



AUDITED FINANCIAL STATEMENTS OF SUBSIDIARIES OF VARUN BEVERAGES LIMITED AS AT DECEMBER 31, 2018

- 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 (PVT) LTD

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

**FOR THE YEAR ENDED
31ST DECEMBER 2018**

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the 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 2018, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described to in the paragraphs (1) and (2) in the basis for qualified opinion section of our report, the accompanying the consolidated financial statements present fairly, in all material respects of the financial position of the company and the group, as at 31st December 2018, 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).

Basis for Qualified Opinion

1. Borrowing cost amounting to Rs.665.4 million incurred to acquire property, plant and equipment has been capitalized in these financial statements; 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 income for the year ended 31st December 2018 is understated by Rs.24.2 million and retained earnings as of 31st December 2018 has been overstated by Rs.560.4 million, 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 2018 are overstated by Rs 560.4 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. 6,057.2 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. 2,621.5 million as of the reporting date. The profit for the year ended 31st December 2018 and retained earnings as of 31st December 2018 is overstated by Rs.458.7 million and Rs.1,342.9 million respectively, due to the non-recognition of interest expense on the liability component of the redeemable preference shares..

We conducted our audit in accordance with Sri Lanka Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance with Code of Ethics issued by The Institute of Chartered Accountants of Sri Lanka, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Matter

We have issued a separate set of audited financial statements for the six months ended 30th June 2018 with a qualified opinion on same matters as reported above.

Other Information

Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. At the date of this auditor's report, other information was not made available to us.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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


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

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

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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; we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, except for the matters (1) to (2) referred in the basis for qualified opinion paragraph, proper accounting records have been kept by the Company.



SJMS ASSOCIATES

Chartered Accountants

Colombo

1st February 2019

VARUN BEVERAGES LANKA (PRIVATE) LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	Company 31.12.2018 Rs.	Group 31.12.2018 Rs.	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.
Revenue	4	1,460,281,274	2,665,028,095	1,418,874,111	4,881,116,993
Cost of sales	5	(1,043,802,711)	(1,918,456,620)	(1,223,796,034)	(3,142,909,621)
Gross profit		416,478,564	746,571,475	195,078,077	1,738,207,372
Other income	6	644,247,760	639,360,604	487,763,888	293,658,399
		1,060,726,323	1,385,932,079	682,841,966	2,031,865,771
Less: Expenditure					
Administrative expenses		(175,103,152)	(234,896,814)	(157,902,563)	(242,277,521)
Selling and distribution expenses		(638,264,747)	(1,495,943,155)	(439,482,932)	(1,685,889,711)
Profit/(loss) from operations		247,358,423	(344,907,890)	85,456,471	103,698,540
Finance and other costs	8	(147,120,311)	(399,489,447)	(158,746,138)	(239,800,029)
Loss before tax	7	100,238,112	(744,397,337)	(73,289,667)	(136,101,490)
Income tax expense/(reversal)	9	-	143,256,731	(2,874,553)	(4,537,036)
Loss for the year		100,238,112	(601,140,606)	(76,164,220)	(140,638,526)
Other comprehensive income/(expense)		-	-	-	-
Actuarial gain/(loss) on employee		10,219,389	14,352,920	(7,833,942)	3,133,366
Total comprehensive income/ (expense) for the year		110,457,501	(586,787,687)	(83,998,162)	(137,505,160)
Attributable to :					
Owners of the parent		110,457,501	(586,787,687)	(83,998,162)	(137,505,160)
Non-controlling interest		110,457,501	(586,787,687)	(83,998,162)	(137,505,160)

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 2018

	Note	Company 31.12.2018 Rs.	Group 31.12.2018 Rs.	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.
Assets					
Non Current Assets					
Property, plant and equipment	10	2,759,448,785	4,939,633,696	2,950,627,059	5,312,905,025
Capital work-in-progress	11	-	-	1,825,428	2,106,240
Deferred tax asset	9.1	-	225,911,957	-	82,655,226
		<u>2,759,448,785</u>	<u>5,165,545,653</u>	<u>2,952,452,487</u>	<u>5,397,666,491</u>
Investment in subsidiary - Ole Springs Bottlers (Pvt) Ltd.		1,116,373,170	-	1,116,373,170	-
Current Assets					
Inventories	12	279,523,797	406,761,116	422,087,578	818,081,914
Trade and other receivables	13	348,591,462	1,208,216,358	230,769,902	1,633,436,507
Amounts due from related parties	23	2,237,856,730	48,399,414	2,181,715,025	233,979,332
Cash and cash equivalents	14	108,384,646	119,421,020	10,880,739	13,427,797
		<u>2,974,356,635</u>	<u>1,782,797,908</u>	<u>2,845,453,244</u>	<u>2,698,925,551</u>
Total Assets		<u>6,850,178,590</u>	<u>6,948,343,561</u>	<u>6,914,278,900</u>	<u>8,096,592,042</u>
Equity and Liabilities					
Equity					
Stated capital	15	6,624,976,100	6,624,976,100	6,383,031,600	6,383,031,600
Accumulated losses		(596,105,075)	(1,226,430,908)	(706,562,576)	(639,643,221)
Total Equity		<u>6,028,871,025</u>	<u>5,398,545,192</u>	<u>5,676,469,024</u>	<u>5,743,388,379</u>
Non Current Liabilities					
Bottle deposit payable	16	25,870,999	154,662,062	24,178,378	426,666,798
Borrowings	17	-	-	-	-
Retirement benefit obligations	18	44,125,260	77,243,066	34,806,732	83,168,099
Lease creditors	19	2,659,999	2,659,999	4,264,968	4,264,968
		<u>72,656,258</u>	<u>234,565,128</u>	<u>63,250,077</u>	<u>514,099,865</u>
Current Liabilities					
Borrowings	20	352,710,620	550,083,331	581,694,302	782,779,302
Lease creditors	19	1,604,947	1,604,947	7,194,691	7,194,691
Trade and other payables	21	363,833,996	640,939,414	248,926,566	574,022,550
Amounts due to related parties	23	6,624,384	27,741,482	10,043,882	37,913,160
Bank overdraft	22	23,877,359	94,864,067	326,700,359	437,194,096
Total Current Liabilities		<u>748,651,306</u>	<u>1,315,233,241</u>	<u>1,174,559,799</u>	<u>1,839,103,798</u>
Total Equity and Liabilities		<u>6,850,178,590</u>	<u>6,948,343,561</u>	<u>6,914,278,900</u>	<u>8,096,592,042</u>

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

[Signature]
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;

[Signature]
Director
1st February 2019

[Signature]
Director
1st February 2019

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 2018

Company	Stated Capital Rs.	Accumulated Losses Rs.	Total Rs.
Balance as at 01.01.2017	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
Preference shares issued	469,044,500		469,044,500
Preference shares redeemed	(227,100,000)		(227,100,000)
Profit/ (loss) for the year	-	100,238,112	100,238,112
Other comprehensive income/(loss) for the year	-	10,219,389	10,219,389
Balance as at 31.12.2018	6,624,976,100	(596,105,075)	6,028,871,025

Group	Stated Capital Rs.	Accumulated Losses Rs.	Total Rs.
Balance as at 01.01.2017	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 year		(140,638,525)	(140,638,525)
Other comprehensive income/(loss) for the year		3,133,366	3,133,366
Balance as at 31.12.2017	6,383,031,600	(639,643,221)	5,743,388,379
Preference shares issued	469,044,500		469,044,500
Preference shares redeemed	(227,100,000)		(227,100,000)
Profit/(loss) for the year		(601,140,606)	(601,140,606)
Other comprehensive income/(loss) for the year		14,352,920	14,352,920
Balance as at 31.12.2018	6,624,976,100	(1,226,430,908)	5,398,545,192

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 2018

	Company Year ended 31.12.2018 Rs.	Group Year ended 31.12.2018 Rs.	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.
Cash Flows from Operating Activities				
Operating profit/(loss) before interest and taxation	247,358,423	(344,907,890)	70,262,379	83,600,417
Adjustment for:				
Depreciation	246,973,143	458,527,702	262,584,709	448,220,822
Gain/(loss) on disposal of property, plant and equipment	-	-	(19,090,854)	(19,188,601)
Bottles and shells damaged	-	-	-	12,160,998
Provision for gratuity	5,693,298	7,276,276	7,075,088	9,913,423
Operating profit before working capital changes	500,024,864	120,896,088	320,831,322	534,707,058
Working Capital Changes				
(Increase)/decrease in inventories	114,922,243	292,224,069	(197,300,910)	(171,075,010)
Increase/(decrease) in amounts due to related parties	(3,419,498)	(10,171,678)	(68,922,738)	(102,657,767)
(Increase)/decrease in amounts due from related parties	(42,194,708)	185,579,919	(1,918,355,110)	(204,394,705)
(Increase)/decrease in accounts receivable	(117,821,561)	425,220,149	354,528,523	(300,368,256)
Increase/(decrease) in accounts payable	116,600,051	(205,087,872)	136,772,879	(79,005,676)
Cash generated from/(used in) operations	568,111,393	808,660,675	(1,372,446,032)	(322,794,355)
Income tax paid	-	-	(2,739,417)	(563,166)
Interest paid	(67,249,878)	(106,302,610)	(139,280,658)	(193,403,116)
Gratuity paid	(6,440,363)	(9,660,242)	(1,525,152)	(2,838,463)
Cash flows from operating/(used in) activities	494,421,153	692,697,823	(1,515,991,259)	(519,599,100)
Cash Flows from Investing Activities				
Acquisition of property, plant and equipment	(101,535,627)	(242,687,044)	(201,130,086)	(504,786,502)
Expenditure on capital work in progress	(597,375)	(6,056,607)	(27,916,623)	(28,197,435)
Proceeds on sale of property, plant and equipment	3,203,887	3,246,500	467,277,753	202,159,651
Net cash used in investing activities	<u>(98,929,114)</u>	<u>(245,497,150)</u>	<u>238,231,044</u>	<u>(330,824,285)</u>
Cash Flows from Financing Activities				
Net borrowings	(228,983,681)	(232,695,971)	(1,381,210,546)	(1,758,138,665)
Issue of preference shares	469,044,500	469,044,500	3,162,839,000	3,162,839,000
Redemption of preference shares	(227,100,000)	(227,100,000)	(454,200,000)	(454,200,000)
Lease payments	(8,125,950)	(8,125,950)	(12,261,989)	(12,261,989)
Net cash flow from investing activities	<u>4,834,869</u>	<u>1,122,579</u>	<u>1,315,166,465</u>	<u>938,238,346</u>
Net increase/decrease in cash and cash equivalents	400,326,907	448,323,252	37,406,250	87,814,961
Cash and cash equivalents at the beginning of the year	<u>(315,819,620)</u>	<u>(423,766,299)</u>	<u>(353,225,871)</u>	<u>(511,581,261)</u>
Cash & cash equivalents at the end of the year (Note 14, 22)	<u>84,507,287</u>	<u>24,556,953</u>	<u>(315,819,620)</u>	<u>(423,766,299)</u>
Analysis of cash and cash equivalents at the end of the year				
Cash in hand and cash at bank	108,384,646	119,421,020	10,880,739	13,427,797
Bank overdraft	<u>(23,877,359)</u>	<u>(94,864,067)</u>	<u>(326,700,359)</u>	<u>(437,194,096)</u>
	<u>84,507,287</u>	<u>24,556,953</u>	<u>(315,819,620)</u>	<u>(423,766,299)</u>

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 2018

1. General

1.1 Reporting Entity

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

1.2 Principal activities and nature of operations

The Company – Varun Beverages Lanka (Private) Limited

The principle activity of the company is to manufacturing, selling and distribution of non-alcoholic beverages & purified drinking water.

Subsidiary – Ole Springs Bottlers (Pvt) Ltd

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

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 1st February 2019.

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 2018 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 foreign currency loans taken to finance fixed asset acquisition is capitalized with the respective asset.

2.3 Revenue

2.3.1 Sale of Goods

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

2.3.2 Other Income

2.3.2.1 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

Borrowing cost incurred on acquisition of property plant and equipment are capitalized as a part of the cost of the asset .All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.5 Leases

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

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

2.6 Income Tax Expense

2.6.1 Company

For a period of six (06) years reckoned from the year of assessment as may be determined by the Board of Investment of Sri Lanka (BOI) ("tax exemption period") the provisions of the Inland Revenue Act No. 24 of 2017 relating to the imposition, payment and recovery of income tax in respect of the profits and income of the Company shall not apply to the profit and income of the Company.

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

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

Deferred Tax

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

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss. Deferred tax 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. No deferred tax asset/liability has been recognized in these financial statement as the company is exempted from income tax for period of six years as per the agreement entered between BOI and the company.



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 24 of 2017 subsequent amendments.

The company's liability to taxation has been computed in accordance with the provision of the Inland Revenue Act No. 24 of 2017, 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 at 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 31.12.2018 Rs.	Group Year ended 31.12.2018 Rs.	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.
4. Revenue				
Local sales	2,221,679,308	4,443,099,810	1,593,932,972	5,916,984,446
Export sales	82,767,968	84,686,607	20,372,151	20,994,540
Trade discount	(126,885,332)	(508,405,608)	(9,004,020)	(242,695,092)
	<u>2,177,561,944</u>	<u>4,019,380,809</u>	<u>1,605,301,103</u>	<u>5,695,283,895</u>
Nation Building Tax	(30,558,192)	(74,499,903)	(28,455,986)	(111,763,780)
Excise duty	(686,722,478)	(1,279,852,811)	(157,971,006)	(702,403,122)
	<u><u>1,460,281,274</u></u>	<u><u>2,665,028,095</u></u>	<u><u>1,418,874,111</u></u>	<u><u>4,881,116,993</u></u>
5. Cost of Finished Goods Manufactured				
Finished goods at the at the beginning of the year	62,392,276	141,121,289	49,493,579	132,136,338
Finished goods purchase	-	52,315,369	-	69,755,768
Factory cost transferred (Note 5.1)	1,036,373,084	1,798,162,620	1,236,694,731	3,082,138,805
Finished goods at the end of the year	(54,962,649)	(73,142,658)	(62,392,276)	(141,121,289)
	<u><u>1,043,802,711</u></u>	<u><u>1,918,456,620</u></u>	<u><u>1,223,796,034</u></u>	<u><u>3,142,909,621</u></u>
5.1 Factory Cost Transferred				
Raw materials at the beginning of the year	296,915,278	572,220,847	135,739,085	434,033,407
Raw material purchase	488,539,914	628,297,636	987,108,277	2,274,740,832
Raw material at the end of the year	(146,276,142)	(205,697,309)	(296,915,278)	(572,220,847)
Raw material consumed	<u>639,179,050</u>	<u>994,821,174</u>	<u>825,932,084</u>	<u>2,136,553,392</u>
Production overheads (Note 5.2)	397,194,034	803,341,445	410,762,647	945,585,413
	<u><u>1,036,373,084</u></u>	<u><u>1,798,162,620</u></u>	<u><u>1,236,694,731</u></u>	<u><u>3,082,138,805</u></u>



	Company Year ended 31.12.2018 Rs.	Group Year ended 31.12.2018 Rs.	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.
5.2 Production Overheads				
Salaries	69,535,190	118,278,933	62,660,458	121,577,273
Wages	6,476,396	28,296,473	5,529,975	33,575,179
Overtime	12,697,885	31,742,045	25,110,515	75,981,078
Bonus	9,096,168	11,195,310	7,395,971	16,725,247
Allowance	5,693,380	6,617,111	4,332,387	5,539,087
Employees' provident fund	8,334,686	14,183,935	7,519,255	14,589,273
Employees' trust fund	2,083,670	3,545,982	1,879,815	3,647,319
Staff welfare	2,484,656	3,960,589	2,690,285	8,479,254
Medical	1,465,231	1,938,855	993,429	2,336,894
Terminal gratuity	1,696,369	2,669,449	1,784,974	3,420,403
Fuel	22,267,107	44,555,294	16,779,448	59,425,960
Chemicals	21,868,419	45,289,035	31,139,429	64,407,936
Lab consumables	-	1,555,013	-	2,882,128
Lab testing charges	2,832,853	2,832,853	4,563,655	4,563,655
Staff uniforms	-	2,465,306	-	1,313,030
Electricity	70,866,718	96,832,372	77,893,209	131,938,586
Postage and courier charges	1,041,526	1,041,526	122,786	122,786
Telephone	16,500	1,424,720	-	789,401
General insurance	2,088,141	4,135,851	3,110,182	4,026,978
Printing and stationary	1,009,384	1,009,384	2,023,203	2,023,203
Security charges	3,696,494	13,112,119	3,191,632	14,764,862
Motor vehicle fuel	-	1,152,922	-	1,082,743
Depreciation - Factory building	-	3,401,238	-	6,733,594
- Plant and machinery	104,029,812	127,396,248	110,462,081	133,486,359
- Office equipment	-	17,791	-	15,810
- Furniture and fittings	-	314,442	-	346,340
- Motor vehicles and forklift	-	800,860	-	501,712
- Computers	-	374,800	-	362,737
- Bottles and crates	-	149,281,407	-	145,723,972
Building repair and maintenance	3,956,466	9,258,691	3,506,227	9,793,180
Equipment maintenance	43,185,804	72,745,207	37,538,295	73,015,586
Travelling and transport	771,178	771,178	535,437	535,437
Loading charges	-	1,144,502	-	1,858,411
	<u>397,194,034</u>	<u>803,341,445</u>	<u>410,762,647</u>	<u>945,585,413</u>



	Company Year ended 31.12.2018 Rs.	Group Year ended 31.12.2018 Rs.	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.
6. Other Income				
Foreign services income	630,322,519	630,322,519	261,548,006	261,548,006
Blow molding income	1,015,806	-	57,601,503	-
Administration service income	10,800,000	-	43,200,000	-
Technical fee income	-	-	75,457,035	-
Disposal of property, plant and equipment	-	-	19,090,854	19,188,601
Scrap sales	1,221,984	7,943,995	2,165,998	11,508,244
Rent income	-	-	27,706,062	-
Miscellaneous income	73,547	185,176	251,928	612,314
Interest income	813,903	908,914	742,503	801,234
	<u>644,247,760</u>	<u>639,360,604</u>	<u>487,763,888</u>	<u>293,658,399</u>

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

Personnel cost	304,464,848	479,984,200	317,750,301	648,564,385
Defined contribution plan costs - EPF & E	32,399,545	42,498,546	33,510,334	45,843,530
Provision for gratuity	5,693,298	7,276,276	7,075,088	9,913,423
Bonus	22,808,473	30,314,486	25,885,863	38,592,705
Depreciation	246,973,143	458,527,702	262,584,709	448,220,822
Insurance	5,982,378	8,030,088	5,549,893	6,466,688
Auditor's fees	1,483,848	2,477,881	1,244,986	2,056,424

8. Finance Cost & Other Cost

Bank overdraft interest	42,349,737	49,797,001	49,057,426	69,922,930
Lease interest	946,226	946,226	2,323,856	2,323,856
Long term loan interest	1,120,072	1,120,072	45,723,357	45,723,357
Asset scrap loss	44,959,674	162,347,018	-	-
Breakages	27,641,539	119,096,730	15,194,092	36,936,314
Short term loan interest	16,276,406	35,453,128	26,011,047	52,556,697
Bank charges	1,857,113	2,356,488	1,610,703	3,165,542
Guarantee fee	-	-	10,663,829	10,663,829
Exchange loss	5,631,559	17,560,931	6,214,295	11,370,761
Interest on gratuity	6,337,985	10,811,853	1,947,532	7,136,744
	<u>147,120,311</u>	<u>399,489,447</u>	<u>158,746,138</u>	<u>239,800,029</u>



	Company Year ended 31.12.2018 Rs.	Group Year ended 31.12.2018 Rs.	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.
9. Taxation				
Income tax expenses				
Deferred tax (Note 9.2)	-	(143,256,731)	-	3,828,045
Income tax expenses	-	-	135,136	145,825
Tax payment for previous year	-	-	2,739,417	563,166
	<u>-</u>	<u>(143,256,731)</u>	<u>2,874,553</u>	<u>4,537,036</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	100,238,112	(744,397,337)	(73,289,667)	(119,263,299)
Allowable credits	(889,150,169)	(1,197,565,971)	(621,697,737)	(970,899,882)
Non- deductible expenses	314,793,852	673,606,338	548,250,712	799,501,021
Interest income	813,903	813,903	742,503	801,233
Tax loss claimed up to 35%	-	-	(259,876)	(280,432)
Tax loss removed for tax holiday period	479,304,302	479,304,302	146,254,065	146,736,692
Tax profit/ (loss) for the year of assessment	<u>-</u>	<u>(788,238,765)</u>	<u>-</u>	<u>(143,404,666)</u>
 Tax expense	 <u>-</u>	 <u>-</u>	 <u>135,136</u>	 <u>145,825</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 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>
Balance as at 1 st January 2018	(246,927,932)	13,541,183	316,041,975	82,655,226
Recognised in profit or loss	(6,666,442)	(898,659)	150,821,832	143,256,731
Balance as at 31 st December 2018	<u>(253,594,374)</u>	<u>12,642,524</u>	<u>466,863,807</u>	<u>225,911,957</u>



	Company 31.12.2018 Rs.	Group 31.12.2018 Rs.	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.
10. Property, Plant and Equipment				
Freehold property, plant and equipment (Note 10.1 and 10.2)	2,752,550,002	4,932,734,912	2,914,682,850	5,276,960,815
Leasehold property, plant and equipment (Note 10.3 and 10.4)	6,898,784	6,898,784	35,944,209	35,944,209
	<u>2,759,448,786</u>	<u>4,939,633,696</u>	<u>2,950,627,059</u>	<u>5,312,905,024</u>

10.1 Company

Freehold Property, Plant and Equipment

Description	Balance at the beginning of the year Rs.	Additions Rs.	Transfer Rs.	Disposals/ write off Rs.	Balance at the end of the year Rs.
Cost					
Blow molding	129,238,128				129,238,128
Building	884,438,611	5,301,328			889,739,939
Computers	11,871,495	963,450		(3,742,340)	9,092,605
Furniture & fittings	3,203,584	242,909		(9,999)	3,436,494
Machinery and other equipment	1,988,588,339	56,501,058	31,099,193	(10,401,273)	2,065,787,318
Motor vehicles	187,808,145			(1,592,720)	186,215,425
Office equipment	12,247,059	444,029		(466,845)	12,224,243
Trade equipment	684,210,529	40,505,657		(126,265,971)	598,450,214
Total	<u>3,901,605,889</u>	<u>103,958,430</u>	<u>31,099,193</u>	<u>(142,479,148)</u>	<u>3,894,184,364</u>

Accumulated Depreciation

Blow molding	41,926,364	6,138,811		-	48,065,175
Buildings	110,306,792	29,614,056		-	139,920,848
Computers	7,793,655	2,154,388		(3,742,340)	6,205,702
Furniture & fittings	1,096,306	344,947		(9,999)	1,431,253
Machinery and other equipment	327,746,003	97,891,001	3,560,681	(976,450)	428,221,235
Motor vehicles	119,693,368	26,543,764		(1,155,735)	145,081,397
Office equipment	2,165,724	2,815,758		(466,845)	4,514,638
Trade equipment	376,194,828	79,963,505		(87,964,218)	368,194,115
Total	<u>986,923,039</u>	<u>245,466,229</u>	<u>3,560,681</u>	<u>(94,315,587)</u>	<u>1,141,634,363</u>

Written Down Value	<u>2,914,682,850</u>				<u>2,752,550,002</u>
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10.2 Group

Freehold Property, Plant and Equipment

	Balance at the beginning of the year Rs.	Additions Rs.	Transfer Rs.	Disposals/ write off Rs.	Balance at the end of the year Rs.
Cost					
Land	972,314,280	-			972,314,280
Buildings	1,027,764,071	5,842,890		-	1,033,606,961
Blow molding	129,238,128	-		-	129,238,128
Computers	40,750,705	1,096,950		(28,246,554)	13,601,101
Furniture & fittings	13,699,521	268,969		(5,777,981)	8,190,510
Motor vehicles	225,073,222	-		(1,592,720)	223,480,502
Machinery and other equipment	2,464,436,440	67,106,041	31,099,193	(21,702,499)	2,540,939,176
Office equipment	20,251,742	1,029,343		(6,724,489)	14,556,597
Tools & equipment	5,967,102	-			5,967,102
Trade equipment	2,777,143,609	175,505,698		(693,095,752)	2,259,553,555
Total	7,676,638,820	250,849,892	31,099,193	(757,139,994)	7,201,447,911
Accumulated Depreciation					
Buildings	155,720,813	33,650,580	-	-	189,371,394
Computers	34,253,331	3,278,790	-	(28,246,261)	9,285,860
Blow molding	41,926,364	6,138,811	-	-	48,065,175
Furniture & fittings	10,050,688	827,698	-	(5,777,981)	5,100,405
Motor vehicles	142,811,557	28,947,040	-	(1,155,735)	170,602,862
Machinery and other equipment	451,655,269	121,225,829	3,560,681	(2,151,323)	574,290,456
Office equipment	8,950,279	3,336,553	-	(6,721,104)	5,565,728
Tools & equipment	5,648,922	31,608	-	-	5,680,530
Trade equipment	1,548,660,783	259,583,880	-	(547,494,072)	1,260,750,591
Total	2,399,678,005	457,020,789	3,560,681	(591,546,476)	2,268,712,999
Written Down Value	5,276,960,815				4,932,734,912

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	41,647,597	-	(31,099,193)	10,548,404
Accumulated Depreciation				
Machinery and other equipment	3,560,681		(3,560,681)	-
Motor vehicles	2,142,707	1,506,913	-	3,649,620
Total	5,703,388	1,506,913	(3,560,681)	3,649,620
Written Down Value	35,944,209			6,898,784

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	41,647,597	-	(31,099,193)	10,548,404
Accumulated Depreciation				
Machinery and other equipment	3,560,681	-	(3,560,681)	-
Motor vehicles	2,142,707	1,506,913	-	3,649,620
Total	5,703,388	1,506,913	(3,560,681)	3,649,620
Written Down Value	35,944,209			6,898,784

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	-	597,375	(597,375)	-
Plant and machinery	1,825,428	-	(1,825,428)	-
	1,825,428	597,375	(2,422,803)	-

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	280,813	858,125	(1,138,938)	-
Plant and machinery	1,825,428	5,198,482	(7,023,910)	-
	2,106,241	6,056,607	(8,162,848)	-



	Company 31.12.2018 Rs.	Group 31.12.2018 Rs.	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.
12. Inventories				
Finished goods	54,962,649	73,142,658	62,392,276	141,121,289
Raw materials	146,276,142	205,697,309	296,915,278	572,220,847
Chemicals and fuel	11,795,110	21,515,338	7,233,207	19,412,894
Spare parts	66,489,895	106,405,812	55,546,817	85,326,884
	<u>279,523,797</u>	<u>406,761,116</u>	<u>422,087,578</u>	<u>818,081,914</u>
13. Trade and Other Receivables				
Trade debtors	284,064,028	1,032,758,248	93,661,753	1,366,996,493
Less: Impairment provision for trade debtors	(2,135,378)	(8,488,075)	(95,137)	(10,988,419)
	<u>281,928,650</u>	<u>1,024,270,173</u>	<u>93,566,616</u>	<u>1,356,008,074</u>
Other receivables	25,674,971	36,713,982	31,610,959	51,107,731
Deposits and prepayments	10,210,672	34,261,503	10,260,118	75,272,295
VAT receivable	-	-	76,255,067	66,554,439
Staff loans and festival advances	2,656,711	2,932,564	1,966,980	2,896,882
Income tax and economic service charge receivables	28,120,458	110,038,136	17,110,162	81,597,088
	<u>348,591,462</u>	<u>1,208,216,358</u>	<u>230,769,902</u>	<u>1,633,436,507</u>
14. Cash and Cash Equivalents				
Standard chartered bank-FCBU	27,208,813	27,208,813	-	-
Commercial Bank of Ceylon PLC	68,435,719	68,435,719	-	-
AXIS bank -DBU	-	-	40,346	53,659
Hatton National Bank - Kaduwela	1,422,128	2,655,781	957,970	957,970
Peoples' Bank - Hanwella	-	2,222,928	-	-
Peoples' Bank - Corporate Division	2,078,090	2,576,103	-	-
Standard Chartered Bank - Fort Branch	-	2,086,055	-	571
Saving AC - Hatton National Bank	4,014,386	4,014,386	3,891,661	3,891,661
Marginal AC - Commercial Bank of Ceylon PLC	-	-	-	1,085,000
Sampath Bank	-	-	-	149,300
National Development Bank - Colombo 02	-	-	165,923	165,923
Saving AC - Sampath Bank	-	-	-	323
Commercial Bank of Ceylon PLC -Fixed Deposit	-	4,011,459	-	-
Cash in hand	5,225,509	6,209,775	5,824,839	7,123,391
	<u>108,384,646</u>	<u>119,421,020</u>	<u>10,880,739</u>	<u>13,427,797</u>



		Company 31.12.2018 Rs.	Group 31.12.2018 Rs.	Company 31.12.2017 Rs.	Group 31.12.2017 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 1.	60,572,261	6,057,226,100	6,057,226,100	5,815,281,600	5,815,281,600
		<u>6,624,976,100</u>	<u>6,624,976,100</u>	<u>6,383,031,600</u>	<u>6,383,031,600</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
22/5/2018	12.11%	4,690,445	469,044,500	252,179,834	216,864,666
Gross outstanding		69,656,261	6,965,626,100	3,529,968,928	3,435,657,172
Less: Redemption payments		(9,084,000)	(908,400,000)		
Net Outstanding		<u>60,572,261</u>	<u>6,057,226,100</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 3,529,968,928. The equity component of the above preference shares is Rs 3,435,657,172 which is the difference between the cost and the fair value of the redeemable preference shares.

Further interest cost of Rs. 458,719,618 and Rs. 1,342,942,171 should be recognized as an expense against the current year profit and retained earnings respectively in relation to the above redeemable preference shares.



	Company 31.12.2018 Rs.	Group 31.12.2018 Rs.	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.
16. Bottle Deposit Payable				
Bottle deposit payable - others	24,470,999	137,977,703	22,028,378	389,751,583
Cash deposit payable	1,400,000	16,684,359	2,150,000	36,915,215
	<u>25,870,999</u>	<u>154,662,062</u>	<u>24,178,378</u>	<u>426,666,798</u>
17. Borrowings				
Long term loans				
People's Leasing and finance PLC	-	-	13,785,520	13,785,520
	-	-	13,785,520	13,785,520
Short term payable within one year	-	-	(13,785,520)	(13,785,520)
Long term payable after one year	-	-	-	-
18. Retirement Benefit Obligations				
Balance at the beginning of the period	34,806,732	83,168,099	19,475,322	72,089,761
Current service cost	5,693,298	7,276,276	7,075,088	9,913,423
Interest charge for the period	6,337,985	10,811,853	1,947,532	7,136,744
	<u>46,838,015</u>	<u>101,256,228</u>	<u>28,497,942</u>	<u>89,139,928</u>
(Gains)/ losses arising from changes in actuarial valuation	(10,219,389)	(14,352,920)	7,833,942	(3,133,366)
Present value of employees transferred	13,946,997	-	-	-
Payments during the period	(6,440,363)	(9,660,242)	(1,525,152)	(2,838,463)
Balance at the end of the period	<u>44,125,260</u>	<u>77,243,066</u>	<u>34,806,732</u>	<u>83,168,099</u>

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

Expected future salary increment	9%	9%	13%	9% & 13%
Discount rate	12%	12%	13%	13%
Staff turnover rate	3%	3%	3%	3%
Retirement age	55 Years	55 Years	55 Years	55 Years



	Company 31.12.2018 Rs.	Group 31.12.2018 Rs.	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.
19. Lease creditors				
Lease Liability - Nation Trust Bank-166473412				
Balance at the beginning of the period	4,905,117	4,905,117	6,340,761	6,340,761
Repayments during the period	(1,435,644)	(1,435,644)	(1,435,644)	(1,435,644)
	3,469,473	3,469,473	4,905,117	4,905,117
Interest in suspense	(505,838)	(505,838)	(961,484)	(961,484)
	2,963,635	2,963,635	3,943,633	3,943,633
Payable within one year	(1,115,255)	(1,115,255)	(979,985)	(979,985)
Payable after one year	1,848,380	1,848,380	2,963,648	2,963,648
Lease Liability-Nation Trust Bank-166473519				
Balance at the beginning of the period	2,153,771	2,153,771	2,784,143	2,784,143
Repayments during the period	(630,372)	(630,372)	(630,372)	(630,372)
	1,523,399	1,523,399	2,153,771	2,153,771
Interest in suspense	(222,088)	(222,088)	(422,154)	(422,154)
	1,301,311	1,301,311	1,731,617	1,731,617
Payable within one year	(489,692)	(489,692)	(430,297)	(430,297)
Payable after one year	811,619	811,619	1,301,320	1,301,320
Security Pledged				
Mortgage over vehicles				
Lease Liability-Melsta Regal Finance Ltd-FL/HOF/15/00959				
Balance at the beginning of the period	5,335,218	5,335,218	14,438,851	14,438,851
Repayments during the period	(5,335,218)	(5,335,218)	(9,103,633)	(9,103,633)
	-	-	5,335,218	5,335,218
Interest in suspense	-	-	(239,264)	(239,264)
	-	-	5,095,953	5,095,953
Payable within one year	-	-	(5,095,953)	(5,095,953)
Payable after one year	-	-	-	-
Lease Liability-Melsta Regal Finance Ltd-FL/HOF/15/01024				
Balance at the beginning of the period	724,716	724,716	1,801,514	1,801,514
Repayments during the period	(724,716)	(724,716)	(1,076,798)	(1,076,798)
	-	-	724,716	724,716
Interest in suspense	-	-	(36,261)	(36,261)
	-	-	688,455	688,455
Payable within one year	-	-	(688,455)	(688,455)
Payable after one year	-	-	-	-
Total payable within one year	1,604,947	1,604,947	7,194,691	7,194,691
Total payable after one year	2,659,999	2,659,999	4,264,968	4,264,968
Total lease payable	4,264,946	4,264,946	11,459,658	11,459,658



	Company 31.12.2018 Rs.	Group 31.12.2018 Rs.	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.
20. Short Term Borrowings				
People's Bank	-	-	78,000,000	78,000,000
Standard Chartered Bank	-	-	80,062,182	80,062,182
Commercial Bank PLC	42,864,021	240,236,731	100,000,000	301,085,000
Accor Developer (Pvt) Ltd	309,846,600	309,846,600	309,846,600	309,846,600
Short term portion of long term liability (Note 17)	-	-	13,785,520	13,785,520
	<u>352,710,620</u>	<u>550,083,331</u>	<u>581,694,302</u>	<u>782,779,302</u>

21. Trade and Other Payables				
Trade payables	24,275,250	153,474,918	137,467,284	267,061,789
Stamp duty	56,475	97,125	31,700	96,845
Withholding Tax payable	67,010	799,522	-	-
Excise duty	94,765,556	169,801,917	49,212,524	162,058,486
Nation building tax	1,711,865	4,090,516	-	674,605
Accrued and other payables	213,661,307	276,925,773	26,858,696	104,415,642
Economic service charge payable	2,325,360	5,328,363	1,801,710	6,160,531
VAT Payable	2,229,277	5,679,385	-	-
Other creditors	24,741,896	24,741,894	33,554,652	33,554,652
	<u>363,833,996</u>	<u>640,939,414</u>	<u>248,926,567</u>	<u>574,022,551</u>

	Company 31.12.2018 Rs.	Group 31.12.2018 Rs.	Company 31.12.2017 Rs.	Group 31.12.2017 Rs.
22. Bank Overdraft				
Peoples' Bank - Corporate Division	-	-	50,527,543	95,452,752
Peoples' Bank - Hanwella	-	-	-	13,375,473
Hatton National Bank PLC - Kaduwela	-	-	-	1,092,518
Standard Chartered Bank - Fort	23,877,359	23,877,359	207,802,606	207,802,605.96
National Development Bank	-	-	-	3,024
Commercial Bank of Ceylon PLC	-	70,986,708	68,370,211	119,467,723
	<u>23,877,359</u>	<u>94,864,067</u>	<u>326,700,359</u>	<u>437,194,096</u>

22.1 Securities Pledged for Short Term Loan & Bank Overdrafts

a) Standard Chartered Bank

Primary concurrent mortgage over stocks and receivables for Rs. 450Mn located at No 140, Low Level Road, Embulgama, Ranala.

Corporate Guarantee from Ole Springs Bottlers (Pvt) Ltd.

b) Commercial Bank

Primary Concurrent mortgage for Rs 600Mn along with Standard Chartered Bank over Stocks & Book debtors. General Terms and Conditions relating to overdraft, import Demand Loans & Short Term Loans signed by the Company. Corporate Guarantee from Varun 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. Achal Kumar, Mr. Amit Joshi, Mr. Vishal Jain, Ajay Kumar Bharthia and Mr. Tilak de Zoysa were the directors of the company. Mr. Vishal Jain and Ajay Kumar Bharthia resigned from the board with effect from 20th March 2018.

	Amount due from related parties		Amount due to related parties	
	Company	Group	Company	Group
	31.12.2018	31.12.2018	31.12.2018	31.12.2018
	Rs.	Rs.	Rs.	Rs.
Ole Springs Bottlers (Pvt) Ltd	2,189,457,316	-	-	-
Varun Beverages Ltd	-	-	6,624,384	27,741,482
Fellow Subsidiaries				
Varun Beverages (Zimbabwe) Pvt Ltd	-	-	-	-
Varun Beverages (Nepal) Pvt Ltd	-	-	-	-
Varun Beverages (Zambia) Limited	48,399,414	48,399,414	-	-
	<u>2,237,856,730</u>	<u>48,399,414</u>	<u>6,624,384</u>	<u>27,741,482</u>

	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>

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

<u>Company</u>	<u>Rs.</u>
<u>Ole Springs Bottlers (Pvt) Ltd-Subsidiary</u>	
Sale of finished goods	1,779,080,123
Purchase of raw materials	44,850,502
Payments / settlements	1,525,767,754
Blow moulding income	1,168,177
Service fee income	12,420,000
Land lease expense	3,096,000
Other transactions	22,767,580
<u>Varun Beverages Ltd-Parent Company</u>	
Purchase of spare parts and raw materials	1,225,109
Software License Fee	6,458,577
Other transactions	31,553
Settlements	11,134,737



<u>Company</u>	<u>Rs.</u>
<u>Varun Beverages (Nepal) Pvt Ltd-Fellow Subsidiary</u>	
Payments received for assets sold	219,038,016
Sales of machinery	2,524,249
<u>Varun Beverages (Zimbabwe) Pvt Ltd-Fellow Subsidiary</u>	
Payments received for export sales	4,408,617
<u>Varun Beverages Zambia Ltd-Fellow Subsidiary</u>	
Export sales	75,075,941
Payments received for export sales	46,355,511
Other transactions	6,451,902
<u>Group</u>	
<u>Varun Beverages Ltd-Parent Company</u>	
Purchase of spare parts and raw materials	40,303,293
Software License Fee	6,458,577
Other transactions	31,553
Settlements	56,965,100
<u>Varun Beverages (Nepal) Pvt Ltd-Fellow Subsidiary</u>	
Payments received for assets sold	219,038,016
Sales of machinery	2,524,249
<u>Varun Beverages (Zimbabwe) Pvt Ltd-Fellow Subsidiary</u>	
Payments received for export sales	4,408,617
<u>Varun Beverages Zambia Ltd-Fellow Subsidiary</u>	
Export sales	75,075,941
Payments received for export sales	46,355,511
Other transactions	6,451,902

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:

	<u>Company</u> <u>Year ended</u> <u>31.12.2018</u> <u>Rs.</u>	<u>Group</u> <u>Year ended</u> <u>31.12.2018</u> <u>Rs.</u>	<u>Company</u> <u>Year ended</u> <u>31.12.2017</u> <u>Rs.</u>	<u>Group</u> <u>Year ended</u> <u>31.12.2017</u> <u>Rs.</u>
Directors	25,016,227	25,016,227	20,718,244	20,718,244
	<u>25,016,227</u>	<u>25,016,227</u>	<u>20,718,244</u>	<u>20,718,244</u>



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 filed against the assessment.

The Department of Inland Revenue has issued an assessment for income tax filed for the year of assessment 2015/2016 for Rs.358,218,446/- to Ole Springs Bottlers (Pvt) Ltd. The company has appealed against the assessment and settlement is still pending.

The Department of Inland Revenue has issued an assessment in respect of Nation Building Tax filed for the quarter ended 31.3.2016 for total sumu of Rs 1,219,175 and against the notice appeal has been made to Commissioner General of Inland Revenue

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 settle.

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 NIL.

Legal cases have been filed against the company is Rs.1,000,000 and to its subsidiary Ole Spring Bottlers (Pvt) Ltd up to Rs. 60,000/- 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.

26. 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 2018**

VARUN BEVERAGES LANKA (PRIVATE) LIMITED
DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018

	Company Year ended 31.12.2018 Rs.	Group Year ended 31.12.2018 Rs.	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.
1. Administrative Expenses				
Salaries - Staff	46,794,442	53,456,773	40,789,813	47,949,199
Wages	108,951	601,517	282,439	1,039,464
Overtime	5,023,290	5,446,126	1,556,391	1,812,658
Allowances	-	844,526	-	791,041
Staff training expenses	-	24,640	-	142,029
Bonus	3,916,004	5,651,120	3,378,825	4,014,167
Compensation	925,000	2,150,608	-	98,825
Tea and fooding	-	7,933,214	-	15,809,901
Medical expenses	2,190,671	2,607,915	2,609,354	3,051,425
Terminal gratuity	1,141,589	1,274,591	1,161,957	1,360,689
Employees' provident fund	3,782,017	4,412,780	2,917,627	3,454,067
Employees' trust fund	1,403,841	1,603,615	1,223,698	1,438,342
Lease rental	2,880,000	-	2,880,000	-
Foreign travelling	2,178,264	9,256,481	2,211,178	12,223,757
External auditors' remuneration	1,483,848	2,477,881	1,244,986	2,056,424
Internal auditors' remuneration	1,621,225	3,010,713	-	2,118,942
Auditors expense reimburse	-	317,613	-	207,163
Telephone	850,377	2,762,632	1,178,789	4,132,487
Printing and stationery	572,076	5,914,764	374,944	9,411,314
Postage and telegrams	-	529,600	-	887,084
Stamp duty	468,888	648,110	307,400	878,612
Repairs and maintenance - vehicles	-	3,551,040	22,590	6,327,322
Depreciation - Building	29,614,056	30,249,342	28,780,009	30,037,716
- Furniture and fittings	344,947	513,256	311,318	496,701
- Office equipment	2,815,758	3,318,761	1,026,215	1,473,198
- Motor vehicle	28,050,677	29,653,093	28,283,772	29,287,630
- Computer	2,154,388	2,903,990	1,904,937	2,630,412
Computer maintenance	8,130,727	9,284,604	1,316,000	3,559,485
Fees and penalties	-	31,156	307,922	422,030
Motor vehicle insurance	-	570,731	-	395,506
Staff welfare	3,511,415	3,903,324	3,692,248	4,744,899
Equipment repairs and maintenance	1,255	1,255	18,929	18,929
Rent and accommodation charges	3,481,172	6,294,572	2,590,000	5,879,200
Courier charges	785,262	785,262	879,863	879,863
Staff recruitment	283,750	473,344	49,200	1,045,690
Subscriptions and periodicals	819,148	1,373,699	861,375	1,105,501
Entertainment	25,000	25,000	275,000	380,180
Electricity charges	774,424	900,148	748,605	904,304
Insurance staff	3,894,237	3,894,237	2,439,711	2,439,711
Other allowance to staff	6,520,934	6,520,934	3,450,388	3,450,388
Legal & professional charges	4,170,230	7,545,915	4,382,290	8,069,440
Accounting charges	-	568,828	-	569,744



	Company Year ended 31.12.2018 Rs.	Group Year ended 31.12.2018 Rs.	Company Year ended 31.12.2017 Rs.	Group Year ended 31.12.2017 Rs.
1. Administrative Expenses - (Continued)				
Travelling and transport	266,899	2,268,357	237,570	4,360,338
Other taxes	4,050,679	5,985,954	13,888,827	16,899,510
Sundry written off	18,626	18,626	236,368	236,368
Water	49,087	58,134	82,026	90,495
Fuel	-	3,278,034	-	3,695,369
	<u>175,103,152</u>	<u>234,896,814</u>	<u>157,902,563</u>	<u>242,277,521</u>
2. Selling and distribution expenses				
Salaries - staff	117,042,127	140,930,914	141,398,670	177,574,334
Wages	7,197,889	33,477,929	1,772,125	108,833,914
Overtime	6,951,468	23,084,383	8,250,034	26,250,623
Bonus - executives	9,796,301	13,468,056	15,111,067	17,853,291
Employees' provident fund	13,286,448	14,526,687	15,622,449	17,282,400
Employees' trust fund	3,508,883	4,225,547	4,347,490	5,432,129
Medical expenses	6,637,910	7,297,574	6,063,537	7,169,603
Conference and meeting expenses	598,103	2,094,281	172,055	1,711,241
Terminal gratuity	2,855,340	3,332,236	4,128,157	5,132,331
Telephone	7,249,136	7,249,136	5,195,052	5,195,052
Printing and stationery	1,185,286	1,185,286	530,554	530,554
Sales promotion and discounts	199,175,233	626,786,543	43,333,459	702,097,578
Meals expenses	14,600,567	14,600,567	3,505,944	49,544,735
Other allowance to staff	26,943,831	37,207,469	26,067,495	47,640,536
Staff Incentive	12,937,325	24,546,292	412,813	11,930,960
Rent and accommodation expenses	5,821,724	7,943,707	2,839,795	5,293,295
Staff welfare	2,577,876	2,626,926	416,773	707,014
Travelling expenses	676,085	1,614,133	130,872	1,081,168
Transport expenses	46,398,603	108,903,548	30,719,880	193,781,954
Foreign travelling	2,009,740	2,009,740	2,515,195	2,515,195
Vehicle maintenance expenses	29,507,526	46,640,941	23,663,949	52,098,520
Motor vehicle fuel	11,386,716	41,381,817	1,776,022	42,743,102
Tea and fooding - field expenses	-	24,009,695	-	-
Staff recruitment charges	74,100	74,100	-	-
Export handling charges	22,481,631	22,526,723	1,562,326	1,595,622
Leakage and breakage	103,460	82,695,897	697,834	37,950,939
Contract outlet expenses	112,500	75,560,677	2,021,663	34,091,693
Repair and maintenance	-	11,777	-	8,510
Bad debt write off	-	-	-	409,981
Loading unloading charges	-	7,250	-	69,750
Depreciation - trade equipment	79,963,505	110,302,473	91,816,378	113,962,832
Trade equipment maintenance	7,185,437	15,618,653	5,411,347	15,376,956
Trade equipment hire charges	-	2,200	-	23,900
	<u>638,264,747</u>	<u>1,495,943,155</u>	<u>439,482,932</u>	<u>1,685,889,711</u>



**VARUN
BEVERAGES
MOROCCO S.A**

**GENERAL REPORT OF
AUDIT
For the year ended 31
December 2018**



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

421, Bd Abdelmoumen 4^{ème} étage N° 16
Casablanca Maroc
Tél : 00 212 522 861 761
Fax : 00 212 522 862 762
E-mail : achahbi@gmail.com



VARUN BEVERAGES MOROCCO S.A
Bouskoura Casablanca

<p align="center">GENERAL REPORT OF AUDIT For the year ended 31 December 2018</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 and the statement of income and expenses for the year ended 31 December 2018. These financial statements show a amount of equity to 13.341.041,55 MAD and include a loss of -132.242.012,01 MAD.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the financial statements

We certify that the statements referred to in the first paragraph above are regular and sincere and fairly, in all material respects, fairly the result of operations for the year then ended, the financial position and assets of the company **VARUN BEVERAGES MOROCCO S.A** at 31 December 2018 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.



Ahmed CHAHBI
Expert Comptable DPLE
Commissaire aux comptes

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 29, 2019

M. Ahmed CHAHBI
EXPERT COMPTABLE DPLE
421, Bd Abdelmoumen, 4^{ème} étage N°16
CASABLANCA




Ahmed CHAHBI
Expert Comptable DPLE
Commissaire aux comptes

**VARUN
BEVERAGES
MOROCCO S.A**

FINANCIAL STATEMENTS
For the year ended 31
December 2018

Tableau n°1

BILAN (ACTIF)

Société VARUN BEVERAGES MOROCCO S.A

EXERCICE CLOS LE 31/12/2018

	ACTIF	EXERCICE			Net 31/12/2017
		Brut	Amortissements et Provisions	Net 31/12/2018	
A C T I F	IMMOBILISATION EN NON VALEUR (a)	10 256 824,15	5 810 556,13	4 446 268,02	2 462 762,19
	Frais préliminaires				
	Charges à répartir sur plusieurs exercices	10 256 824,15	5 810 556,13	4 446 268,02	2 462 762,19
	Primes de remboursement des obligations		-		
	IMMOBILISATIONS INCORPORELLES (b)	35 941,00	19 638,25	16 302,75	23 487,35
	Immobilisations en recherche et développement				
	Brevets, marques, droits et valeurs similaires	35 941,00	19 638,25	16 302,75	23 487,35
	Fonds commercial				
	Autres immobilisations incorporelles		-		
	IMMOBILISATIONS CORPORELLES (c)	639 299 206,57	219 078 710,39	420 220 496,18	394 344 463,47
	Terrains	53 561 350,00		53 561 350,00	53 561 350,00
	Constructions	60 179 139,07	15 650 754,45	44 528 384,62	26 468 283,73
	Installations techniques, matériel et outillage	499 415 789,76	186 760 591,48	312 655 198,28	299 462 479,71
	Matériel de transport	21 127 343,97	14 084 538,83	7 042 805,14	9 544 678,19
	Mobiliers, matériel de bureau et aménagements divers	5 015 583,77	2 582 825,63	2 432 758,14	2 393 973,47
	Autres immobilisations corporelles				
	Immobilisations corporelles en cours				2 913 698,37
	IMMOBILISATIONS FINANCIERES (d)	2 307 899,56		2 307 899,56	2 257 340,62
	Prêts immobilisés				
	Autres créances financières	2 307 899,56		2 307 899,56	2 257 340,62
	Titres de participation		-		
	Autres titres immobilisés				
I M M O B I L I S E	ECARTS DE CONVERSION - ACTIF (e)	43 926 592,70		43 926 592,70	
	Diminution des créances immobilisées				
	Augmentation des dettes de finance	43 926 592,70		43 926 592,70	
	TOTAL I (a+b+c+d+e)	695 826 463,98	224 908 904,77	470 917 559,21	399 088 053,63
A C T I F	STOCKS (f)	53 536 050,96		53 536 050,96	62 562 358,62
	Marchandises	5 530 222,20		5 530 222,20	9 551 515,73
	Matières et fournitures consommables	39 101 987	-	39 101 987,00	37 262 985,64
	Produits en cours				
	Produits interm. et produits resid.				
	Produits finis	8 903 842		8 903 842	15 747 857
	CREANCES DE L'ACTIF CIRCULANT (g)	67 073 922,65	2 800 895,75	64 273 026,90	68 057 090,26
	Fournis. débiteurs, avances et acomptes				
	Clients et comptes rattachés	53 663 585,35	2 800 895,75	50 862 689,60	56 730 896,37
	Personnel	870 050,67		870 050,67	2 185 309,07
	Etat	11 604 305,74		11 604 305,74	8 670 971,11
	Comptes d'associés				
	Autres débiteurs	7 482,56		7 482,56	6 355,38
	Compte de régularisation actif	928 498,33		928 498,33	463 558,33
	TITRES ET VALEUR DE PLACEMENT (h)				
	ECART DE CONVERSION - ACTIF (i) (Eléments circulants)	575 471,84		575 471,84	219 255,16
	TOTAL II (f+g+h+i)	121 185 445,45	2 800 895,75	118 384 549,70	130 838 704,04
T R E S O R .	TRESORERIE - ACTIF	3 339 171,52		3 339 171,52	2 334 365,27
	Chèques et valeurs à encaisser	2 089 773,61		2 089 773,61	1 933 181,03
	Banques, T.G & CP	1 218 614,15		1 218 614,15	369 011,07
	Caisses, régies d'avances et accreditifs	30 784		30 783,76	32 173,17
	TOTAL III	3 339 171,52		3 339 171,52	2 334 365,27
	TOTAL GENERAL I+II+III	820 351 080,95	227 709 800,52	592 641 280,43	532 261 122,94

Tableau n°1

BILAN (PASSIF)

Société VARUN BEVERAGES MOROCCO S.A

EXERCICE CLOS LE 31/12/2018

	PASSIF	Exercice 31/12/2018	Exercice Précédent 31/12/2017
	CAPITAUX PROPRES		
	Capital social ou personnel (1)	549 000 000,00	459 000 000,00
	moins: Actionnaires, capital souscrit non appele dont vers..		
	Moins : Capital appelé		
	Moins : Dont versé		
F	Prime d'emission, de fusion, d'apport		
I	Ecart de reevaluation		
N	Reserve legale		
A	Autres reserves		
N	Report à nouveau (2)	-403 416 946,44	-343 479 978,55
	Résultat net en instance d'affectation (2)		
C	Resultat net de l'exercice (2)	-132 242 012,01	-59 936 967,89
E	TOTAL DES CAPITAUX PROPRES (a)	13 341 041,55	55 583 053,56
M	CAPITAUX PROPRES ASSIMILES (b)		
E	Subventions d'investissement		
N	Provisions reglementees		
T	CAPITAUX PROPRES ASSIMILES (Ajout) -		
P	DETTES DE FINANCEMENT (c)	359 239 516,83	303 450 363,47
E	Emprunts obligataires		
R	Autres dettes de financement	359 239 516,83	303 450 363,47
M	DETTES DE FINANCEMENT (Ajout) -		
A	PROVISIONS DURABLES POUR RISQUES ET CHARGES (d)	43 926 592,70	
N	Provisions pour charges		
E	Provisions pour risques	43 926 592,70	-
N	ECARTS DE CONVERSION - PASSIF (e)		
T	Augmentation des creances immobilisees		
	Diminution des dettes de financement		
	TOTAL I (a+b+c+d+e)	416 507 151,08	359 033 417,03
P	DETTES DU PASSIF CIRCULANT (f)	136 942 421,55	131 947 241,00
A	Fournisseurs et comptes rattaches	93 414 339,70	69 634 118,03
S	Clients crediteurs, avances et acomptes	3 176 022,11	1 845 442,81
S	Personnel	827 365,57	1 478 653,39
I	Organismes sociaux	2 613 419,25	2 526 002,09
F	Etat	18 485 731,38	21 608 126,74
	Comptes d'associes	18 133 898,03	34 364 328,59
C	Autres creances		
I	Comptes de regularisation - passif	291 645,51	490 569,35
R	AUTRES PROVISIONS POUR RISQUES ET CHARGES (g)	575 471,84	207 455,17
C	ECARTS DE CONVERSION - PASSIF (h)(Elements circulants)	50 249,84	160 458,60
U	TOTAL II (f+g+h)	137 568 143,22	132 315 154,77
T	TRESORERIE PASSIF	38 565 986,12	40 912 551,14
R	Credits d'escompte	7 896 277,31	4 210 956,13
E	Credit de tresorerie		
S	Banques (soldes crediteurs)	30 669 708,81	36 701 595,01
	TOTAL III	38 565 986,12	40 912 551,14
	TOTAL I+II+III	592 641 280,43	532 261 122,94

(1) Capital personnel debiteur

(2) Beneficiaire (+) . deficitaire (-)

Tableau n°2

COMPTE DE PRODUITS ET CHARGES (HORS TAXES)

Société VARUN BEVERAGES MOROCCO S.A

			OPERATIONS		Totaux de	Totaux de
			Propres à	Concernant les	L'exercice	L'exercice
			L'exercice	exercices précédents	31/12/2018	Précédent
			1	2	3 = 1 + 2	31/12/2017
E X P L O I T A T I O N	I	PRODUITS D'EXPLOITATION				
		Ventes de marchandises	7 275 592,60		7 275 592,60	9 810 101,94
		Ventes de biens et services produits	337 035 451,93		337 035 451,93	337 012 209,90
		Variation de stock de produits	-6 844 993,65		-6 844 993,65	2 472 342,73
		Immobilisations produites pour l'Ese p/elle-même				
		Subvention d'exploitation	3 808 600,58		3 808 600,58	2 325 390,70
		Autres produits d'exploitation				
		Reprises d'exploitation; transfert de charges	1 915 880		1 915 879,76	
		TOTAL I	343 190 531,22		343 190 531,22	351 620 045,27
	II	CHARGES D'EXPLOITATION				
		Achats revendus de marchandises	4 636 935,69		4 636 935,69	5 247 867,10
		Achat consommables de matières et de fournitures	154 792 914,53		154 792 914,53	149 756 615,89
		Autres charges externes	114 884 038,44		114 884 038,44	108 275 354,98
		Impôts et taxes	31 898 682,18		31 898 682,18	34 596 655,84
		Charges de personnel	61 036 473,66		61 036 473,66	55 761 846,11
		Autres charges d'exploitation				
		Dotations d'exploitation	38 208 284,84		38 208 284,84	36 376 543,19
		TOTAL II	405 457 329,34		405 457 329,34	390 014 883,11
	III	RESULTAT D'EXPLOITATION (I - II)			-62 266 798,12	-38 394 837,84
F I N A N C I E R	IV	PRODUITS FINANCIERS				
		Produits des titres de participation et autres titres immobilisés				
		Gains de change	2 270 090,93		2 270 090,93	1 023 043,18
		Intérêts et autres produits financiers				
		Reprises financières; transfert de charges	219 255		219 255,16	493 894,38
		TOTAL IV	2 489 346,09		2 489 346,09	1 516 937,56
	V	CHARGES FINANCIERES				
		Charges d'intérêts	21 942 631,13		21 942 631,13	19 326 970,57
		Pertes de changes	2 337 757,34		2 337 757,34	855 859,79
		Autres charges financières				
		Dotations financières	44 501 568,56		44 501 568,56	219 255,16
		TOTAL V	68 781 957,03		68 781 957,03	20 402 085,52
	VI	RESULTAT FINANCIER (IV - V)			-66 292 610,94	-18 885 147,96
	VII	RESULTAT COURANT (III - VI)			-128 559 409,06	-57 279 985,80

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

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

Tableau n°2

COMPTE DE PRODUITS ET CHARGES (HORS TAXES) (suite)

Société VARUN BEVERAGES MOROCCO S.A

			OPERATIONS		Totaux de L'exercice 31/12/2018 3 = 1 + 2	Totaux de L'exercice précédent 31/12/2017
			Propres à L'exercice 1	Concernant les exercices précédents 2		
	VII	RESULTAT COURANT (Report)			-128 559 409,06	-57 279 985,80
N O N C O U R A N T	VIII	PRODUITS NON COURANTS				
		Produits des cessions d'immobilisations	24 915,60		24 915,60	52 161,54
		Subventions d'équilibre				
		Reprises sur subventions d'investissement				
		Autres produits non courants				35 520,00
		Reprises non courantes; transferts de charges				
		TOTAL VIII	24 915,60		24 915,60	87 681,54
	IX	CHARGES NON COURANTES				
		Valeurs nettes d'amort. des Immo cédées	227 482,16		227 482,16	85 044,66
		Subventions accordées				
		Autres charges non courantes	1 728 087,71		1 728 087,71	918 075,24
		Dotations non courantes aux amortiss. et provision				
		TOTAL IX	1 955 569,87		1 955 569,87	1 003 119,90
	X	RESULTAT NON COURANT (VIII- IV)			-1 930 654,27	-915 438,36
	XI	RESULTAT AVANT IMPOTS (VII+ X)			-130 490 063,33	-58 195 424,16
	XII	IMPOTS SUR LES RESULTATS			1 751 948,68	1 741 543,73
	XIII	RESULTAT NET (XI - XII)			-132 242 012,01	-59 936 967,89

	XIV	TOTAL DES PRODUITS (I + IV + VIII)			345 704 792,91	353 224 664,37
	XV	TOTAL DES CHARGES (II + V + IX + XII)			477 946 804,92	413 161 632,26
	XVI	RESULTAT NET (XIV - XV)			-132 242 012,01	-59 936 967,89

VARUN BEVERAGES (ZAMBIA) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

Varun Beverages (Zambia) Limited*Annual report and financial statements**For the year ended 31 December 2018***CONTENTS**

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Statement of directors' responsibilities	3
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Financial statements:	
Statement of profit or loss and retained earnings	7
Statement of financial position	8
Statement of cash flows	9
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Varun Beverages (Zambia) Limited*Annual report and financial statements**For the year ended 31 December 2018*

COMPANY INFORMATION**BOARD OF DIRECTORS**

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

SHAREHOLDERS

: 90.00% - Varun Beverages Limited, India
: 9.98% - Africa Bottling Company Limited
: 0.02% - 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
: 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 2018***REPORT OF THE DIRECTORS**

The directors submit their report and the audited financial statements for the year ended 31 December 2018, which disclose the state of affairs of the Company.

PRINCIPAL ACTIVITIES

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

RESULTS	2018 ZMW	2017 ZMW
Profit before tax	36,784,384	28,430,780
Tax (charge)	-	-
Profit for the year	<u>36,784,384</u>	<u>28,430,780</u>

DIRECTORS

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

INDEPENDENT AUDITOR

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

OTHER

In accordance with Section 106 of the Companies Act, 2017 the board of directors also report that during the year:

- Director's remuneration amounted to ZMW 1,494,722 (2017 ZMW 1,174,888);

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The *Zambian Companies Act, 2017* requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Company; that disclose, with reasonable accuracy, the financial position of the Company and that enable them to prepare financial statements of Company that comply with the *International Financial Reporting Standard for Small and Medium-sized Entities* and the requirements of *Zambian Companies Act, 2017*. The directors are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and fair presentation of the financial statements in accordance with the *International Financial Reporting Standard for Small and Medium-sized Entities* and in the manner required *Zambian Companies Act, 2017*. They also accept responsibility for:

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

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 2018 and of its financial performance and cash flows for the year then ended in accordance with *International Financial Reporting Standard for Small and Medium-sized Entities* and the requirements of the *Zambian Companies Act, 2017*.

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

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

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

Approved by the board of directors on 30th Jan¹ 2019 signed on its behalf by:



Mr. Amreek Singh



Mr. Satyanarayan Sharma

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

Opinion

We have audited the financial statements of Varun Beverages (Zambia) Limited set out on pages 7 to 20, which comprise the statement of financial position as at 31 December 2018, 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 2018, 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, 2017.

Basis for Opinion

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

Other information

The directors are responsible for the other information. The other information comprises the Company information and report of the directors 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, 2017, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Responsibilities of Directors for the Financial Statements (continued)

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on other legal and regulatory requirements


As required by the Companies Act, 2017 we report to you, based on our audit, that:

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

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



Chartered Accountants
LUSAKA

 2019
LUSAKA

AR/LSK/0010/19



Steve Chibwe

Varun Beverages (Zambia) Limited*Annual report and financial statements**For the year ended 31 December 2018***STATEMENT OF PROFIT OR LOSS AND RETAINED EARNINGS**

	Notes	2018 ZMW	2017 ZMW
Revenue	3	435,585,686	307,996,976
Cost of sales	4	<u>(228,400,636)</u>	<u>(148,333,291)</u>
Gross profit		207,185,050	159,663,685
Other operating income	5	3,242,882	9,673,544
Administrative expenses		(23,508,688)	(19,375,412)
Selling and distribution expenses		(52,225,206)	(45,477,764)
Employment costs		(35,251,745)	(37,097,435)
Depreciation on property, plant and equipment	9	<u>(25,245,785)</u>	<u>(22,491,754)</u>
Operating profit	6	74,196,508	44,894,864
Finance costs	7	<u>(37,412,124)</u>	<u>(16,464,084)</u>
Profit before tax		36,784,384	28,430,780
Tax charge	8	<u>-</u>	<u>-</u>
Profit for the year		<u><u>36,784,384</u></u>	<u><u>28,430,780</u></u>
Retained earnings			
At start of year		(26,748,684)	(55,179,464)
Profit for the year		<u>36,784,384</u>	<u>28,430,780</u>
At end of year		<u><u>10,035,699</u></u>	<u><u>(26,748,684)</u></u>

The notes on pages 10 to 20 form an integral part of these financial statements.

Report of the independent auditor - pages 4 to 6.

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2018

STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Notes	2018 ZMW	2017 ZMW
Non-current assets			
Property, plant and equipment	9	173,461,454	179,578,214
		<u>173,461,454</u>	<u>179,578,214</u>
Current assets			
Inventories	10	45,712,280	30,756,364
Trade and other receivables	11	137,941,952	81,206,747
Cash and cash equivalents	12	7,361,331	5,650,679
		<u>191,015,563</u>	<u>117,613,790</u>
		<u>364,477,017</u>	<u>297,192,004</u>
EQUITY			
Share capital	13	35,000,000	500,000
Retained earnings		<u>10,035,699</u>	<u>(26,748,684)</u>
Equity attributable to the owners of the company		<u>45,035,699</u>	<u>(26,248,684)</u>
Non-current liabilities			
Trade and other payables	14	27,309,799	52,141,021
Borrowings	15	<u>188,197,291</u>	<u>164,403,695</u>
		<u>215,507,090</u>	<u>216,544,716</u>
Current liabilities			
Trade and other payables	14	103,934,227	87,010,058
Borrowings	15	<u>-</u>	<u>19,885,914</u>
		<u>103,934,227</u>	<u>106,895,972</u>
		<u>364,477,017</u>	<u>297,192,004</u>

The financial statements on pages 7 to 20 were approved and authorised for issue by the board of Directors on 30th Jan' 2019 and were signed on its behalf by:

 DIRECTOR

 DIRECTOR

The notes on pages 10 to 20 form an integral part of these financial statements.

Report of the independent auditor - pages 4 to 6.

Varun Beverages (Zambia) Limited*Annual report and financial statements**For the year ended 31 December 2018***STATEMENT OF CASH FLOWS**

	Notes	2018 ZMW	2017 ZMW
Cash flows from operating activities			
Profit before tax		36,784,384	28,430,780
Adjustments for:			
Depreciation on property, plant and equipment	9	25,245,785	22,491,754
Interest expense	7	4,959,605	10,049,293
Foreign exchange gains	7	32,452,519	6,414,791
Net cash from operations before working capital changes		99,442,293	67,386,618
Changes in working capital:			
- inventories		(14,955,916)	8,904,599
- trade and other receivables		(56,735,205)	(11,798,010)
- trade and other payables		(7,907,052)	(17,809,975)
Interest paid	7	(4,959,605)	(10,049,293)
Net cash from operating activities after working capital changes		14,884,514	36,633,939
Cash flows from investing activities			
Cash paid for purchase of property, plant and equipment	9	(29,490,606)	(23,293,703)
Proceeds from the issuance of Shares		34,500,000	-
Proceeds from disposal of property, plant and equipment		10,361,580	104,598
Net cash (used in) investing activities		15,370,975	(23,189,105)
Cash flows from financing activities			
Proceeds/(re-payment) of borrowings		3,907,682	43,877,713
Net cash from/(used in) financing activities		3,907,682	43,877,713
Increase/(decrease) in cash and cash equivalents		34,163,171	57,322,547
Movement in cash and cash equivalents			
At start of year		5,650,679	(45,257,078)
Increase/(decrease)		34,163,171	57,322,547
Effect of exchange rate changes		(32,452,519)	(6,414,791)
Total cash at end of the year	12	7,361,331	5,650,679

The notes on pages 10 to 20 form an integral part of these financial statements.

Report of the independent auditor - pages 4 to 6.

Varun Beverages (Zambia) Limited*Annual report and financial statements**For the year ended 31 December 2018*

NOTES

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

1) General Information

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

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

2) Significant accounting policies**a) Basis of preparation**

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

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

These financial statements comply with the requirements of the Companies Act, 2017. The statement of profit or loss and retained earnings represents the profit and loss account referred to in the Act. The statement of financial position represents the balance sheet referred to in the Act.

Going concern

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

Based on the financial performance and position of the group and its risk management policies, the directors are of the opinion that the group is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

b) Key sources of estimation uncertainty

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

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

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

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2018

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.

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2018

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 2018

NOTES (CONTINUED)

	2018 ZMW	2017 ZMW
3. Revenue		
Carbonated soft drinks	409,104,637	289,710,015
Bottled drinking water	30,799,566	24,758,248
Other sales - Trading	915,733	1,427
Scrap sales	269,407	185,044
Sale of raw material	6,539,526	-
Trade discount	(12,043,183)	(6,657,758)
	<u>435,585,686</u>	<u>307,996,976</u>
4. Cost of sales		
Consumption of raw materials	<u>228,400,636</u>	<u>148,333,291</u>
	<u>228,400,636</u>	<u>148,333,291</u>
5. Other operating income		
Profit on disposal of property, plant and equipment	<u>3,242,882</u>	<u>9,673,544</u>
	<u>3,242,882</u>	<u>9,673,544</u>
6. Operating profit		
The following items have been charged/(credited) in arriving at operating profit:		
Depreciation on property, plant and equipment (Note 9)	25,245,785	22,491,754
(Profit) on disposal of property, plant and equipment (Note 5)	(3,242,882)	(9,673,544)
Auditor's remuneration	250,000	250,000
Directors' emoluments	1,494,722	1,174,888
Trade receivables - impairment	1,938,798	1,858,986
Staff costs		
- Salaries and wages	30,379,936	32,347,213
- Pension	1,153,149	1,018,329
- Other staff cost	<u>3,718,659</u>	<u>3,731,893</u>
7. Finance costs		
Net foreign exchange losses/(gains)	32,452,519	6,414,791
Interest expense:		
- bank loan	-	2,111,077
- bank overdraft	-	2,150,644
- holding company	3,091,491	4,947,375
- others	<u>1,868,114</u>	<u>840,198</u>
	<u>37,412,124</u>	<u>16,464,084</u>

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2018

NOTES (CONTINUED)

	2018 ZMW	2017 ZMW
8. Tax		
Current tax	-	-
Deferred tax	-	-
	-	-

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

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

No deferred tax has been recognised in these financial statements because of the tax holiday the Company is currently enjoying.

9. Property, plant and equipment

	Land and buildings ZMW	Plant and machinery ZMW	Motor vehicles ZMW	Furniture and fittings ZMW	Total ZMW
Cost					
At start of year	34,515,953	232,063,143	28,009,561	1,562,264	296,150,921
Additions	1,390,721	22,457,401	3,568,704	41,169	27,457,995
Additions - CWIP	-	2,032,610	-	-	2,032,610
Disposals	-	(58,874,140)	(9,224,861)	-	(68,099,001)
At end of year	35,906,674	197,679,014	22,353,404	1,603,433	257,542,525
Depreciation					
At start of year	4,418,611	94,004,188	16,938,659	1,211,249	116,572,707
Disposals	-	(49,531,017)	(8,206,403)	-	(57,737,421)
Charge for the year	983,145	20,017,668	4,199,485	45,487	25,245,785
At end of year	5,401,756	64,490,838	12,931,741	1,256,736	84,081,071
Net book value					
31 December 2018	30,504,918	133,188,176	9,421,664	346,697	173,461,454
31 December 2017	30,097,342	138,058,955	11,070,902	351,015	179,578,214

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2018

NOTES (CONTINUED)

	2018 ZMW	2017 ZMW
10. Inventories		
Finished goods	9,969,304	7,313,905
Consumables and advertising materials	24,415,468	19,397,163
Raw materials	11,327,508	4,045,296
	<u>45,712,280</u>	<u>30,756,364</u>
11. Trade and other receivables		
Trade receivables	19,526,866	16,844,722
Less: provision for impairment	(1,938,798)	(1,858,986)
Net trade receivables	17,588,068	14,985,737
Prepayments and other receivables	21,524,097	12,278,043
Receivables from related parties (Note 17)	98,829,787	53,942,967
	<u>137,941,952</u>	<u>81,206,747</u>

During the year, the Company recognised an additional impairment loss of ZMW 79,812 (ZMW 2017: a reduction of ZMW 593,570) due to the reduction in the provision for doubtful debts.

12. Cash and cash equivalents

Cash and bank balances	<u>7,361,331</u>	<u>5,650,679</u>
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For the purpose of the statement of cash flows, the year end cash and cash equivalents comprise the following:

Cash and bank balances	<u>7,361,331</u>	<u>5,650,679</u>
	<u>7,361,331</u>	<u>5,650,679</u>

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

3,500,000 (2017: 50,000) Ordinary shares of ZMW 10 each	<u>35,000,000</u>	<u>500,000</u>
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At an extra ordinary general meeting of the Company held on 28 October 2018, it was resolved to increase the nominal share capital from ZMW 500,000 to ZMW 35,000,000. At a directors meeting held on 31 October, 2018, it was resolved to issue 3,450,000 shares of ZMW10 each to existing shareholders. These shares were allotted on 6th November 2018.

Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2018

NOTES (CONTINUED)

	2018 ZMW	2017 ZMW
14. Trade and other payables		
Non-current		
Deferred VAT	8,345,601	18,974,954
Security deposits	18,964,198	33,166,067
	<u>27,309,799</u>	<u>52,141,021</u>
Current		
Trade payables	40,871,782	34,046,518
Deferred excise duty	-	808,263
Deferred VAT	10,256,382	12,722,120
Payables to related parties (Note 16)	25,159,469	16,435,277
Other payables and accruals	27,646,594	22,997,879
	<u>103,934,227</u>	<u>87,010,057</u>
Total trade and other payables	<u><u>131,244,026</u></u>	<u><u>139,151,078</u></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.

15. Borrowings**Non-current**

Loans from related parties (Note 16)	188,076,666	163,301,737
Loans from directors (Note 16)	120,625	1,101,958
	<u>188,197,291</u>	<u>164,403,695</u>

Current

Loans from related parties (Note 16)	-	19,885,914
	<u>-</u>	<u>19,885,914</u>

Total borrowings

	<u><u>188,197,291</u></u>	<u><u>184,289,609</u></u>
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Varun Beverages (Zambia) Limited

Annual report and financial statements

For the year ended 31 December 2018

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

The Company is controlled by Varun Beverages Limited, registered in India, which owns 90.00% of the Company's shares.

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

	2018 ZMW	2017 ZMW
i) Sale of goods and services		
- Other related parties	160,852,017	94,899,296
	<u>160,852,017</u>	<u>94,899,296</u>
ii) Purchase of goods and services		
- Parent	(34,423,124)	(17,837,071)
- Other related parties	(1,122,343)	-
	<u>(35,545,467)</u>	<u>(17,837,071)</u>
iii) Receivables from related parties (Note 11)		
- Subsidiary	-	-
- Other related parties	98,829,787	53,942,967
	<u>98,829,787</u>	<u>53,942,967</u>
iv) Payables to related parties (Note 14)		
- Parent	(25,159,469)	(16,435,277)
- Other related parties	-	-
	<u>(25,159,469)</u>	<u>(16,435,277)</u>
v) loans from related parties (Note 15)		
- Parent	180,899,478	142,164,760
- Other related parties	7,177,188	41,022,891
	<u>188,076,666</u>	<u>183,187,651</u>
<p>The unsecured loans are interest free and have no specific repayment terms except the loan from Varun Beverages Limited which is repayable as per the terms of the respective agreement i.e. Loan - 1 Principal amount \$ 5,986,107 with interest rate one month Libor plus 4% Loan - 2 Principal amount \$ 9,009,052 with interest rate Three month Libor plus 2 %</p>		
vi) loans from directors (Note 15)	120,625	1,101,958
	<u>120,625</u>	<u>1,101,958</u>

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 2018***NOTES (CONTINUED)**

	2018 ZMW	2017 ZMW
17. Related party transactions and balances		
vi) Key management compensation	<u>6,872,655</u>	<u>5,465,200</u>
	<u>6,872,655</u>	<u>5,465,200</u>

18. Events after the end of the reporting date

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

19. Presentation currency

The financial statements are presented in Zambian Kwacha.

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

FINANCIAL STATEMENTS
- 31 DECEMBER 2018 -



AA Omar & Company
Chartered Accountants (Zimbabwe)



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

AA Omar & Company *Chartered Accountants (Zimbabwe)*

▲ 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 2018 and the statements of comprehensive income, changes in equity and cash flows for the quarter ended, and notes, comprising a summary of significant accounting policies and other explanatory information, set out on pages 2 to 12.

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 2018, 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
6 February 2019

A member of



Independent legal & accounting firms

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 statement have been prepared in United States Dollars which is at par with balances held in bank accounts by the Company. Though the current prevailing economic conditions in Zimbabwe underscores a reduced value of such balances creating an exchange gain/(loss) against United States Dollars, no exchange gain/(loss) has been recognised as the Company has had access to United States Dollars.

GOING CONCERN

The Company's forecasts and projections, taking account of reasonably possible changes in manufacturing & 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.

Land is not depreciated

CWIP consists of operational machinery which on completion is transferred to plant and machinery. This category of asset is not depreciated.

Non-current assets are depreciated at the following rates on straight line basis:

Building	-5%
Computer equipment	-20%
Furniture and fittings	-20%
Market equipments	-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.

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.

Inventory

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

VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR
ENDED 31 DECEMBER 2018



	31 December 2018 \$	31 December 2017 \$
Revenue	68 557 856	12 929 594
Other income	48 897	-
Total income	<u>68 606 753</u>	<u>12 929 594</u>
Costs of sales	(41 447 631)	(11 135 205)
Total net income	<u>27 159 121</u>	<u>1 794 389</u>
Depreciation	(1 429 340)	(36 199)
Operating expenses	(9 594 449)	(2 262 469)
Finance Costs	(2 084 382)	-
Profit before income tax	<u>14 050 950</u>	<u>(504 278)</u>
Income tax expense	(2 605 923)	-
Profit (Loss) for the year	<u>11 445 027</u>	<u>(504 278)</u>
Other comprehensive income	-	-
Total comprehensive income (loss) for the year	<u>11 445 027</u> =====	<u>(504 278)</u> =====

VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

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STATEMENT OF FINANCIAL POSITION - 31 DECEMBER 2018

	Notes	31 December 2018 \$	31 December 2017 \$
ASSETS			
Non current assets			
Property and equipment	3	32 543 259	374 121
Capital work in progress		2 886 512	14 855 141
Other non current assets (Advances for capital equipments)		1 591 130	-
		<hr/>	<hr/>
Current assets		37 020 901	15 229 262
Inventory	4	8 095 435	655 520
Trade and other receivables	5	6 392 667	4 121 556
Cash resources		18 496 499	4 356 656
		<hr/>	<hr/>
		32 984 600	9 133 732
		<hr/>	<hr/>
Total assets		70 005 501 =====	24 362 994 =====
EQUITY AND LIABILITIES			
Equity			
Share capital		1 100	1 100
Retained profit (Accumulated loss)	6	10 986 517	(458 510)
		<hr/>	<hr/>
Shareholders equity		10 987 617	(457 410)
		<hr/>	<hr/>
Non current liabilities			
Loans	7	34 872 597	17 007 444
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	8	7 543 641	1 472 969
Affiliated companies	9	14 046 473	6 342 073
Taxation	2	2 555 174	(2 081)
		<hr/>	<hr/>
		24 145 288	7 812 961
		<hr/>	<hr/>
Total equity and liabilities		70 005 501 =====	24 362 994 =====


 _____) K. SHANKAR IYER
)
) Directors
)

 _____) ANDREW LOWE

6 February 2019

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital \$	Retained profits \$	Total equity \$
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 year	-	-	-
Total comprehensive income	<u>1 100</u>	<u>(504 278)</u>	<u>(504 278)</u>
Balance as at 31 December 2017	<u>1 100</u>	<u>(458 510)</u>	<u>(457 410)</u>
Year ended 31 December 2018	<u>=====</u>	<u>=====</u>	<u>=====</u>
Balance as at 1 January 2018	1 100	(458 510)	(457 410)
Issue of shares	-	-	-
Redemption of shares	-	-	-
Transfer to capital redemption reserve fund	-	-	-
Capital redemption reserve written off	-	-	-
Profit for the year	-	11 445 027	11 445 027
Total comprehensive income	<u>1 100</u>	<u>10 986 517</u>	<u>10 987 617</u>
Balance as at 31 December 2018	<u>1 100</u> <u>=====</u>	<u>10 986 517</u> <u>=====</u>	<u>10 987 617</u> <u>=====</u>




STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	31 December 2018 \$	31 December 2017 \$
Cash flows from operating activities		
Profit / (Loss) before income tax	14 050 950	(504 278)
Adjustments for non cash items:		
Depreciation	1 429 340	36 199
Operating cash flows before changes in working capital	15 480 290	(468 079)
Changes in working capital:		
(Increase) / Decrease in Inventory	(7 439 914)	89 515
(Increase) / Decrease in Trade / Other receivables	(2 271 111)	2 611 785
Increase in short term/ capital advance	(1 591 130)	-
Increase in trade and other payables	6 070 672	767 632
Increase in amounts due to group companies	7 704 401	2 545 781
Net cash flows (used in)/generated from operating activities	17 953 207	5 546 634
Income tax paid	(48 668)	(1 120)
Net cash (used in)/ generated from operating activities	17 904 539	5 545 514
Cash flows from investing activities		
Purchase of equipment	(21 629 850)	(14 150 758)
Net cash used in investing activities	(21 629 850)	(14 150 758)
Cash flows from financing activities		
Proceeds from issuance of share capital	17 865 152	11 507 444
Proceeds from long term borrowings	17 865 152	11 507 444
Net cash (used in)/ generated from financing activities	14 139 842	2 902 200
Net (decrease)/increase in cash and cash equivalents	4 356 656	1 454 456
Cash and cash equivalents at the beginning of the year	18 496 499	4 356 656
Cash and cash equivalents as at 31 December 2018	=====	=====



VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

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**NOTES TO THE FINANCIAL STATEMENTS FOR
FOR THE YEAR ENDED 31 DECEMBER 2018**

1. BUSINESS

Manufacturing, Importation and distribution of beverages

2. TAXATION

Income tax - current year
- previous year
- amounts paid

31 December 2018
\$

31 December 2017
\$

2 605 923
(15 644)
(35 105)

2 555 174
=====

-
-
(2 081)

(2 081)
=====

3. PROPERTY, PLANT AND EQUIPMENT

Land
Building
Computer equipment
CWIP-Land and building
CWIP-Plant and machinery
Furniture and fittings
Market equipments
Motor vehicles
Office equipment
Plant and machinery
Preoperative expenses

Cost \$	Aggregate depreciation \$	Net book value	Net book value \$
3 703 391	-	3 703 391	-
11 012 188	283 824	10 728 364	-
71 668	8 477	63 190	7 279
-	-	-	5 029 499
2 886 512	-	2 886 512	6 805 226
303 122	16 220	286 902	2 137
1 283 772	145 120	1 138 652	334 528
1 048 721	130 738	917 983	25 097
165 624	16 744	148 880	5 079
16 421 007	865 110	15 555 897	-
-	-	-	3 020 415
-----	-----	-----	-----
36 896 004	1 466 233	35 429 771	15 229 261
=====	=====	=====	=====

4. INVENTORY

Goods for sale
Raw/Packing Material
Stores & Spares Material
Goods in transit

518 697
7 011 375
565 363
-

8 095 435
=====

102 258
-
-
553 263

655 520
=====

5. TRADE AND OTHER RECEIVABLES

Trade
Other

1 788 526
4 604 141

6 392 667
=====

1 018 565
3 102 991

4 121 556
=====

6. 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.

7. LOANS

NMB Bank Limited

Varun Beverages Limited, Gurgaon, India

Standard Chartered Bank, London- Term Loan - I

Standard Chartered Bank, London- Term Loan - II

472 597	3 500 000
9 100 000	3 650 000
13 000 000	9 857 444
12 300 000	-
-----	-----
34 872 597	17 007 444
=====	=====

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. However after prepayment the outstanding loan balance as on date is US\$ 472,597

This facility bears interest at the rate of 7% per annum, and is payable in 8 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 15 EMIs. However after repayment of 1 EMI the outstanding loan balance is USD \$ 13M.

Another term loan of USD \$ 12.30M availed from SCB London for Expansion of Building, Plant & Machinery, loan is bearing an interest of 3.0% + LIBOR, principal of this loan is payable in 11 EMIs

8. TRADE AND OTHER PAYABLES

Trade

Other

3 351 827	294 947
4 191 814	1 178 022
-----	-----
7 543 641	1 472 969
=====	=====

9. AFFILIATED COMPANIES

Varun Beverages (Zambia) Limited

Varun Beverages (Mozambique) Limited

Varun Beverages Lanka Pvt Ltd

Varun Beverages Limited India

8 193 143	4 579 780
-	160 575
-	28 650
5 853 330	1 573 068
-----	-----
14 046 473	6 342 073
=====	=====

10. RETIREMENT BENEFITS

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

VARUN BEVERAGES (ZIMBABWE) (PRIVATE) LIMITED

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SCHEDULES TO THE FINANCIAL STATEMENTS FOR
FOR THE YEAR ENDED 31 DECEMBER 2018

NON-CURRENT ASSETS AND DEPRECIATION

	Cost \$	Aggregate depreciation \$	Net book value \$	31 December 2018 \$ Depreciation for the year \$	31 December 2017 \$ Depreciation for the year \$
Land					
1 January 2018	-	-	-		
Addition - Land	3 703 391	-	3 703 391		
	=====	=====	=====		
Building					
1 January 2018	-	-	-		
Addition - Building	11 012 188	-	11 012 188		
	-----	-----	-----		
Depreciation - 5%	11 012 188	-	11 012 188		
	-	283 824	283 824	283 824	-
	-----	-----	-----		
	11 012 188	283 824	10 728 367		
	=====	=====	=====		
Computer equipment					
1 January 2018	8 798	1 520	7 278		
Addition: Computers and printers	62 869	-	62 869		
Disposals	(495)	(47)	(448)		
	-----	-----	-----		
Depreciation - 20%	71 668	1 473	69 700		
	-	7 004	7 004	7 004	1 284
	-----	-----	-----		
	71 668	8 477	63 190		
	=====	=====	=====		
Furniture and fittings					
1 January 2018	3 274	1 137	2 137		
Addition: Furniture	299 848	-	299 848		
	-----	-----	-----		
Depreciation - 20%	303 122	1 137	301 985		
	-	15 083	15 083	15 083	822
	-----	-----	-----		
	303 122	16 220	286 902		
	=====	=====	=====		
Market Equipments					
1 January 2018	362 565	28 037	334 528		
Addition: Coolers and Iceboxes	1 165 979	-	1 165 979		
Reclassification	(244 772)	(2 455)	(242 317)		
	-----	-----	-----		
Depreciation - 20%	1 283 772	25 582	1 258 190		
	-	119 538	119 538	119 538	28 037
	-----	-----	-----		
	1 283 772	145 120	1 138 652		
	=====	=====	=====		
Motor vehicles					
1 January 2018	33 200	8 103	25 097		
Addition: Cars	1 015 521	-	1 015 521		
	-----	-----	-----		
Depreciation - 20%	1 048 721	8 103	1 040 618		
	-	122 635	122 635	122 635	5 484
	-----	-----	-----		
	1 048 721	130 738	917 983		
	=====	=====	=====		

Office equipment

1 January 2018

Addition: Office equipments

Depreciation - 20%

5 677	598	5 079
159 947	-	159 947
-----	-----	-----
165 624	598	165 026
-	16 146	16 146
-----	-----	-----
165 624	16 744	148 880
=====	=====	=====

16 146

574

Plant & Machinery

1 January 2018

Addition - Plant and Machinery

Depreciation - 20%

-	-	-
16 421 007	-	16 421 007
-----	-----	-----
16 421 007	-	16 421 007
-	865 110	865 110
-----	-----	-----
16 421 007	865 110	15 555 897
=====	=====	=====

865 110

CWIP-Land and Building

1 January 2018

Addition - Land and Building

Capitalisation-Land and Building

5 029 499	-	5 029 499
7 746 129	-	7 746 129
(12 775 628)	-	(12 775 628)
-----	-----	-----
-	-	-
=====	=====	=====

CWIP-Plant and Machinery

1 January 2018

Addition - Plant and Machinery

Capitalisation - Plant and Machinery

6 805 226	-	6 805 226
5 711 696	-	5 711 696
(9 630 410)	-	(9 630 410)
-----	-----	-----
2 886 512	-	2 886 512
=====	=====	=====

DEPRECIATION PER INCOME STATEMENT

1 429 340	36 199
=====	=====

OPERATING EXPENSES

Selling and distribution expenses

Salaries and wages

General and administration expenses

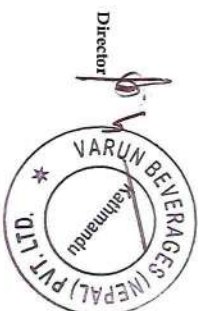
4 654 395	1 062 861
2 626 773	813 185
2 313 282	386 423
-----	-----
9 594 449	2 262 469
=====	=====

Varun Beverages (Nepal) Pvt. Ltd.
Balance sheet As At 31st December, 2018

	Note	Indian GAAP		INID AS - Adjustment		Final Post Ind AS	
		NPR	NPR	NPR	NPR	NPR	NPR
		31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Assets							
1) Non - Current Assets	1A	3,415,996,603	992,610,665	495,455,838	88,071,842	3,911,452,440	1,080,682,507
(a) Property, Plant and Equipment	1B	32,241,936	491,024,518	-	-	32,241,936	491,024,518
(b) Capital Work In Progress	2	103,238,593	76,841,274	(2,083,510)	1,425,334	101,155,083	78,266,608
(c) Deferred Tax Assets	3	349,907,004	1,209,070,191	-	-	349,907,004	1,209,070,191
(d) Other Non - Current Assets		3,901,384,135	2,769,546,648	493,372,327	89,497,176	4,394,756,463	2,859,043,824
Total Non - Current Assets							
2) Current Assets	4	652,991,393	390,565,609	-	-	652,991,393	390,565,609
(a) Inventories							
(b) Financial Assets	5	83,947,830	80,270,029	(13,909,843)	(8,908,339)	70,037,987	71,361,690
(i) Trade Receivables	6	26,771,044	6,501,296	-	-	26,771,044	6,501,296
(ii) Cash and Cash Equivalents	7	222,666,109	472,567,320	-	-	222,666,109	472,567,320
(iii) Bank Balances Other Than (ii) above	8	20,823,104	12,429,515	-	-	20,823,104	12,429,515
(iv) Others	9	6,568,929	-	-	-	6,568,929	-
(c) Current Tax Assets (Net)	10	73,824,563	555,352,490	-	-	73,824,563	555,352,490
(d) Other Current Assets		1,087,592,973	1,517,686,260	(13,909,843)	(8,908,339)	1,073,683,130	1,508,777,921
Total Current Assets		4,988,977,108	4,287,232,908	479,462,485	80,588,837	5,468,439,593	4,367,821,745
Total Assets							
Equity & Liabilities							
(a) Equity Share Capital	11	1,080,000,000	76,250,000	-	-	1,080,000,000	76,250,000
(b) Other Equity	12	1,312,096,941	980,087,435	479,716,598	80,588,837	1,791,813,539	1,060,676,272
Total Equity		2,392,096,941	1,056,337,435	479,716,598	80,588,837	2,871,813,539	1,136,926,272
Liabilities							
1) Non - Current Liabilities							
(a) Financial liabilities							
(i) Borrowings	13	212,500,000	63,508,273	(697,063)	-	211,802,937	-
(ii) Provisions	14	76,337,380	118,243,641	-	-	76,337,380	63,508,273
(c) Other Non - Current Liabilities		37,510,641	181,751,913	-	-	37,510,641	118,243,641
Total Non - Current Liabilities		326,348,021	181,751,913	(697,063)	-	325,650,958	181,751,913
2) Current Liabilities							
(a) Financial Liabilities							
(i) Borrowings	15	36,591,239	899,981,278	-	-	36,591,239	899,981,278
(ii) Trade Payables	16	974,824,511	1,036,016,824	-	-	974,824,511	1,036,016,824
(iii) Other financial Liabilities	17	1,188,612,748	1,028,694,983	-	-	1,188,612,748	1,028,694,983
(b) Other Current Liabilities	18	68,840,080	52,704,866	-	-	68,840,080	52,704,866
(c) Provisions	13	1,663,569	5,677,305	442,950	-	2,106,519	5,677,305
(d) Current Tax Liability (Net)	19	-	26,068,305	-	-	-	26,068,305
Total Current Liabilities		2,270,532,146	3,049,143,560	442,950	-	2,270,975,096	3,049,143,560
Total Liabilities		2,596,880,167	3,230,895,473	(254,113)	-	2,596,626,054	3,230,895,473
Total Equity & Liabilities		4,988,977,108	4,287,232,908	479,462,485	80,588,837	5,468,439,593	4,367,821,745

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

CA. S. K. Jhunjhunwala
Partner
Place: Kathmandu
Date: 31/01/2019



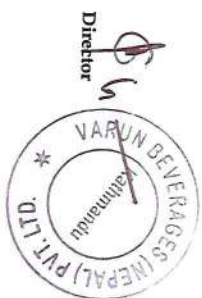
Director

Varun Beverages (Nepal) Pvt. Ltd.
Profit & Loss For The Period Ended 31st December, 2018

		Note	Indian GAAP		IND AS - Adjustment		Final Post Ind AS	
			NPR	NPR	NPR	NPR	NPR	NPR
			31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
I	Income							
II	Revenue From Operations	20	7,021,422,340	6,432,116,936	-	-	7,021,422,340	6,432,116,936
III	Other Income	21	116,156,505	59,750,646	-	-	116,156,505	59,750,646
IV	Branch Transfer							
	Total Income (I + II)		7,137,578,845	6,491,867,582	-	-	7,137,578,845	6,491,867,582
V	Expenses							
(a)	Cost of Materials Consumed	22	2,505,705,630	2,510,011,368	-	-	2,505,705,630	2,510,011,368
(b)	Excise Duty	23	884,159,453	659,522,670	-	-	884,159,453	659,522,670
(c)	Purchase of Stock in Trade	24	876,321	1,175,799	-	-	876,321	1,175,799
(d)	Changes in inventories of finished goods, stock-in-trade & WIP	25	(23,411,608)	(2,767,460)	-	-	(23,411,608)	(2,767,460)
(e)	Employee Benefits Expense	26	364,092,192	293,273,839	-	-	364,092,192	293,273,839
(f)	Finance Costs	27	110,474,059	67,926,936	-	-	109,776,996	67,926,936
(g)	Depreciation & Amortisation Expenses	28	205,822,630	115,081,431	-	-	222,009,161	115,081,431
(h)	Other Expenses		2,298,186,950	2,028,959,520	-	-	2,303,188,454	2,032,790,436
	Total Expenses (IV)		6,345,905,626	5,673,184,104	5,001,504	3,830,915	6,366,396,599	5,677,015,019
VI	Profit/(loss) Before Prior Period Items (III-IV)		791,673,218	818,683,479	20,490,972	3,830,915	771,182,246	814,852,563
VII	Prior Period Items	29	-	-	(20,490,972)	-	-	-
VIII	Profit/(loss) Before Tax (V-VI)		791,673,218	818,683,479	(20,490,972)	3,830,915	771,182,246	814,852,563
IX	Earnings Before Interest, Tax, Depn & Amortization (EBITDA)		991,813,402	941,941,200	(5,001,504)	(3,830,915)	986,811,898	938,110,285
X	Tax Expense:							
(1)	Current Tax		178,261,032	136,249,314	-	-	178,261,032	136,249,314
(2)	Deferred Tax		(26,397,319)	(22,524,535)	(1,457,653)	(612,946)	(27,854,972)	(23,137,481)
	Total Tax Expenses		151,863,713	113,724,779	(1,457,653)	(612,946)	150,406,060	113,111,833
IX	Profit (Loss) For the Year (VII-VIII)		639,809,505	704,958,700	(19,033,319)	(3,217,969)	620,776,186	701,740,731
X	OTHER COMPREHENSIVE INCOME							
A	Items That Will Not to be Reclassified to Profit or Loss	30	-	-	-	-	-	-
(i)	Remeasurement of the Defined Benefit Plans		-	-	-	-	-	-
(j)	Income tax relating to items that will not be reclassified to P & L		-	-	-	-	-	-
B	Items that will be reclassified to Profit or Loss							
	Other Comprehensive Income for the Year, Net of Tax		-	-	-	-	-	-
XI	Total Comprehensive Income For The Year, Net of Tax (IX+X)		639,809,505	704,958,700	(19,033,319)	(3,217,969)	620,776,186	701,740,731

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

CA. S. K. Jhunjhunwala
Partner
Place: Kathmandu
Dated: 31/01/2019



Director

Director

Varun Beverages (Nepal) Pvt. Ltd.
Summary of Significant Accounting Policies and Other Explanatory Information For The Year Ended 31st December, 2018

VBL Nepal in NPR
1A Property, Plant & Equipment

Gross Block	Land Freehold	Land Leasehold	Buildings	Plant and Equipment	Furniture And fixtures	Vehicles	Office Equipment	Computers	Containers	PM Vending Machines & Refrig (Vesi Cooler)	Total
Balance as at 1st January, 2017	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	72,280,371	132,219	31,760	981,422	482,086	109,452,082	1,535,349	187,870,185
Disposals	-	-	-	-	-	(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
Additions	127,478,243	-	749,884,142	1,370,448,897	5,295,909	160,108	5,744,592	2,089,745	184,909,923	185,286,133	2,631,297,691
Disposals & Reversals	-	-	-	(2,156,831)	(2,061,573)	(12,683,282)	(2,831,892)	(6,354,433)	-	-	(26,088,011)
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-	-	-
- Foreign exchange fluctuation	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31st December, 2018	222,349,518	-	950,211,693	2,120,645,548	12,459,114	177,970,716	8,664,722	3,333,907	534,099,535	404,022,962	4,433,957,715
Accumulated Depreciation	-	-	-	-	-	-	-	-	-	-	-
Balance as at 1st January, 2017	-	-	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)
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-	-
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
Depreciation Charge for the Year Ended	-	-	22,349,135	65,232,777	415,726	9,274,486	854,109	529,871	70,461,002	36,705,524	205,822,630
Ind AS Adj - Depn - Opening upto 2017	-	-	6,489,524	53,443,058	702,096	(22,338,955)	(1,153,204)	(5,877,350)	(225,553,460)	(229,282,235)	(423,570,527)
Ind AS Adj - Depn - Jan To Dec 2018	-	-	1,082,950	11,862,222	330,575	3,474,733	27,434	35,030	(722,564)	96,150	16,186,531
Reversal on disposal of assets	-	-	-	(1,227,233)	(2,022,679)	(11,966,103)	(2,746,161)	(6,036,711)	-	-	(23,998,887)
Balance as at 31st December, 2018	-	-	106,760,152	474,496,257	6,864,837	137,396,648	1,174,431	(4,747,070)	(77,093,733)	(122,346,247)	522,505,275
Net Block	-	-	-	-	-	-	-	-	-	-	-
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
Balance as at 31st December, 2018	222,349,518	-	843,451,541	1,646,149,291	5,594,277	40,574,068	7,690,291	8,080,977	611,193,268	526,369,210	3,911,452,441

1B Capital Work In Progress

Particulars	Amount
Balance as at 1st January, 2017	129,984,280
Additions During the Year	569,867,288
Capitalisation During the Year	(208,827,049)
Balance as at 31st December, 2017	491,024,518
Additions During the Year	2,072,156,249
Capitalisation During the Year	(2,530,938,831)
Balance as at 31st December, 2018	32,241,936



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

12. Equity Share Capital

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

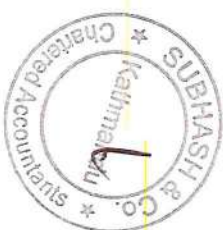
Particulars	No. of Shares	Amount
Balance as at 1st January, 2017	76,250	76,250,000
Changes in Share Capital During the Year 2017	-	-
Balance as at 31st December, 2017	76,250	76,250,000
Changes in Share Capital During the Period	1,003,750	1,003,750,000
Balance as at 31st December, 2018	1,080,000	1,080,000,000

13. Other Equity

Particulars	Share premium	Retained Earnings	Capital Reserve	Total
Balance as at 1st January, 2017	53,600,356	522,263,343	88,071,842	663,935,541
Profit for the Year Ended		701,740,731		701,740,731
Dividend Paid		(305,000,000)		(305,000,000)
Transferred During the Year				
Balance as at 31st December, 2017	53,600,356	919,004,076	88,071,842	1,060,676,272
Opening Balance of Dep Recalculated & Actutrial Valuation		418,161,079		418,161,079
Profit for the Year Ended		620,776,186		620,776,186
Dividend Paid		(307,800,000)		(307,800,000)
Transferred During the Year				
Balance as at 31st December, 2018	53,600,356	1,650,141,341	88,071,842	1,791,813,537



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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, 2018

	Note	Indian GAAP		IND AS - Adjustment		Final Post Ind AS	
		NPR	NPR	NPR	NPR	NPR	NPR
1A) Property, plant and equipment	R.N. 1A	31 December 2018 3,415,996,603	31 December 2017 992,610,665	31 December 2018 495,455,838	31 December 2017 88,071,842	31 December 2018 3,911,452,440	31 December 2017 1,080,682,507
1B) Capital work in progress	R.N. 1B	32,241,936	491,024,518	-	-	32,241,936	491,024,518
2. Deferred Tax Assets (Net)							
Unabsorbed Depn & Carry Forward Losses - Deferred Tax		(10,319,637)	29,155,679	(4,509,145)	-	(14,828,782)	29,155,679
Provision For Doubtful Debts - Deferred Tax		97,958,040	33,848,479	2,425,635	1,425,334	100,383,675	35,273,813
Provision For Retirement Benefits - Deferred Tax		15,600,190	13,837,116	-	-	15,600,190	13,837,116
		103,238,593	76,841,274	(2,083,510)	1,425,334	101,155,083	78,266,608
3. Other Non - Current Assets							
Capital advances		832,194,157	1,352,385,993	-	-	832,194,157	1,352,385,993
Less: Provision for Doubtful Advances		(483,265,652)	(161,088,551)	-	-	(483,265,652)	(161,088,551)
		348,928,505	1,191,297,442	-	-	348,928,505	1,191,297,442
(ii) Advances other than capital advances							
(a) Security Deposits		978,498	17,772,749	-	-	978,498	17,772,749
(b) Advances to Related Parties		-	-	-	-	-	-
(c) Other Advances		349,907,004	1,209,070,191	-	-	349,907,004	1,209,070,191
4. Inventories							
(a) Raw material		390,574,062	213,006,192	-	-	390,574,062	213,006,192
(b) Raw Material in transit		2,606,706	4,716,644	-	-	2,606,706	4,716,644
(c) Work-in-progress		-	-	-	-	-	-
(d) Intermediate goods		106,123,181	77,994,928	-	-	106,123,181	77,994,928
(e) Finished goods		153,687,444	94,847,845	-	-	153,687,444	94,847,845
(f) Stores and spares		652,991,393	390,565,609	-	-	652,991,393	390,565,609
(-) Provision for obsolete/ Unserviceable Items/ Diminution in value of Inventory		652,991,393	390,565,609	-	-	652,991,393	390,565,609
5. Trade receivables							
Unsecured, Considered Good		83,947,830	80,270,029	-	-	83,947,830	80,270,029
Unsecured, Considered Doubtful		6,524,550	8,153,842	-	-	6,524,550	8,153,842
		90,472,381	88,423,871	-	-	90,472,381	88,423,871
(-) Provision for Bad & Doubtful Debts		(6,524,550)	(8,153,842)	(13,909,843)	(8,908,339)	(20,434,393)	(17,062,181)
		83,947,830	80,270,029	(13,909,843)	(8,908,339)	70,037,987	71,361,690



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, 2018

	Note	Indian GAAP		IND AS - Adjustment		Final Post Ind AS	
		NPR 31 December 2018	NPR 31 December 2017	NPR 31 December 2018	NPR 31 December 2017	NPR 31 December 2018	NPR 31 December 2017
6. Cash and cash equivalents Balance with banks: - On current accounts - Deposits with original maturity of less than 3 months Cheques/drafts on hand Cash on hand		24,609,634	4,943,826	-	-	24,609,634	4,943,826
		2,161,411	1,557,470	-	-	2,161,411	1,557,470
		26,771,044	6,501,296	-	-	26,771,044	6,501,296
7. Other Bank Balances Deposits with original maturity more than 3 months but less than 12 months *		222,666,109	472,567,320	-	-	222,666,109	472,567,320
*Pledged as security with statutory authorities/banks		222,666,109	472,567,320	-	-	222,666,109	472,567,320
8. Other Current Financial Assets Interest accrued on: Term deposits Others Claims Receivable		8,646,961 4,661,766 7,514,377 20,823,104	908,471 10,751,035 770,010 12,429,515	- - - -	- - - -	8,646,961 4,661,766 7,514,377 20,823,104	908,471 10,751,035 770,010 12,429,515
9. Current Tax Assets Advance Tax (Net of Provisions)		6,568,929	-	-	-	6,568,929	-
10. Other Current Assets (Unsecured Considered Good, Unless Otherwise Stated) Other Advances: Employees*** Contractors & Suppliers** Prepaid Expenses Balance With Statutory/Government Authorities Others		4,499,372 14,387,045 8,917,155 32,271,469 13,749,522 73,824,563	5,513,562 371,013,154 5,738,524 15,422,046 157,665,205 555,352,490	- - - - - -	- - - - - -	4,499,372 14,387,045 8,917,155 32,271,469 13,749,522 73,824,563	5,513,562 371,013,154 5,738,524 15,422,046 157,665,205 555,352,490



Signature



Vaaru Beverages (Nepal) Pvt. Ltd.
Summary Of Significant Accounting Policies And Other Explanatory Information On The Standalone Financial Statements For The Year Ended 31st December, 2018

	Note	Indian GAAP		IND AS - Adjustment		Final Post Ind AS	
		NPR 31 December 2018	NPR 31 December 2017	NPR 31 December 2018	NPR 31 December 2017	NPR 31 December 2018	NPR 31 December 2017
11. Equity Share Capital							
Authorised Share Capital							
3,380,451 Equity Shares of 1000/- Each		3,380,451,000	3,380,451,000			3,380,451,000	3,380,451,000
Issued, Subscribed & Fully Paid - Up							
100,000 Ordinary Shares of 1000/- Each		1,080,000,000	76,250,000	-	-	1,080,000,000	76,250,000
8,000 Bonus Shares of 1000/- Each		1,080,000,000	76,250,000	-	-	1,080,000,000	76,250,000
12. Other Equity							
Revaluation Reserve							
Balance At Beginning of Reporting Period/Year		-	-	-	-	-	-
Add: Transferred during the year*		-	-	-	-	-	-
Balance at the End of the Year		-	-	-	-	-	-
Securities Premium Reserve							
Balance at the Beginning of the Year		53,600,356	53,600,356	-	-	53,600,356	53,600,356
Less: Amount Utilised for Share Issue Expenses		-	-	-	-	-	-
Balance at the End of the Year		53,600,356	53,600,356	-	-	53,600,356	53,600,356
Capital Reserve							
Surplus in the Statement of Profit and Loss							
Balance At Beginning of the Year		926,487,080	526,528,379	88,071,842	88,071,842	88,071,842	88,071,842
Less: Transfer to Debenture Redemption Reserve		-	-	-	-	-	-
Less: Dividend Paid		(292,410,000)	(289,750,000)	410,678,075	(4,265,036)	1,337,165,155	522,263,343
Less: Taxes on Dividend Paid		(15,390,000)	(15,250,000)	-	-	(292,410,000)	(289,750,000)
Add: Profit For the Year		639,809,505	704,958,700	(19,033,319)	(3,217,969)	(15,390,000)	(15,250,000)
Balance at the End of the Year		1,258,496,585	926,487,079	391,644,756	(7,483,005)	620,776,186	701,740,731
Foreign Currency Monetary Item Translation Diff. Account							
Balance at the beginning of the year		-	-	-	-	-	-
Add: Additions made during the year		-	-	-	-	-	-
Less: Amortised during the year		-	-	-	-	-	-
Balance at the end of the year		-	-	-	-	-	-
		1,312,096,941	980,087,435	479,716,598	80,588,837	1,791,813,539	1,060,676,272



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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, 2018

	Note	Indian GAAP		IND AS - Adjustment		Final Post Ind AS	
		NPR 31 December 2018	NPR 31 December 2017	NPR 31 December 2018	NPR 31 December 2017	NPR 31 December 2018	NPR 31 December 2017
Non - Current Financial Liabilities							
Loan From Bank		212,500,000	-	(697,063)	-	211,802,937	-
		212,500,000	-	(697,063)	-	211,802,937	-
13. Provisions							
Non - Current							
Gratuity		64,627,905	59,786,492	-	-	64,627,905	59,786,492
Compensated Absences		11,709,475	3,721,781	-	-	11,709,475	3,721,781
		76,337,380	63,508,273	-	-	76,337,380	63,508,273
Current							
Gratuity		-	-	-	-	-	-
Compensated Absences		1,663,569	5,677,305	442,950	-	2,106,519	5,677,305
		1,663,569	5,677,305	442,950	-	2,106,519	5,677,305
14. Other Non - Current Liabilities							
Provision for Contingent Liability (Net of tax paid under protest)							
		37,510,641	118,243,641	-	-	37,510,641	118,243,641
		37,510,641	118,243,641	-	-	37,510,641	118,243,641
15. Current borrowings							
Loans repayable on demand from:							
A Body Corporate (unsecured)*							
Banks - Working Capital Facilities (Secured)		36,591,239	899,981,278	-	-	36,591,239	899,981,278
Banks - Working Capital Facilities (Unsecured)							
		36,591,239	899,981,278	-	-	36,591,239	899,981,278
16. Trade Payables							
Trade Payables							
Total Outstanding Dues to Micro Enterprises & Small Enterprises		974,824,511	1,036,016,824	-	-	974,824,511	1,036,016,824
Total outstanding dues of creditors other than micro enterprises & small enterprises		974,824,511	1,036,016,824	-	-	974,824,511	1,036,016,824



Signature



Varnu Beverages (Nepal) Pvt. Ltd.
Summary Of Significant Accounting Policies And Other Explanatory Information On The Standalone Financial Statements For The Year Ended 31st December, 2018

	Note	Indian GAAP		IND AS - Adjustment		Final Post Ind AS	
		NPR 31 December 2018	NPR 31 December 2017	NPR 31 December 2018	NPR 31 December 2017	NPR 31 December 2018	NPR 31 December 2017
17. Other Financial Liabilities							
Current Maturities of Long Term Debts		187,500,000	-	-	-	187,500,000	-
Interest Accrued But Not Due on Borrowings		975,400	5,512,131	-	-	975,400	5,512,131
Payable for Capital Expenditure		52,821,215	153,605,898	-	-	52,821,215	153,605,898
Employee Related Payables		21,972,122	25,901,808	-	-	21,972,122	25,901,808
Unpaid Dividend		292,410,000	289,750,000	-	-	292,410,000	289,750,000
BG Commission Payable to Parent Company		5,426,045	-	-	-	5,426,045	-
Security Deposits		627,507,966	553,925,147	-	-	627,507,966	553,925,147
		1,188,612,748	1,028,694,983	-	-	1,188,612,748	1,028,694,983
18. Other Current Liabilities							
Advances From Customers		22,332,596	23,124,388	-	-	22,332,596	23,124,388
Statutory Dues Payable		46,507,484	29,580,479	-	-	46,507,484	29,580,479
		68,840,080	52,704,866	-	-	68,840,080	52,704,866
19. Current Tax Liabilities (Net)							
Provision For Income Tax (Net of Taxes Paid)		-	26,068,305	-	-	-	26,068,305
		-	26,068,305	-	-	-	26,068,305
20. Revenue From Operations							
Revenue From Operations (Gross)							
Sale of Products		7,007,534,538	6,417,419,554	-	-	7,007,534,538	6,417,419,554
Other Operating Revenue		13,887,802	14,697,383	-	-	13,887,802	14,697,383
Scrap Sales		7,021,422,340	6,432,116,936	-	-	7,021,422,340	6,432,116,936
21. Other Income							
Interest On:							
- Bank Deposits		36,728,967	45,178,281	-	-	36,728,967	45,178,281
- Others		12,806,165	14,298,369	-	-	12,806,165	14,298,369
Net Gain on Foreign Currency Transactions & Translations		-	13,222	-	-	-	13,222
Excess Provisions Written Back		66,075,530	-	-	-	66,075,530	-
Gain on Sale of Fixed Assets (Net)		545,842	260,774	-	-	545,842	260,774
Miscellaneous		116,156,505	59,750,646	-	-	116,156,505	59,750,646



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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, 2018

	Note	Indian GAAP		IND AS - Adjustment		Final Post Ind AS	
		NPR 31 December 2018	NPR 31 December 2017	NPR 31 December 2018	NPR 31 December 2017	NPR 31 December 2018	NPR 31 December 2017
22. Cost of Materials Consumed							
Raw Material & Packing Material Consumed							
Inventories at beginning of the year		213,006,192	215,872,595			213,006,192	215,872,595
Purchases during the year (net)		2,683,273,500	2,507,144,965			2,683,273,500	2,507,144,965
Sold during the year		2,896,279,692	2,723,017,560	-	-	2,896,279,692	2,723,017,560
Inventories at end of the year		-	-	-	-	-	-
		390,574,062	213,006,192			390,574,062	213,006,192
		2,505,705,630	2,510,011,368	-	-	2,505,705,630	2,510,011,368
23. Purchases of Traded Goods							
Beverages							
Others		876,321	1,175,799	-	-	876,321	1,175,799
		876,321	1,175,799	-	-	876,321	1,175,799
24. Changes in Inventories of Finished Goods							
As At the Beginning of The Year							
Finished Goods		77,994,928	76,452,451			77,994,928	76,452,451
Intermediate Goods		-	-			-	-
Work In Progress		4,716,644	3,491,661			4,716,644	3,491,661
		82,711,573	79,944,112	-	-	82,711,573	79,944,112
As At the Closing of The Year							
Finished Goods		106,123,181	77,994,928			106,123,181	77,994,928
Intermediate Goods		-	-			-	-
Work In Progress		106,123,181	4,716,644	-	-	106,123,181	4,716,644
		-	82,711,573	-	-	-	82,711,573
		(23,411,608)	(2,767,460)	-	-	(23,411,608)	(2,767,460)
Excise Paid							
		884,159,453	659,522,670	-	-	884,159,453	659,522,670
		884,159,453	659,522,670	-	-	884,159,453	659,522,670
25. Employee Benefits Expense							
Salaries & Wages		324,807,076	263,555,289	-	-	324,807,076	263,555,289
Contribution to Provident & Other Funds		9,651,658	7,568,515	-	-	9,651,658	7,568,515
Share Based Payments		29,633,458	22,150,035	-	-	29,633,458	22,150,035
Staff Welfare Expenses		364,092,192	293,273,839	-	-	364,092,192	293,273,839



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, 2018

	Note	Indian GAAP		IND AS - Adjustment		Final Post Ind AS	
		NPR 31 December 2018	NPR 31 December 2017	NPR 31 December 2018	NPR 31 December 2017	NPR 31 December 2018	NPR 31 December 2017
26. Finance Costs							
Interest On:							
Term Loans		24,087,756	-	-	-	24,087,756	-
Working Capital Facilities		77,428,972	66,876,595	-	-	77,428,972	66,876,595
Other Borrowing Costs:							
Processing Fees		2,573,748	1,050,342	(697,063)	-	1,876,686	1,050,342
Bank Guarantee Fees to Parent Company		6,383,583	-	-	-	6,383,583	-
		110,474,059	67,926,936	(697,063)	-	109,776,996	67,926,936
27. Depreciation & Amortisation Expense							
Depreciation on Tangible Assets		205,822,630	115,081,431	16,186,531	-	222,009,161	115,081,431
Amortisation of Intangible Assets		205,822,630	115,081,431	16,186,531	-	222,009,161	115,081,431
28. Other Expenses							
Power and fuel		181,116,278	148,597,653	-	-	181,116,278	148,597,653
Repair to Plant & Equipment		87,688,078	67,406,280	-	-	87,688,078	67,406,280
Repair to Buildings		30,238,772	19,445,487	-	-	30,238,772	19,445,487
Repair to Others		16,827,258	11,920,673	-	-	16,827,258	11,920,673
Consumption of Stores & Spares		61,889,230	52,615,023	-	-	61,889,230	52,615,023
Rent		32,382,589	19,722,181	-	-	32,382,589	19,722,181
Rates and Taxes		492,215	952,545	-	-	492,215	952,545
Insurance		16,061,919	8,837,795	-	-	16,061,919	8,837,795
Printing and stationery		2,896,052	2,183,200	-	-	2,896,052	2,183,200
Communication		5,066,861	3,746,696	-	-	5,066,861	3,746,696
Travelling and Conveyance		32,118,917	23,188,143	-	-	32,118,917	23,188,143
Directors' Sitting Fee							
Payment to the Auditors As							
Audit & Reviews							
Taxation Matters		1,000,000	925,000	-	-	1,000,000	925,000
Other Matters							
Reimbursement of Expenses							
Vehicle Running & Maintenance		7,995,387	6,792,845	-	-	7,995,387	6,792,845



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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, 2018

	Note	Indian GAAP		IND AS - Adjustment		Final Post Ind AS	
		NPR 31 December 2018	NPR 31 December 2017	NPR 31 December 2018	NPR 31 December 2017	NPR 31 December 2018	NPR 31 December 2017
Lease and hire charges		-	542,357	-	-	-	542,357
Security and service charges		22,012,256	15,872,100	-	-	22,012,256	15,872,100
Professional charges and consultancy		8,832,629	12,459,732	-	-	8,832,629	12,459,732
Bank charges		3,098,463	2,289,474	-	-	3,098,463	2,289,474
Advertisement and sales promotion		402,333,364	465,767,649	-	-	402,333,364	465,767,649
Meeting and conference		898,862	883,114	-	-	898,862	883,114
Royalty		-	-	-	-	-	-
Freight, octroi and insurance paid (net)		191,614,467	144,283,828	-	-	191,614,467	144,283,828
Delivery vehicle running and maintenance		206,200,477	232,970,880	-	-	206,200,477	232,970,880
Distribution expenses		82,440,776	81,432,242	-	-	82,440,776	81,432,242
Loading and unloading charges		28,669,493	21,104,424	-	-	28,669,493	21,104,424
Donations		418,961	436,100	-	-	418,961	436,100
Property, Plant & Equipment Written Off		380,097	9,626,175	-	-	380,097	9,626,175
Loss on disposal of Property, Plant & Equipment (Net)		622,123	34,123,090	-	-	622,123	34,123,090
Bad Debts & Advances Written Off		-	722,758	-	-	-	722,758
Allowance for Doubtful Debts		321,200,977	160,943,933	5,001,504	3,830,915	326,202,481	164,774,848
Net loss on foreign currency transactions and translations		637,642	-	-	-	637,642	-
General office and other miscellaneous expenses		8,212,198	6,648,036	-	-	8,212,198	6,648,036
Management Fee		544,840,611	472,520,110	-	-	544,840,611	472,520,110
		2,298,186,950	2,028,959,520	5,001,504	3,830,915	2,303,188,454	2,032,790,436
29. Prior Period Items							
Depreciation of Leasehold Land for Earlier Years		-	-	-	-	-	-
30. 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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OLE SPRING BOTTLERS (PVT) LTD
FINANCIAL STATEMENTS
TOGETHER WITH AUDITOR'S REPORT
FOR THE YEAR ENDED
31ST DECEMBER 2018

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OLE SPRINGS BOTTLERS (PVT) LTD

Qualified Opinion

We have audited the financial statements of Ole Springs Bottlers (Pvt) Ltd ("the Company") which comprise the statement of financial position as at 31st December 2018, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion except for matter described in basis for qualified opinion paragraph, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st December 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards (SLFRS for SME).

Basis for Qualified Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in accordance with Code of Ethics issued by The Institute of Chartered Accountants of Sri Lanka, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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.

Other Matter

We have issued a separate set of audited financial statements for the six months ended 30th June 2018 with a qualified opinion on same matters as reported above.

Other Information

Management is responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. At the date of this auditor's report, other information was not made available to us.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of financial statements in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

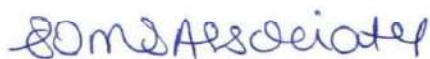
As part of an audit in accordance with Sri Lanka Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations except for matter described in the basis for qualified opinion paragraph that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.



SJMS ASSOCIATES

Chartered Accountants

Colombo

01st February 2019

OLE SPRINGS BOTTLERS (PVT) LTD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	Year ended 31.12.2018 Rs.	Year ended 31.12.2017 Rs.
Revenue		2,770,603,387	4,651,140,511
Cost of sales		(2,449,853,699)	(3,226,710,317)
Gross profit		320,749,688	1,424,430,194
Other income	4	9,808,650	12,739,111
Administrative expenses		(73,473,662)	(130,454,957)
Selling and distribution expenses		(857,678,408)	(1,274,112,841)
Profit/ (loss) from operations		(600,593,732)	32,601,507
Finance and other costs	6	(252,369,135)	(81,053,892)
Loss before tax		(852,962,867)	(48,452,384)
Income tax expense	7	143,256,731	(1,662,483)
Profit (loss) for the year		(709,706,136)	(50,114,867)
Other comprehensive income/expenses			
Actuarial gain on employee benefit obligations, net of tax		4,133,531	10,967,308
Total comprehensive /expenses for the year		(705,572,606)	(39,147,559)

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 2018

	Note	31.12.2018 Rs.	31.12.2017 Rs.
Assets			
Non Current Assets			
Property, plant and equipment	8	1,802,184,909	1,984,277,964
Investment property	9	378,000,000	378,000,000
Capital work-in progress	8.2	-	280,813
Deferred tax	7.2	225,911,957	82,655,226
		<u>2,406,096,866</u>	<u>2,445,214,002</u>
Current Assets			
Inventories	10	135,777,651	412,862,086
Trade and other receivables	11	936,589,490	1,347,355,061
Deposits and prepayments	12	24,050,831	65,012,177
Cash and cash equivalents		11,036,374	2,547,058
		<u>1,107,454,345</u>	<u>1,827,776,382</u>
Total Assets		<u><u>3,513,551,212</u></u>	<u><u>4,272,990,385</u></u>
Equity and Liabilities			
Stated capital	13	978,416,450	978,416,450
Retained earnings/(Accumulated losses)		(483,828,773)	221,743,833
Total equity		<u>494,587,677</u>	<u>1,200,160,283</u>
Non Current Liabilities			
Deposits payable	14	128,791,063	402,488,419
Retirement benefit obligations	15	33,117,807	48,361,367
		<u>161,908,869</u>	<u>450,849,786</u>
Current Liabilities			
Short term loans	16	197,372,710	201,085,000
Trade and other payables	17	378,120,833	334,796,608
Amounts due to related parties	19	2,210,574,414	1,975,604,971
Bank overdrafts	18	70,986,708	110,493,737
Total Current Liabilities		<u>2,857,054,666</u>	<u>2,621,980,316</u>
Total Equity and Liabilities		<u><u>3,513,551,212</u></u>	<u><u>4,272,990,385</u></u>

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

.....
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
01st February 2019



.....
Director
01st February 2019

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 2018

	Stated capital	Retained earnings/ (Accumulated losses)	Total
	Rs.	Rs.	Rs.
Balance as at 01.01.2017	978,416,450	260,891,392	1,239,307,842
Total comprehensive income for the year			
Loss for the year	-	(50,114,867)	(50,114,867)
Other comprehensive income for the year	-	10,967,308	10,967,308
Balance as at 31.12.2017	<u>978,416,450</u>	<u>221,743,833</u>	<u>1,200,160,283</u>
Total comprehensive income for the year			
Loss for the year	-	(709,706,136)	(709,706,136)
Other comprehensive income for the year	-	4,133,531	4,133,531
Balance as at 31.12.2018	<u><u>978,416,450</u></u>	<u><u>(483,828,773)</u></u>	<u><u>494,587,677</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 CASH FLOWS
FOR THE YEAR ENDED 31ST DECEMBER 2018

	Year ended 31.12.2018 Rs.	Year ended 31.12.2017 Rs.
Cash flows from operating activities		
Operating profit before interest and taxation	(600,593,732)	32,601,507
<i>Adjustments for:</i>		
Depreciation	211,554,559	202,474,303
Profit on disposal of property, plant and equipment	-	(97,747)
Asset scrap	-	3,697,654
Provision for gratuity	1,582,978	2,838,335
Operating profit before working capital changes	(387,456,194)	241,514,051
(Increase)/ decrease in inventories	185,629,244	(9,875,762)
(Increase)/ decrease in trade and other receivables	410,765,570	(481,302,254)
(Increase)/ decrease in deposits and prepayments	40,961,346	(27,531,106)
Increase/ (decrease) in trade and other payables	(230,373,131)	(359,655,044)
Increase/ (decrease) in intercompany payables	221,022,446	1,680,225,379
Cash generated from operations	240,549,282	1,043,375,265
Income tax paid	-	(10,689)
Interest paid	(39,052,733)	(54,122,458)
Gratuity paid	(3,219,879)	(1,313,311)
Cash flows from operating activities	198,276,670	987,928,808
Cash flows from investing activities		
Acquisition of property, plant and equipment	(146,891,462)	(560,862,830)
Expenditure on capital working progress	280,813	-
Proceeds on sale of property, plant and equipment	42,612	270,850
Net cash utilized in investing activities	(146,568,037)	(560,591,980)
Cash flows from financing activities		
Net borrowings	(3,712,290)	(376,928,119)
Net cash utilized in financing activities	(3,712,290)	(376,928,119)
Net increase/ (decrease) in cash and cash equivalents	47,996,343	50,408,710
Cash and cash equivalents at the beginning of the year	(107,946,679)	(158,355,389)
Cash and cash equivalents at the end of the year	(59,950,336)	(107,946,680)
Analysis of cash and cash equivalents at the end of the year		
Cash in hand and cash at bank	11,036,372	2,547,058
Bank overdraft	(70,986,708)	(110,493,737)
	(59,950,336)	(107,946,680)



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 2018**

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 01st February 2019

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 31.12.2018 Rs.	Year ended 31.12.2017 Rs.
4. Other income		
Scrap sales	6,722,010	9,342,247
Rent income	2,880,000	2,880,000
Other balance written back	111,629	360,386
Profit on sales of fixed asset	-	97,747
Interest income	95,011	58,730
	<u>9,808,650</u>	<u>12,739,111</u>
5. Profit/(loss) before tax is stated after charging all expenses including the following:		
Personnel cost	79,294,862	102,251,865
Defined contribution plan costs - EPF &ETF	10,099,001	12,118,552
Provision for gratuity	1,582,978	2,838,335
Bonus	7,506,013	12,706,842
Depreciation	211,554,559	185,636,113
Auditor's fees - audit related	994,033	811,438
6. Finance and other costs		
Bank overdraft interest	7,447,264	20,865,504
Bank charges	499,374	1,554,839
Exchange loss	11,929,371	5,156,466
Asset scrap	117,387,344	-
Breakages	91,455,191	21,742,222
Loan interest	19,176,723	26,545,649
Interest charge gratuity	4,473,868	5,189,212
	<u>252,369,135</u>	<u>81,053,892</u>



	Year ended 31.12.2018 Rs.	Year ended 31.12.2017 Rs.
7. Taxation		
7.1 Income tax expense		
Deferred tax provision/(reversal)	(143,256,731)	3,828,045
Income tax expense - Current period	-	10,689
- Previous year assessed	-	(2,176,251)
	<u>(143,256,731)</u>	<u>1,662,483</u>

7.2 Reconciliation of the total tax charge

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

Accounting profit/ (loss) as per income tax computation	(852,962,867)	(31,614,194)
Tax at the applicable tax rate of 28%		
Allowable credits	(300,088,383)	(349,202,145)
Non- deductible expenses	358,812,486	251,250,309
Interest income - Gross	95,011	58,730
Tax loss claimed	(95,011)	(20,556)
Tax profit/ (loss) for the year of assessment	<u>(794,238,764)</u>	<u>(129,527,856)</u>
Tax expense at 28%	-	10,689
	<u>-</u>	<u>10,689</u>

7.2 Deferred tax balances

	Property, plant & equipment Rs.	Retirement benefit obligation Rs.	Unused tax losses Rs.	Total Rs.
Balance as at 1 st January 2017	(206,818,301)	14,732,043	278,569,529	86,483,271
Recognized in profit or loss	(40,109,631)	(1,190,860)	37,472,446	(3,828,045)
Balance as at 31 st December 2017	(246,927,932)	13,541,183	316,041,975	82,655,226
Recognized in profit or loss	(6,666,442)	(898,659)	150,821,832	143,256,731
Balance as at 31 st December 2018	<u>(253,594,374)</u>	<u>12,642,524</u>	<u>466,863,807</u>	<u>225,911,957</u>



	31.12.2018 Rs.	31.12.2017 Rs.
8. Property, plant and equipment		
Freehold property, plant and equipment (Note 8.1)	1,802,184,909	1,984,277,964
	<u>1,802,184,909</u>	<u>1,984,277,964</u>

8.1 Freehold property, plant and equipment

Cost	Balance as at 01.01.2018 Rs.	Additions Rs.	Disposals/ write off Rs.	Balance as at 31.12.2018 Rs.
Land	594,314,280	-	-	594,314,280
Buildings	143,325,460	541,563	-	143,867,022
Plant and machinery	475,848,102	10,604,983	(11,301,226)	475,151,858
Office equipment	8,004,683	585,314	(6,257,644)	2,332,353
Furniture & fittings	10,495,937	26,061	(5,767,982)	4,754,016
Computers	28,879,210	133,500	(24,504,214)	4,508,496
Trade equipment	301,332,289	57,249,770	(79,674,079)	278,907,980
Tools and equipment	5,967,102	-	-	5,967,102
Motor vehicles	37,265,077	-	-	37,265,077
Bottle and crate	1,448,925,692	77,750,272	(487,155,701)	1,039,520,263
Total	<u>3,054,357,832</u>	<u>146,891,462</u>	<u>(614,660,846)</u>	<u>2,586,588,447</u>

Accumulated depreciation	Balance as at 01.01.2018 Rs.	Additions Rs.	Disposals / write off Rs.	Balance as at 31.12.2018 Rs.
Buildings	45,414,021	4,036,525	-	49,450,546
Plant and machinery	123,909,266	23,334,828	(1,174,873)	146,069,221
Office equipment	6,784,555	520,794	(6,254,259)	1,051,090
Furniture and fittings	8,954,382	482,751	(5,767,982)	3,669,152
Computers	26,459,676	1,124,402	(24,503,921)	3,080,157
Trade equipment	115,852,407	30,338,968	(79,674,079)	66,517,296
Tools and equipment	5,648,922	31,608	-	5,680,530
Motor vehicles	23,118,189	2,403,276	-	25,521,465
Bottle and crate	713,938,449	149,281,407	(379,855,775)	483,364,081
Total	<u>1,070,079,867</u>	<u>211,554,559</u>	<u>(497,230,889)</u>	<u>784,403,537</u>

Net book value	<u>1,984,277,964</u>	<u>1,802,184,909</u>
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8.2 Capital work-in-progress	Balance as at 01.01.2018 Rs.	Additions Rs.	Transfers Rs.	Balance as at 31.12.2018 Rs.
Building	280,813	260,750	(541,563)	-
Plant and machinery	-	5,198,482	(5,198,482)	-
	<u>280,813</u>	<u>5,459,232</u>	<u>(5,740,045)</u>	<u>-</u>

9. Investment Property

	Balance as at 01.01.2017 Rs.	Additions Rs.	Disposals/ Write off Rs.	Transfers Rs.	Balance as at 31.12.2018 Rs.
Land	378,000,000	-	-	-	378,000,000
	<u>378,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>378,000,000</u>

	31.12.2018 Rs.	31.12.2017 Rs.
10. Inventories		
Finished goods	26,720,339	95,596,762
Raw materials	59,421,167	275,305,569
Chemicals and fuel	9,720,228	12,179,687
Spare parts	39,915,916	29,780,067
	<u>135,777,651</u>	<u>412,862,086</u>
11. Trade and other receivables		
Trade debtors	748,694,224	1,273,334,744
Less: Impairment of trade debtors	(6,352,697)	(10,893,282)
	<u>742,341,527</u>	<u>1,262,441,461</u>
Other receivables	112,054,432	19,496,771
Receivable from CGIR - ESC & Advance tax payment	81,917,678	64,486,925
Staff loans and festival advances	275,853	929,902
	<u>936,589,490</u>	<u>1,347,355,061</u>
12. Deposits and prepayments		
Security deposits and prepayments	24,050,831	65,012,177
	<u>24,050,831</u>	<u>65,012,177</u>
13. Stated capital		
	No. of shares	
Fully paid ordinary shares	126	1,260
Fully paid Class "A" ordinary shares	80,287,081	802,870,810
Fully paid redeemable preference shares	17,554,438	175,544,380
	<u>978,416,450</u>	<u>978,416,450</u>
14. Deposit payables		
Bottle deposit payable	113,506,704	367,723,205
Deposits received from dealers	15,284,359	34,765,215
	<u>128,791,063</u>	<u>402,488,419</u>



	31.12.2018 Rs.	31.12.2017 Rs.
15. Retirement benefit obligations		
Balance at the beginning of the Year	48,361,367	52,614,439
Gratuity charge for the Year	1,582,978	2,838,335
Present value of employee transferred	(13,946,997)	-
Interest charge for the Year	4,473,868	5,189,212
Payments made during the Year	(3,219,879)	(1,313,311)
Actuarial (gain)/ loss	(4,133,531)	(10,967,308)
Balance at the end of the Year	<u>33,117,807</u>	<u>48,361,367</u>

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

Expected future salary increment	9%	9%
Discount rate	12%	13%
Retirement age	55 years	55 years
Employee turnover ratio	3%	3%

16. Short term loans		
Commercial Bank	197,372,710	201,085,000
	<u>197,372,710</u>	<u>201,085,000</u>

16.1 Securities pledged for short term loans and bank overdrafts

Name of the bank and nature of the security

- a) Commercial Bank PLC General terms and conditions relating to short term loan/ Import loan and Corporate guarantee of Varun Beverages Lanka (Pvt) Ltd.

	31.12.2018 Rs.	31.12.2017 Rs.
17. Trade and other payables		
Trade payables	129,199,668	129,594,505
Stamp duty	40,650	65,145
Excise duty	75,036,360	112,845,962
ESC	3,003,003	4,358,821.0
Value added tax	3,450,108	9,700,628
Nation building tax	2,378,651	674,605
WHT	732,512	-
Accrued and other payables	164,279,887	77,556,942
	<u>378,120,833</u>	<u>334,796,608</u>
18. Bank overdraft	<u>70,986,708</u>	<u>110,493,737</u>



31.12.2018 31.12.2017
Rs. Rs.

19. Related party transactions

19.1 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 period, Mr. Ravi Kant Jaipuria, Mr. Amit Joshi, Mr. Achal Kumar, Mr. Vishal Jain, Mr. Ajay Kur Bhartia were the directors of the company. Mr. Vishal Jain and Mr. Ajay Kumar Bhartia resigned from the board with effect from 20th March 2018.

19.2 Balance outstanding as at 31st December 2018

Related party	Amount due from related parties		Amount due to related parties	
	31.12.2018 Rs.	31.12.2017 Rs.	31.12.2018 Rs.	31.12.2017 Rs.
Varun Beverages Lanka (Pvt) Ltd	-	-	2,189,457,316	1,947,735,693
Varun Beverages Limited	-	-	21,117,098	27,869,278
	<u>-</u>	<u>-</u>	<u>2,210,574,414</u>	<u>1,975,604,971</u>

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

	31.12.2018 Rs.
Varun Beverages Lanka (Pvt) Ltd	
Purchase of finished goods	1,779,080,123
Sales of raw materials	44,850,502
Settlements	(1,525,767,754)
Blow moulding expenses	1,168,177
Service fee expenses	12,420,000
Land lease income	3,096,000
Other payments	22,767,580
Varun Beverages Ltd, India	
Purchase of finished goods and raw materials	39,078,184
Settlements	(45,830,363)

19.4 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

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

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

The Department of Inland Revenue has issued an assessment for income tax filed for the year of assessment 2015/2016 for Rs.358,218,446/-. The company has appealed against the assessment and settlement is still pending.

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

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 SPRING BOTTLERS (PVT) LTD

**DETAILED NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018**

OLE SPRINGS BOTTLERS (PVT) LTD
DETAILED SCHEDULES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018

	Year ended 31.12.2018 Rs.	Year ended 31.12.2017 Rs.
1. Revenue		
Local sales	3,787,277,068	5,511,949,103
Export sales	1,918,639	622,389
Trade discounts	<u>(381,520,277)</u>	<u>(233,691,071)</u>
	3,407,675,430	5,278,880,421
 Nation building tax	 (43,941,711)	 (83,307,794)
Excise duty	<u>(593,130,332)</u>	<u>(544,432,116)</u>
	<u>2,770,603,387</u>	<u>4,651,140,511</u>
 2. Cost of sales		
Finished goods at the beginning of the year	95,596,762	85,151,071
Finished goods purchase	1,577,522,563	1,091,746,053
Factory cost transferred (<i>Schedule 2.1</i>)	<u>803,454,714</u>	<u>2,145,409,956</u>
	2,476,574,038	3,322,307,079
Finished goods at the end of the year	<u>(26,720,339)</u>	<u>(95,596,762)</u>
	<u>2,449,853,699</u>	<u>3,226,710,317</u>
 2.1 Cost of finished goods manufactured		
Raw materials at the beginning of the year	275,305,569	298,294,322
Raw materials purchase	181,422,900	1,512,141,402
Raw materials at the end of the year	<u>(59,421,167)</u>	<u>(275,305,569)</u>
Raw materials consumed	397,307,302	1,535,130,155
Production overheads (<i>schedule 2.2</i>)	<u>406,147,411</u>	<u>610,279,801</u>
	<u>803,454,714</u>	<u>2,145,409,956</u>



	Year ended 31.12.2018 Rs.	Year ended 31.12.2017 Rs.
2.2 Production overheads		
Salaries	48,743,743	58,916,815
Wages	21,820,076	28,045,204
Overtime	19,044,161	50,870,563
Bonus	2,099,142	9,329,276
Allowance	923,731	1,206,700
Employees' provident fund	5,849,249	7,070,018
Employees' trust fund	1,462,312	1,767,504
Staff welfare	1,475,933	5,788,969
Medical	473,624	1,343,465
Terminal gratuity	973,080	1,635,429
Fuel	22,288,187	42,646,513
Chemicals	23,420,616	33,268,508
Lab consumables	1,555,013	2,882,128
Technical service fee	-	75,457,035
Staff uniforms	2,465,306	1,313,030
Electricity	25,965,654	54,045,377
Telephone	1,408,220	789,401
General insurance	2,047,710	916,795
Security charges	9,415,624	11,573,231
Motor vehicle fuel	1,152,922	1,082,743
Depreciation - Factory building	3,401,238	6,733,594
- Plant and machinery	23,366,437	23,024,278
- Office equipment	17,791	15,810
- Furniture and fittings	314,442	346,340
- Motor vehicles and forklift	800,860	501,712
- Computers	374,800	362,737
- Bottles and crates	149,281,407	145,723,972
Building repairs and maintenance	5,302,225	6,286,954
Equipment maintenance	29,559,403	35,477,290
Loading charges	1,144,502	1,858,411
	<u>406,147,411</u>	<u>610,279,801</u>



	Year ended 31.12.2018 Rs.	Year ended 31.12.2017 Rs.
3. Administrative expenses		
Salaries - staff	6,662,331	7,159,386
Wages	492,566	757,025
Overtime	422,836	256,267
Staff training expenses	24,640	142,029
Allowance	844,526	791,041
Bonus	1,735,116	635,342
Employees' provident fund	630,763	536,440
Employees' trust fund	199,774	214,644
Medical	417,244	442,071
Staff welfare	391,909	1,052,651
Terminal gratuity	133,001	198,732
Tea and food	7,933,214	15,809,901
Compensation	1,225,608	98,825
External auditors' remuneration	994,033	811,438
Internal auditors' remuneration	1,389,488	2,118,942
Auditors expense reimbursed	317,613	207,163
Staff recruitment expenses	189,594	996,490
Electricity	125,724	155,699
Telephone	1,912,255	2,953,698
Printing and stationery	5,342,689	9,036,370
Postage and telegrams	529,600	887,084
Stamp duty	179,222	571,212
Depreciation - Building	635,287	1,257,707
- Furniture and fittings	168,309	185,382
- Office equipment	503,003	446,983
- Motor vehicle	1,602,415	1,003,858
- Computer	749,602	725,475
Computer maintenance	1,153,877	2,243,485
Fees and penalties	31,156	114,108
Motor vehicle insurance	570,731	395,506
Rent	2,813,400	3,289,200
Entertainment	-	105,180
Foreign travelling	7,078,217	10,012,579
Expenses for administrative service	10,800,000	43,200,000
Consultancy fee	1,553,185	2,992,300
Legal fee	1,822,500	694,850
Subscriptions and periodicals	554,551	244,126
Water	9,047	8,469
Motor vehicle maintenance and repairs	3,551,040	6,304,732
Motor vehicle fuel	3,278,034	3,695,369
Accounting charges	568,828	569,744
Other tax	1,935,275	3,010,684
Travelling and transport	2,001,458	4,122,768
	<u>73,473,662</u>	<u>130,454,957</u>



	Year ended 31.12.2018 Rs.	Year ended 31.12.2017 Rs.
4. Selling and distribution expenses		
Salaries - staff	23,888,788	36,175,664
Wages	26,280,041	107,061,789
Staff welfare	49,050	290,241
Allowance	10,263,639	21,573,041
Overtime	16,132,915	18,000,590
Bonus	3,671,754	2,742,224
Staff incentives	11,608,967	11,518,147
Employees' provident fund	1,240,239	1,659,951
Employees' trust fund	716,664	1,084,639
Terminal gratuity	476,896	1,004,174
Medical	659,664	1,106,066
Motor vehicle fuel	29,995,101	40,967,080
Freight expenses	45,092	33,296
Tea and food	24,009,695	46,038,792
Discount and claims	427,611,310	658,764,119
Rent expenses	2,121,983	2,453,500
Conferences and meetings expenses	1,496,178	1,539,186
Leakage breakage	82,592,437	37,253,106
Bad debt write off	-	409,980
Motor vehicle maintenance and repairs	17,133,415	28,434,571
Trade equipment hire charges	2,200	27,729,962
Transport charges	62,504,945	163,062,074
Contract outlet expenses	75,448,178	32,070,030
Building repairs and maintenance	11,777	8,510
Loading charges	7,250	69,750
Trade equipment maintenance	8,433,216	9,965,609
Travelling	938,048	950,296
Depreciation - Trade equipment	30,338,968	22,146,454
	<u>857,678,408</u>	<u>1,274,112,841</u>



	As at 31.12.2018 Rs.	As at 31.12.2017 Rs.
5. Cash at bank and cash in hand		
Cash at Bank		
Fixed deposit - Commercial Bank of Ceylon PLC	4,011,459	-
Shipping Guarantee Margin - Commercial Bank of Ceylon PLC	-	1,085,000
Peoples' Bank - Hanwella	2,222,928	-
Hatton National Bank - Kaduwela	1,233,653	-
Sampath Bank - Colombo 02	-	149,300
Standard Chartered Bank- Fort Branch 3	2,086,055	571
Axis Bank	-	13,313
People's Bank - International	498,013	-
Saving Account - Sampath Bank	-	323
	<u>10,052,108</u>	<u>1,248,506</u>
Cash in hand	984,266	1,298,552
	<u>11,036,374</u>	<u>2,547,058</u>
6. Bank overdrafts		
Hatton National Bank - Kaduwela	-	1,092,518
People's Bank - International	-	44,925,209
Peoples' Bank - Hanwella	-	13,375,473
National Development Bank - Colombo 02	-	3,024
Commercial Bank of Ceylon	70,986,708	51,097,513
	<u>70,986,708</u>	<u>110,493,737</u>
7. Accrued and other payables		
Electricity	1,593,910	3,172,890
Security	650,000	900,000
Accrued others	157,123,163	63,169,560
Auditor's remuneration	262,500	172,125
Telephone payable	125,000	500,000
Transport	3,860,509	4,453,756
Unclaimed termination benefit	-	3,197,416
Tax fee	102,000	102,000
Staff incentive	562,805	1,889,196
	<u>164,279,887</u>	<u>77,556,942</u>

