
Plant and Machinery	4.75
Tools and Equipment	4.75
Bottles and Crates	12.50

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

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

2.9.1 Investment property

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

2.9.2 Impairment of non-financial assets

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

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

3.1 Financial instruments

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

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

3.2.1 Defined benefit plan – Gratuity

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

3.2.2 Defined contribution plan - EPF & ETF

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the Income Statement as in the periods during which services are rendered by employees.

Employees' Provident Fund

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

Employees' Trust Fund

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

3.3 Judgments and key sources of estimation of uncertainty

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

3.4 Inventories

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

Raw materials - On actual cost on a weighted average basis

Finished goods - Valued at standard cost basis

Other inventories - On actual cost on a weighted average basis

3.5 Events after the reporting period date

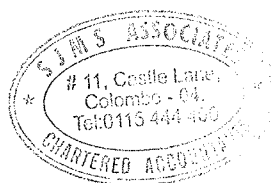
All material events after the reporting period date are considered and where necessary adjustments have been made in the financial statements.

3.6 Capital commitments and contingencies

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



	Year ended 31.12.2017 Rs.	Year ended 31.12.2016 Rs.
4. Other income		
Scrap sales	9,342,247	12,197,064
Rent income	2,880,000	2,880,000
Miscellaneous income	-	2,596,397
Other balance write back	360,386	-
Profit on sales of fixed asset	97,747	-
Interest income	58,730	1,238,717
	<u>12,739,111</u>	<u>18,912,178</u>
5. Profit/(loss) before tax is stated after charging all expenses including the following:		
Personnel cost	102,251,865	96,978,884
Defined contribution plan costs - EPF & ETF	12,118,552	11,031,372
Provision for gratuity	2,838,335	2,653,869
Bonus	12,706,842	12,638,157
Depreciation	185,636,113	104,620,267
Auditor's fees - audit related	811,438	1,050,260
6. Finance and other costs		
Bank overdraft interest	20,865,504	29,976,050
Bank charges	1,554,839	4,160,058
Exchange loss	5,156,466	9,499,955
loan interest	26,545,649	126,820,038
Interest charge gratuity	5,189,212	3,122,735
	<u>59,311,670</u>	<u>173,578,836</u>



	Year ended 31.12.2017 Rs.	Year ended 31.12.2016 Rs.
7. Taxation		
7.1 Income tax expense		
Deferred tax provision/(reversal)	3,828,045	(26,077,416)
Income tax expense - Current period	10,689	21,266,789
- Previous year assessed	(2,176,251)	(1,461,410)
	<u>1,662,483</u>	<u>(6,272,037)</u>

7.2 Reconciliation of the total tax charge

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

Accounting profit/ (loss) as per income tax computation	(31,614,194)	115,249,032
Allowable credits	(349,202,145)	(181,927,763)
Non- deductible expenses	251,250,309	182,290,505
Interest income - Gross	58,730	1,238,717
Tax loss claimed up to 35%	(20,556)	(40,897,672)
Tax profit/ (loss) for the year of assessment	<u>(129,527,856)</u>	<u>75,952,819</u>

Tax expense at 28%	10,689	21,266,789
	<u>10,689</u>	<u>21,266,789</u>

7.3 Deferred tax balances

	Property, plant & equipment Rs.	Retirement benefit obligation Rs.	Unused tax losses Rs.	Total Rs.
Balance as at 1 st January 2016	(104,340,533)	9,368,207	155,378,181	60,405,855
Recognized in profit or loss	(102,477,768)	5,363,836	123,191,348	26,077,416
Balance as at 31 st December 2016	<u>(206,818,301)</u>	<u>14,732,043</u>	<u>278,569,529</u>	<u>86,483,271</u>
Recognized in profit or loss	(40,109,631)	(1,190,860)	37,472,446	(3,828,045)
Balance as at 31 st December 2017	<u>(246,927,932)</u>	<u>13,541,183</u>	<u>316,041,975</u>	<u>82,655,226</u>



	31.12.2017 Rs.	31.12.2016 Rs.
8. Property, plant and equipment		
Freehold property, plant and equipment (Note 8.1)	1,984,277,964	1,611,556,023
	<u>1,984,277,964</u>	<u>1,611,556,023</u>

8.1 Freehold property, plant and equipment

Cost	Balance as at 01.01.2017 Rs.	Additions Rs.	Disposals/ write off Rs.	Balance as at 31.12.2017 Rs.
Land	594,314,280	-	-	594,314,280
Buildings	93,352,082	49,973,378	-	143,325,460
Plant and machinery	457,662,766	18,185,336	-	475,848,102
Office equipment	7,755,083	448,600	(199,000)	8,004,683
Furniture & fittings	10,434,035	61,902	-	10,495,937
Computers	28,299,818	638,030	(58,638)	28,879,210
Trade equipment	215,720,624	85,611,665	-	301,332,289
Tools and equipment	5,967,102	-	-	5,967,102
Motor vehicles	23,225,077	14,040,000	-	37,265,077
Bottle and crate	1,063,281,556	410,108,090	(24,463,954)	1,448,925,692
Total	<u>2,500,012,423</u>	<u>579,067,000</u>	<u>(24,721,592)</u>	<u>3,054,357,831</u>

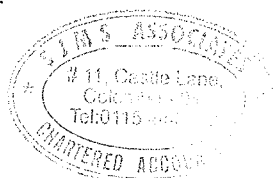
Accumulated depreciation	Balance as at 01.01.2017 Rs.	Additions Rs.	Disposals / write off Rs.	Balance as at 31.12.2017 Rs.
Buildings	37,422,720	7,991,301	-	45,414,021
Plant and machinery	100,916,846	22,992,420	-	123,909,266
Office equipment	6,347,659	462,793	(25,897)	6,784,555
Furniture and fittings	8,422,660	531,722	-	8,954,382
Computers	25,430,103	1,088,212	(58,638)	26,459,676
Trade equipment	93,705,953	22,146,454	-	115,852,407
Tools and equipment	5,617,063	31,859	-	5,648,922
Motor vehicles	21,612,619	1,505,570	-	23,118,189
Bottle and crate	588,980,777	145,723,972	(20,766,300)	713,938,449
Total	<u>888,456,400</u>	<u>202,474,303</u>	<u>(20,850,836)</u>	<u>1,070,079,867</u>

Net book value	<u>1,611,556,023</u>			<u>1,984,277,964</u>
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9. Investment property

	Balance as at 01.01.2017 Rs.	Additions Rs.	Disposals / write off Rs.	Balance as at 31.12.2017 Rs.
Land	378,000,000	-	-	378,000,000
	<u>378,000,000</u>	<u>-</u>	<u>-</u>	<u>378,000,000</u>

		31.12.2017 Rs.	31.12.2016 Rs.
10. Inventories			
Finished goods		95,596,762	85,151,071
Raw materials		275,305,569	298,294,322
Chemicals and fuel		12,179,687	12,251,242
Spare parts		29,780,067	26,881,501
Goods in transit		-	2,150,410
		<u>412,862,086</u>	<u>424,728,547</u>
11. Trade and other receivables			
Trade debtors		1,273,334,744	811,607,951
Less: Impairment of trade debtors		(10,893,282)	(10,893,282)
		<u>1,262,441,461</u>	<u>800,714,669</u>
Other receivables		19,496,771	26,251,494
Receivable from CGIR - ESC & Advance tax payment		64,486,925	35,818,691
Staff loans and festival advances		929,902	1,091,704
		<u>1,347,355,061</u>	<u>863,876,558</u>
12. Deposits and prepayments			
Deposits and prepayments		65,012,177	37,481,071
		<u>65,012,177</u>	<u>37,481,071</u>
13. Stated capital	No. of shares		
Fully paid ordinary shares	126	1,260	1,260
Fully paid Class "A" ordinary shares	80,287,081	802,870,810	802,870,810
Fully paid redeemable preference shares	17,554,438	175,544,380	175,544,380
		<u>978,416,450</u>	<u>978,416,450</u>
14. Deposit payables			
Bottle deposit payable		367,723,205	327,829,072
Deposits received from dealers		34,765,215	28,918,865
		<u>402,488,419</u>	<u>356,747,937</u>
15. Borrowings			
Long term loans			
Hatton National Bank		-	83,300,000
Sampath Bank		-	33,328,000
People's Bank		-	39,555,000
Commercial Bank		-	75,915,550
		<u>-</u>	<u>232,098,550</u>
Short term portion payable within one year		-	79,795,800
Long term portion payable after one year		-	152,302,750



	31.12.2017 Rs.	31.12.2016 Rs.
16. Retirement benefit obligations		
Balance at the beginning of the year	52,614,439	62,454,712
Gratuity charge for the year	2,838,335	2,653,869
Interest charge for the year	5,189,212	3,122,735
Payments made during the year	(1,313,311)	(5,191,443)
Actuarial (gain)/ loss	(10,967,308)	(10,425,434)
Balance at the end of the year	<u>48,361,367</u>	<u>52,614,439</u>

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

Expected future salary increment	9%	13%
Discount rate	13%	13%
Retirement age	55 years	55 years
Employees turnover ratio	3%	3%

17. Short term loans		
Peoples' Bank	-	32,565,022
Hatton National Bank	-	146,560,000
Sampath Bank	-	43,300,000
National Development Bank	-	120,545,102
Commercial Bank	201,085,000	-
Softlogic Finance	-	2,944,445
	<u>201,085,000</u>	<u>345,914,569</u>

17.1 Securities pledged for short term loans and bank overdrafts

Name of the bank and nature of the security

- a) Hatton National Bank Concurrent mortgage bond for Rs. 367 Mn over Property at No. 140, Low Level Road Embulgama, Ranala-(Peoples Bank 197Mn and HNB Rs.170Mn) on First pari passu basis. First Pari passu charge for Rs.367 Mn on the immovable plant and machinery at no 140, Low Level Road, Embulgama, Ranala (Peoples Bank-Rs.197Mn and HNB-Rs.170Mn)
- b) People's Bank Mortgage over property plant & machinery and empty bottles at No.140, Low Level Road, Embulgama, Ranala. Documents of titled of goods shipped, Indemnity of the Company.
- c) Commercial Bank PLC General terms and conditions relating to Short Term Loan/ Import Loan and Corporate guarantee of Varun Beverages Lanka (Pvt) Ltd



	31.12.2017 Rs.	31.12.2016 Rs.
18. Trade and other payables		
Trade payables	129,594,505	335,381,452
Stamp duty	65,145	65,600
Excise duty	112,845,962	119,276,752
ESC	4,358,821	5,269,266.0
Value added tax	9,700,628	9,767,726
Nation building tax	674,605	3,048,611
Accrued and other payables	77,556,942	267,382,726
	<u>334,796,608</u>	<u>740,192,134</u>

19. Bank overdraft	<u>110,493,737</u>	<u>228,001,049</u>
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20. Related party transactions

20.1 Identification of related parties

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

During the year, Mr. Ravi Kant Jaipuria, Mr. Vishal Jain, Mr. Ajay Kumar Bhartia were the directors of the company.

20.2 Balance outstanding as at 31st December 2017

Related party	Amount due from related parties		Amount due to related parties	
	31.12.2017 Rs.	31.12.2016 Rs.	31.12.2017 Rs.	31.12.2016 Rs.
Varun Beverages Lanka (Pvt) Ltd		-	1,947,735,693	233,775,287
Varun Beverages Limited	-	-	27,869,278	61,604,305
	<u>-</u>	<u>-</u>	<u>1,975,604,971</u>	<u>295,379,591</u>

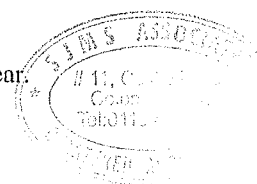
20.3 During the year, the company entered into the following transactions with the related parties

		Purchased & sales of goods		Other transactions	
		31.12.2017 Rs.	31.12.2016 Rs.	31.12.2017 Rs.	31.12.2016 Rs.
Varun Beverages Lanka (Pvt) Ltd	Purchases	1,368,464,585	451,257,560	(367,354,062)	223,636,672
	Sales	(21,858,240)	-	-	-
Varun Beverages Limited		70,973,823	93,819,214	(104,708,850)	(107,804,344)
		<u>1,417,580,168</u>	<u>545,076,774</u>	<u>(472,062,912)</u>	<u>115,832,328</u>

20.4 Remuneration to key management personnel

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

There was no compensation paid to key management personnel during the year.



21. Capital commitments and contingencies

Estimated amount of contracts remaining to be executed on capital account not provided for (net of advance) Rs.25,893,298/-.

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

Legal cases have been filed against the Company worth of Rs.490,000/- for employee and product related matters.

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

The Department of Inland Revenue has issued an assessments for VAT for the year 2013 for Rs.412,010,752 and the company has appealed against the assessment and settlements.

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

22. Events after the reporting period date

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



OLE SPRINGS BOTTLERS (PVT) LTD

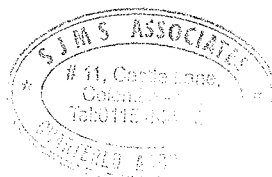
**DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017**

OLE SPRINGS BOTTLERS (PVT) LTD
DETAILED SCHEDULES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2017

	Year ended 31.12.2017 Rs.	Year ended 31.12.2016 Rs.
1. Revenue		
Local sale	5,511,949,103	5,400,975,210
Export sale	622,389	6,941,954
Trade discount	(233,691,071)	(195,521,371)
	<u>5,278,880,421</u>	<u>5,212,395,793</u>
 Nation building tax	 (83,307,794)	 (95,467,705)
Excise duty	(544,432,116)	(643,073,130)
	<u>4,651,140,511</u>	<u>4,473,854,958</u>
 2. Cost of sales		
Finished goods at the beginning of the year	85,151,071	69,885,802
Finished goods purchase	1,091,746,053	210,490,318
Factory cost transferred (<i>Schedule 2.1</i>)	2,150,313,988	2,593,371,782
	<u>3,327,211,111</u>	<u>2,873,747,902</u>
 Finished goods at the end of the year	 (95,596,762)	 (85,151,071)
	<u>3,231,614,349</u>	<u>2,788,596,830</u>
 2.1 Cost of finished goods manufactured		
Raw materials at the beginning of the year	298,294,322	174,745,046
Raw material purchase	1,512,141,402	2,120,032,995
Raw material at the end of the year	(275,305,569)	(298,294,322)
Raw material consumed	1,535,130,155	1,996,483,719
Production overheads (<i>schedule 2.2</i>)	615,183,833	596,888,063
	<u>2,150,313,988</u>	<u>2,593,371,782</u>



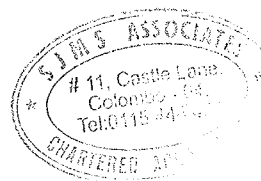
	Year ended 31.12.2017 Rs.	Year ended 31.12.2016 Rs.
2.2 Production overheads		
Salaries	58,916,815	54,316,931
Wages	28,045,204	23,741,463
Overtime	50,870,563	41,753,209
Bonus	9,329,276	9,465,810
Allowance	1,206,700	827,150
Employees' provident fund	7,070,018	6,518,032
Employees' trust fund	1,767,504	1,629,508
Staff welfare	5,788,969	5,059,018
Medical	1,343,465	362,309
Terminal gratuity	1,635,429	1,486,406
Fuel	42,646,513	49,982,910
Chemicals	33,268,508	40,802,801
Breakages	21,742,222	25,388,302
Lab consumables	2,882,128	2,228,759
Technical service fee	75,457,035	100,609,384
Staff uniforms	1,313,030	1,858,122
Electricity	54,045,377	65,736,357
Telephone	789,401	507,550
General insurance	916,795	1,453,212
Security charges	11,573,231	11,735,330
Motor vehicle fuel	1,082,743	522,524
Depreciation	6,431,764	5,384,328
- Factory building	6,487,918	4,689,653
- Plant and machinery	15,810	9,415
- Office equipment	346,340	323,436
- Furniture and fittings	501,712	253,041
- Motor vehicles and forklift	362,737	262,089
- Computers	145,723,972	79,696,937
- Bottles and crates	6,286,954	6,528,101
Building repair and maintenance	35,477,290	53,647,995
Maintenance expenses	1,858,411	107,980
Loading charges	615,183,833	596,888,063



	Year ended 31.12.2017 Rs.	Year ended 31.12.2016 Rs.
3. Administrative expenses		
Salaries - staff	7,159,386	11,742,310
Wages	757,025	4,744,826
Overtime	256,267	2,788,445
Staff training expenses	142,029	-
Allowance	791,041	796,756
Bonus	635,342	480,358
Employees' provident fund	536,440	463,111
Employees' trust fund	214,644	352,007
Medical	442,071	353,518
Staff welfare	1,052,651	627,146
Terminal gratuity	198,732	321,333
Tea and flooding	15,809,901	10,532,551
Compensation	98,825	237,636
External auditors' remuneration	811,438	1,050,260
Internal auditors' remuneration	2,118,942	1,317,594
Auditors expense reimburse	207,163	96,316
Staff recruitment expenses	996,490	8,000
Electricity	155,699	-
Telephone	2,953,698	1,884,246
Printing and stationery	9,036,370	6,843,698
Postage and telegrams	887,084	717,351
Stamp duty	571,212	266,175
Depreciation		
- Building	1,257,707	1,005,690
- Furniture and fittings	185,382	173,123
- Office equipment	446,983	266,184
- Motor vehicle	1,003,858	506,301
- Computer	725,475	524,179
Computer maintenance	2,243,485	2,172,203
Fees and penalties	114,108	61,800
Motor vehicle insurance	395,506	91,658
Rent	3,289,200	2,259,000
Entertainment	105,180	29,060
Foreign travelling	10,012,579	3,744,579
Expenses for administrative service	43,200,000	43,200,000
Consultancy fee	2,992,300	4,060,342
Legal fee	694,850	572,700
Roc document fees	-	62,650
Subscriptions and periodicals	244,126	496,959
Water	8,469	43,358
Motor vehicle maintenance and repairs	6,304,732	8,425,577
Motor vehicle fuel	3,695,369	2,314,727
Accounting charges	569,744	519,897
Donation	-	31,201
Other tax	3,010,684	3,579,510
Travelling and transport	4,122,768	2,733,570
	<u>130,454,957</u>	<u>122,497,909</u>



	Year ended 31.12.2017 Rs.	Year ended 31.12.2016 Rs.
4. Selling and distribution expenses		
Salaries - staff	36,175,664	30,919,643
Wages	107,061,789	43,254,553
Staff welfare	290,241	152,920
Allowance	21,573,041	4,290,619
Security charges	-	1,308,077
Overtime	18,000,590	10,561,960
Bonus - executives	2,742,224	2,691,988
Staff incentives	11,518,147	47,544,717
Employees' provident fund	1,659,951	1,140,984
Electricity	-	1,048,895
Employees' trust fund	1,084,639	927,731
Terminal gratuity	1,004,174	846,129
Medical	1,106,066	458,648
Motor vehicle fuel	40,967,080	12,400,154
Freight expenses	33,296	303,026
Tea & flooding	46,038,792	9,894,843
Discount and other selling expenses	658,764,119	630,301,646
Rent expenses	2,453,500	5,935,640
Conferences and meetings expenses	1,539,186	485,256
Leakage breakage	37,253,106	31,988,472
Bad debt write off	409,980	-
Sundry written off	-	184,081
Motor vehicle maintenance and repairs	28,434,571	11,725,900
Trade equipment hire charges	27,729,962	110,824,248
Transport charges	163,062,074	274,786,486
Contract outlet expenses	32,070,030	26,754,950
Marketing equipment damage		1,289,228
Building repair and maintenance	8,510	-
Telephone	-	49,541
Loading charges	69,750	868,354
Trade equipment maintenance	9,965,609	17,603,281
Travelling	950,296	776,667
Depreciation - Trade equipment	22,146,454	11,525,891
	<u>1,274,112,841</u>	<u>1,292,844,528</u>



	As at 31.12.2017 Rs.	As at 31.12.2016 Rs.
5. Cash at bank and cash in hand		
Cash at Bank		
Hatton National Bank PLC Shipping Guarantee margin	-	1,068,000
Commercial Bank Ceylon Shipping Guarantee margin	1,085,000	-
People's Bank - International Shipping Guarantee margin	-	1,560,911
Hatton National Bank Wattala	-	609,620
National Development Bank - Colombo 02	-	5,319,160
Sampath Bank - Colombo 02	149,300	-
People's Bank - International	-	9,194,322
Standard Chartered Bank- Fort Branch 3	571	613,071
Axis Bank	13,313	13,313
Peoples' Bank - Hanwella	-	46,206,803
Saving Account - Sampath Bank	323	4,168,461
	<u>1,248,506</u>	<u>68,753,660</u>
Cash in hand	<u>1,298,552</u>	<u>892,000</u>
	<u>2,547,058</u>	<u>69,645,660</u>
6. Bank overdraft		
Hatton National Bank - Kaduwela	1,092,518	109,621,432
People's Bank - International	44,925,209	-
Peoples' Bank - Hanwella	13,375,473	-
Sampath Bank - Colombo 02	-	96,235,007
National Development Bank - Colombo 02	3,024	-
Commercial Bank Ceylon	51,097,513	22,144,609
	<u>110,493,737</u>	<u>228,001,049</u>
7. Accrued and other payables		
Electricity	3,172,890	4,638,242
Security	900,000	920,000
Interest	-	1,190,566
Accrued others	63,169,560	190,972,175
Auditor's remuneration	172,125	250,000
Claim payable	-	58,358,986
Telephone payable	500,000	90,000
Transport	4,453,756	-
Unclaimed termination benefit	3,197,416	1,098,591
Tax fee	102,000	350,314
Staff incentive	1,889,196	9,513,853
	<u>77,556,942</u>	<u>267,382,726</u>

