

**EMAMI LANKA (PRIVATE) LIMITED**

**FINANCIAL STATEMENTS**

**31 MARCH 2023**

SPF/UBJ/TW

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

### Report on the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of Emami Lanka (Private) Limited, ("the Company"), which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2023 and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs).

#### *Basis of opinion*

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards for Small and Medium-sized Entities (SLFRS for SMEs), 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 and when the management decides that it is not a going concern, disclosing as applicable, matters relating to use of the basis of accounting other than going concern. Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### *Auditor's responsibilities for the audit of the financial statements*

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

(Contd...2/)

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

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

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

#### **Report on other legal and regulatory requirements**

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



25 May 2023  
Colombo

Emami Lanka (Private) Limited

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2023

	Notes	2023 Rs.	2022 Rs.
Revenue	4	446,390,640	539,071,381
Cost of sales		(208,977,772)	(257,393,931)
<b>Gross profit</b>		<u>237,412,869</u>	<u>281,677,450</u>
Other income	5	3,682,395	1,302,288
Selling and distribution expenses		(161,795,341)	(196,511,042)
Administrative and other expenses		<u>(56,551,021)</u>	<u>(43,449,691)</u>
<b>Profit from operation</b>	6	22,748,902	43,019,004
Finance expenses	7	(39,046,554)	(88,507,253)
<b>Profit before taxation</b>		<u>(16,297,653)</u>	<u>(45,488,248)</u>
Income tax expense	8	(7,079,263)	(2,363,551)
<b>Profit for the year</b>		<u>(23,376,916)</u>	<u>(47,851,799)</u>
Other comprehensive income / (expense)		-	-
<b>Total comprehensive income for the year</b>		<u><u>(23,376,916)</u></u>	<u><u>(47,851,799)</u></u>

The accounting policies and notes on pages 7 through 18 form an integral part of the Financial Statements.



Emami Lanka (Private) Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

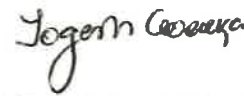
	Note	2023 Rs.	2022 Rs.
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	9	37,149,285	29,591,719
Intangible assets	10	15,803	32,745
		<u>37,165,088</u>	<u>29,624,464</u>
<b>Current assets</b>			
Inventory	11	194,307,316	63,443,867
Trade receivables	12.1	233,333,689	167,715,030
Other receivables	12.2	17,653,395	21,144,705
Cash and cash equivalents	13.1	129,164,608	110,640,166
<b>Total current assets</b>		<u>574,459,008</u>	<u>362,943,768</u>
<b>Total assets</b>		<u>611,624,096</u>	<u>392,568,232</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Stated capital	14	1,138,500	1,138,500
Accumulated losses		(95,460,255)	(72,083,340)
<b>Total equity</b>		<u>(94,321,755)</u>	<u>(70,944,840)</u>
<b>Non-current liabilities</b>			
Retirement benefit obligations	15	2,860,748	1,016,534
Interest bearing borrowings	17	104,320,320	177,867,217
Deferred tax liability	16	3,018,170	1,182,225
<b>Total non current liabilities</b>		<u>110,199,238</u>	<u>180,065,976</u>
<b>Current liabilities</b>			
Trade and other payables	18	375,399,350	269,217,719
Interest bearing borrowings	17	215,103,946	14,229,377
Current tax liabilities		5,243,318	-
<b>Total current liabilities</b>		<u>595,746,614</u>	<u>283,447,096</u>
<b>Total equity and liabilities</b>		<u>611,624,096</u>	<u>392,568,232</u>

I certify that the Financial Statements have been prepared in accordance with the requirements of the Companies Act No. 7 of 2007.

  
.....  
Head of Finance

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board by:

  
.....  
Director

  
.....  
Director

The accounting policies and notes on pages 7 through 18 form an integral part of the Financial Statements.



## STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2023

	Stated Capital Rs.	Accumulated Losses Rs.	Total Rs.
<b>Balance as at 01 April 2021</b>	1,138,500	(27,439,274)	(26,300,774)
Opening balance adjustment	-	17,601	17,601
Total Comprehensive Income / (Expense) for the Period	-	3,190,132	3,190,132
<b>Balance as at 31 March 2022</b>	<u>1,138,500</u>	<u>(72,083,340)</u>	<u>(23,093,041)</u>
Opening balance adjustment	-	-	-
Total Comprehensive Income / (Expense) for the Period	-	(23,376,916)	(23,376,916)
<b>Balance as at 31 March 2023</b>	<u><u>1,138,500</u></u>	<u><u>(95,460,255)</u></u>	<u><u>(46,469,956)</u></u>

The accounting policies and notes on pages 7 through 18 form an integral part of the Financial Statements.



Emami Lanka (Private) Limited

STATEMENT OF CASH FLOWS

Year ended 31 March 2023

	Note	2023 Rs.	2022 Rs.
<b>Profit before taxation</b>		(16,297,653)	(45,488,248)
<b>Non-cash adjustment to reconcile profit before tax to net cash flows:</b>			
Depreciation and amortization	9 & 10	2,814,737	742,927
Provision for retirement benefit obligation	15	1,844,214	429,008
Unrealised exchange gain / loss		(5,722,488)	71,492,841
Finance costs	7	17,873,341	9,175,188
(Reversal) / charge of provision for slow moving inventories		8,020,487	4,263,359
		<u>8,532,638</u>	<u>40,615,074</u>
<b>Working capital adjustments:</b>			
Increase / (decrease) in trade and other receivables and prepayments		(62,127,349)	(36,992,934)
Decrease/ (increase) in inventories		(138,335,276)	(202,668)
Decrease/ (increase) in trade and other payables		220,809,791	150,983,002
		<u>20,347,165</u>	<u>113,787,400</u>
Interest paid		-	(18,675,641)
Income tax paid		-	(3,453,426)
Gratuity paid		-	-
<b>Net cash flows from operating activities</b>		<u>28,879,803</u>	<u>132,273,408</u>
<b>Investing activities</b>			
Purchase of property, plant and equipment & intangible assets	9	(10,355,361)	(28,315,390)
<b>Net cash flows used in investing activities</b>		<u>(10,355,361)</u>	<u>(28,315,390)</u>
<b>Financing activities</b>			
<b>Net cash flows from/(used in) financing activities</b>		<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents		18,524,442	103,958,018
Cash and cash equivalents at beginning		110,640,166	6,682,147
<b>Cash and cash equivalents at year end</b>	13	<u>129,164,608</u>	<u>110,640,166</u>

The accounting policies and notes on pages 7 through 18 form an integral part of the Financial Statements.



**1. CORPORATE INFORMATION**

**1.1 General**

The Company is a Limited liability company incorporated on 27 June 2017 and domiciled in Sri Lanka. The Registered Office of the Company and principal place of business is located at No. 200, Luckmanjee Square, Colombo 14. The Company commenced its commercial operations on 01 September 2017.

The Company changed its legal name from Emami Indo Lanka (Private) Limited to Emami Lanka (Private) Limited and informed the Registrar of Companies in accordance with Section 8 (3) of the Companies Act No 07 of 2007 on 04 March 2022.

**1.2 Principal Activities and Nature of Operations**

During the period, the principal activities of the company is engaged in trading of imported and locally purchased ayurvedic, cosmetics and, beauty products.

**1.3 Parent and ultimate parent**

In the opinion of the Directors, the company's immediate and ultimate parent undertaking and controlling party is Emami Limited, which is incorporated under Indian laws and regulations.

**1.4 Date of Authorization for Issue**

The Financial Statements of Emami Lanka (Private) Limited, for the year ended 31 March 2023 were signed for and on behalf of the board by directors on 25 May 2023.





## 2.1 BASIS OF ACCOUNTING

### 2.1.1 Statement of Compliance

The Financial Statements of Emami Lanka (Private) Limited, which comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Cash Flow Statement, Accounting Policies and Notes, have been prepared and presented in accordance with SLFRS for SMEs.

The preparation and presentation of these financial statements are in compliance with the Companies Act No. 7 of 2007.

### 2.1.2 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except where otherwise stated in the accounting policies below.

The financial statements are presented in Sri Lankan Rupees (Rs.), except when otherwise indicated.

### 2.1.3 Going Concern

Management has taken note of the existing and possible effects arising from the present economic condition of Sri Lanka & import restrictions imposed during the year on the Going Concern assessment made. Management implemented many measures during this period in order to sustain its business operations and liquidity positions. From a product development perspective, the Company continued the manufacture and sale of Hand Sanitizers, Soap and Handwash which resulted in a continued cashflow. All capital expenditure was temporarily halted, cash disbursements were subjected to strict scrutiny and collections closely monitored resulting in the company being able to operate within approved borrowing limits. The Company does not foresee any indication of impairment of property and equipment and other financial assets as at the reporting date due to the economic condition of the country which is gradually improving with the decreasing inflation and relaxed fiscal and monetary policies of the government. The Company has carried out an analysis on the closing inventory and has concluded that neither an impairment provision is required as at the reporting date as the products have sufficient shelf-life and are in marketable condition.

### 2.1.4 Comparative Information

The accounting policies have been consistently applied by the company and are consistent with those of the previous year. The previous year's figures and phases have been rearranged wherever necessary to conform current year's presentation.

## 2.2 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with SLFRSs for SMEs requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in future periods affected.

Significant estimation and judgements have been applied in accounting for property and equipment and deferred tax.



**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Taxation**

**Current Taxation**

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the relevant tax legislations.

**Deferred Taxation**

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 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 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.

**3.2 Financial Instruments**

**a) Financial Assets:**

All financial assets are recognized initially at the transaction price.

**Subsequent Measurement**

**Cash and Cash Equivalents**

Cash and cash equivalents are defined as cash in hand, cash at bank and short term deposits and these are subjected to insignificant risk of changes in value.

For the purpose of cash flow statement, cash & cash equivalents consists of cash in hand, cash at bank and short term deposits net of outstanding bank overdrafts.

**Trade and Other Receivables**

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 recognised immediately in statement of profit or loss.

**b) Financial Liabilities:**

The Company's financial liabilities include trade and other payables. Financial Liabilities are recognized initially at transaction price. After initial recognition they are measured at amortized cost using the effective interest method. Trade & other payables are on normal credit period terms and do not bear interest.



**Trade and Other Payables**

Most of the trade and other payables are obligations on the basis of normal credit terms and do not bear interest. Payables which are extended beyond normal credits terms are discounted up to the year end. Resulting gains or losses are recognized in the statement of comprehensive income.

**3.3 Property, Plant and Equipment:**

Property, plant and equipment are stated at cost less accumulated depreciation. All items of property, plant and equipment are initially recorded at cost. The cost of property, plant and equipment is the cost of purchase or construction together with any expense incidental to their acquisition.

Provision for depreciation is calculated by using a straight-line method on the cost of all property, plant and equipment, other than freehold land, at the following rates when the asset is available for use and cease at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized.

The principal annual rates used are as follows.

Plant & Equipment	6.67%
Electrical installation	6.67%
Improvement to leasehold building	10.00%
Furniture, fittings & equipment	10.00%
Air conditioner	20.00%
Computers	33.33%
Computer software	16.67%

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

**3.4 Impairment of Assets:**

At each reporting date, property, plant and equipment, is 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 estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its selling price less costs to complete and sell. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to selling price less costs to complete and sell, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (group of related assets) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**3.5 Inventories**

Inventories are valued at the lower of cost (computed on a weighted average cost basis) or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses. Cost includes the cost of fair value of consideration paid including duties and taxes (other than those refundable), inward freight, and other expenditure directly attributable to the purchase. Trade discounts and rebates are deducted in determining the cost of purchase.



### 3.6 Liabilities and provisions

#### Interest bearing borrowings

Interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. They are subsequently measured at amortised cost. Finance charges, including the transaction costs and any discount or premium on issue, are recognised in the statement of profit or loss using the effective interest rate method.

#### Provisions

Provisions are recognized when the company has a present obligation (legal and constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be estimated reliably. The expenses relating to any provision is presented in profit or loss. Provisions are not recognised for future operating losses. If the effect of the time value of money is material, provision is discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

#### Employee benefits

##### *Defined benefit plan – Gratuity*

The company is liable to pay gratuity in terms of the Payment of Gratuity Act No. 12 of 1983, according to which a liability to pay gratuity arises only on completion of 5 years of continuous service. In order to meet this liability, a provision is carried forward in the statement of financial position, based on a half month's salary method, for all employees for each completed year of service, commencing from the first year of service. The resulting difference between brought forward provision at the beginning of a period and the carried forward provision at the end of the period is dealt within the statement of profit or loss. The gratuity liability is neither externally funded nor actuarially valued.

##### *Defined contribution plan — Employees' Provident Fund*

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

##### *Defined contribution plan — Employees' Trust Fund*

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

### 3.7 Recognition of Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

#### a) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to buyer; with the Company retaining neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold.

#### b) Other Income

Other income is recognized on accrual basis.



Net profits and losses of a revenue nature on the disposal of property, plant and equipment have been accounted for in the Statement of Comprehensive Income having deducted from proceeds on disposal, the carrying value of related property, plant and equipment.

Gains and losses arising from incidental activities to main revenue generating activities and those arising from a group of similar transactions which are not material, are aggregated, reported and presented on a net basis.

### 3.8 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 the expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit or loss for the year.

For the purpose of presentation of the income statement the directors are of the opinion that function of expenses method presents fairly the elements of the company's performance and hence such presentation method is adopted.

Borrowing costs are recognized as an expense in profit or loss in the period in which they are incurred. Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

### 3.9 Foreign Currency Transactions / Translation

Transactions in foreign currencies are translated to Sri Lankan Rupees at the foreign exchange rate rulings at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies as at the date of statement of financial position are translated to Sri Lankan Rupees at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to Sri Lankan Rupees at the foreign exchange rate ruling at the date of the transaction.





Emami Lanka (Private) Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2023

4. REVENUE	2023 Rs.	2022 Rs.
Sale of goods	446,390,640	539,071,381
	<u>446,390,640</u>	<u>539,071,381</u>
5. OTHER INCOME	2023 Rs.	2022 Rs.
Insurance Claim	-	-
Interest on Fixed Deposit	3,682,395	1,302,288
	<u>3,682,395</u>	<u>1,302,288</u>
6. PROFIT FROM OPERATIONS	2023 Rs.	2022 Rs.
Trade scheme	46,516,006	40,472,685
Sales incentives	1,458,143	2,144,420
Promotional expenses	10,201,246	6,443,747
Advertisement expenses	24,819,955	95,370,798
Damage and expire provision	6,345,000	2,680,000
Transport charges	2,212,470	1,256,276
Salaries	22,013,394	20,364,725
Employees' Provident Fund	1,210,536	1,187,244
Employees' Trust Fund	302,634	296,811
Performance linked variable remuneration (PLVR)	2,554,929	789,468
Gratuity	1,844,214	429,008
Secretarial charges	64,469	364,705
Insurance	733,988	538,331
Audit fees	1,050,493	723,490
Rent expenses	6,476,940	5,561,610
Depreciation and amortization	2,814,737	742,927
Guarantee commission	1,000,000	1,000,000
Royalty expenses	8,056,230	9,075,149
	<u>8,056,230</u>	<u>9,075,149</u>
7. FINANCE EXPENSES	2023 Rs.	2022 Rs.
Interest expense on loans	17,873,341	9,175,188
Bank charges	3,957,671	4,751,063
Foreign exchange loss	17,215,542	74,581,002
	<u>39,046,554</u>	<u>88,507,253</u>
8. INCOME TAX EXPENSE	2023 Rs.	2022 Rs.
On current year profits (Note 8.1)	5,243,318	1,101,316
Income tax prior year under / (over) provision		200,785
	<u>5,243,318</u>	<u>1,302,101</u>
<i>Deferred Income Tax</i>		
Deferred tax (reversal)/charge (Note 16)	1,835,945	1,061,450
<b>Total Income tax expense reported in Statement of Profit or Loss</b>	<u>7,079,263</u>	<u>2,363,551</u>



## 8. INCOME TAX EXPENSE (Contd...)

8.1 Reconciliation of Accounting Profit to Income Tax Expense	2023 Rs.	2022 Rs.
Profit before tax	(16,297,653)	(45,488,248)
Disallowable expenses	43,996,899	68,241,249
Allowable deductions	(11,915,101)	(19,472,500)
Non-taxable income	-	-
<b>Taxable business income</b>	<b>15,784,146</b>	<b>3,280,501</b>
Taxable business income	15,784,146	3,280,501
Taxable investments income	3,682,395	1,308,315
Less: Tax Losses transferred to loss carried forward	-	-
<b>Total taxable income</b>	<b>19,466,540</b>	<b>4,588,816</b>
Income tax at @ 30%	2,856,740	-
Income tax at @ 24%	2,386,577	1,101,316
<b>Income tax on current year profits</b>	<b>5,243,318</b>	<b>1,101,316</b>

## 9. PROPERTY &amp; EQUIPMENT

At Cost	Balance as at 01.04.2022 Rs.	Additions Rs.	Disposals / Transfers Rs.	Balance as at 31.03.2023 Rs.
Plant & Equipment	23,710,711	2,917,018	-	26,627,729
Electrical installations	3,038,307	-	-	3,038,307
Improvement to leasehold building	966,657	2,368,539	-	3,335,195
Furniture, fittings & equipment	2,154,687	-	-	2,154,687
Air conditioners	703,693	481,500	-	1,185,193
Computers	980,988	259,990	-	1,240,978
	<b>31,555,043</b>	<b>6,027,047</b>	<b>-</b>	<b>37,582,090</b>
<b>Accumulated Depreciation</b>	<b>Balance as at 01.04.2022 Rs.</b>	<b>Charged during the year Rs.</b>	<b>Disposals / Transfers Rs.</b>	<b>Balance as at 31.03.2023 Rs.</b>
Plant & Equipment	134,252	1,725,171	-	1,859,423
Electrical installations	206,521	303,831	-	510,351
Improvement to leasehold building	119,687	77,323	-	197,009
Furniture, fittings & equipment	644,400	242,569	-	886,970
Air conditioners	322,385	233,223	-	555,607
Computers	724,799	215,679	-	940,478
	<b>2,152,044</b>	<b>2,797,795</b>	<b>-</b>	<b>4,949,839</b>
Capital Work in progress	188,720	-	-	4,517,034
<b>Net book value as at 31.03.2023</b>				<b>37,149,285</b>
<b>Net book value as at 31.03.2022</b>				<b>29,591,719</b>

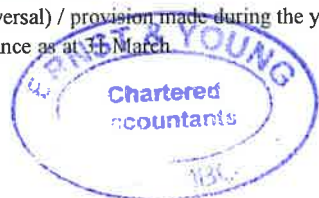
During the year, company purchased property and equipment worth of Rs. 6,027,046.51 (2022 - Rs. 10,544,081.00.)

## 10. INTANGIBLE ASSETS

Cost	Balance as at 01.04.2022 Rs.	Additions / Amortization for the year Rs.	Transfers / Impairment Rs.	Balance as at 31.03.2023 Rs.
Computer software	101,650	-	-	101,650
	<b>101,650</b>	<b>-</b>	<b>-</b>	<b>101,650</b>
<b>Amortisation and impairment computer software</b>	<b>68,905</b>	<b>16,942</b>	<b>-</b>	<b>85,847</b>
	<b>68,905</b>	<b>16,942</b>	<b>-</b>	<b>85,847</b>
	<b>32,745</b>			<b>15,803</b>



11. INVENTORIES	2023 Rs.	2022 Rs.		
Finished goods	71,285,389	67,707,226		
Goods in transit	-	-		
Raw Material	66,390,370			
Packing Material	64,652,043			
Provision for slow moving inventories	(8,020,487)	(4,263,359)		
	<u>194,307,316</u>	<u>63,443,867</u>		
12. TRADE AND OTHER RECEIVABLES	2023 Rs.	2022 Rs.		
<b>12.1 Trade receivables</b>				
Local trade receivables	233,333,689	167,715,030		
Provision for impairment	-	-		
	<u>233,333,689</u>	<u>167,715,030</u>		
<b>12.2 Other receivables</b>				
Advance payments	13,554,684	16,566,115		
Refundable deposits	1,320,400	770,400		
Prepaid insurance	382,188	296,067		
Prepaid advertising	0.0	1,070,833		
Interest Receivable on Deposits	22,384	89,178		
Income Tax Receivable	2,352,110	2,352,110		
VAT receivable	-			
WHT Receivable	21,629			
	<u>17,653,395</u>	<u>21,144,705</u>		
<b>Total trade and other receivables</b>	<u>250,987,084</u>	<u>188,859,735</u>		
13. CASH AND CASH EQUIVALENTS	2023 Rs.	2022 Rs.		
<b>Components of cash and cash equivalents</b>				
<b>13.1 Favorable cash &amp; cash equivalents balance</b>				
Cash in hand	46,946	56,269		
Cash at bank	44,117,663	90,583,897		
Short term deposits	85,000,000	20,000,000		
	<u>129,164,608</u>	<u>110,640,166</u>		
<b>Total cash and cash equivalents in the statement of cash flows</b>	<u>129,164,608</u>	<u>110,640,166</u>		
14. STATED CAPITAL	2023 Number of Shares	2023 Value of Shares Rs.	2022 Number of Shares	2022 Value of Shares Rs.
<b>Issued and fully paid,</b>				
Ordinary shares	<u>113,850</u>	<u>1,138,500</u>	<u>113,850</u>	<u>1,138,500</u>
15. RETIREMENT BENEFIT OBLIGATIONS			2023 Rs.	2022 Rs.
Balance as at 01 April			1,016,534	587,525
(Reversal) / provision made during the year			1,844,214	429,009
Balance as at 31 March			<u>2,860,748</u>	<u>1,016,534</u>





16. DEFERRED TAX ASSET / LIABILITY	2023	2021
	Rs.	Rs.
<b>Deferred tax asset / (liability) arising from origination of temporary differences from:</b>		
Property and equipment	(4,491,413)	(1,615,666)
Retirement benefit obligations, PVLR & LTA	1,473,243	433,440
<b>Deferred tax asset / (liability)</b>	<b>(3,018,170)</b>	<b>(1,182,226)</b>
<b>Deferred tax charge / (reversal) recorded in the Statement of Comprehensive Income</b>	<b>1,835,945</b>	<b>1,061,450</b>
17. INTEREST BEARING BORROWINGS	2023	2022
	Rs.	Rs.
Opening balance	192,096,594	139,354,688
Loans obtained during the year	116,757,034	-
Exchange loss	(7,302,703)	62,242,359
Interest payable	17,873,341	9,175,188
Less: Interest paid during the year	-	(18,675,641)
<b>Balance at the end of the year</b>	<b>319,424,266</b>	<b>192,096,594</b>
Loan obligation repayable within one year	215,103,946	14,229,377
Loan obligation repayable after 1 year	104,320,320	177,867,217
	<b>319,424,266</b>	<b>192,096,594</b>
<b>17.1</b>	Interest bearing borrowings represent USD 240,000, USD 215,000 and USD 150,000 loans obtained from Emami Limited the parent company, for a period of three years on 18 September 2017, 08 December 2017 and 2 April 2018 respectively. The principal amount of the loans are to be paid in full on completion of 3 years and shall be repaid within 15 days from the expiry of the loan period of 3 years from the date of remittance of such loans. The interest on above loans should be accrued at 8% and should be paid within 3 months from the end of each financial year. These loans were obtained to meet working capital requirements. In the financial year 2020/21, USD 240,000 loan was extended by another 3 years until 30 August 2023, USD 215,000 loan was extended by another 3 years until 15 November 2023 and USD 150,000 loan was extended by another 3 years until 20 March 2024.	
	The Company obtained a USD 100,000 loan and a USD 300,000 loan from its affiliated company; Emami International FZE on 15 July 2022 and 22 September 2022 respectively. The principal amount of the loans are to be paid in full on completion of 3 years and shall be repaid within 15 days from the expiry of the loan period of 3 years from the date of remittance of such loans. The interest on above loans should be accrued at 3.5% p.a. and 5% p.a. respectively and should be paid within 3 months from the end of each financial year. These loans were obtained to meet working capital requirements. Out of the USD 300,000 loan, the Company has drawn USD 100,000 on 12 October 2022 and USD 120,000 on 13 December 2022. Total undrawn loan facilities as at 31 March 2023 is USD 80,000.	
18. TRADE AND OTHER PAYABLES	2023	2022
	Rs.	Rs.
<b>18.1 Trade creditors</b>		
Emami Limited	31,772,110	34,323,928
Trade Creditors-Other	305,227,246	121,380,719
	<b>336,999,356</b>	<b>155,704,647</b>
<b>18.2 Other payables</b>		
PAYE payable	333,450	36,598
Other payables	391,117	257,766
Audit fees Payable	784,600	454,025
Travelling payable	327,500	738,002
Accruals -Sales and marketing	-	90,424,296
Electricity charges	15,001	18,002
Accruals -Other operating expenses	17,811,137	8,879,638
Freight and forwarding charges	175,000	172,000
Stamp Duty Payable	-	775
Performance linked variable remuneration (PLVR)	2,050,062	789,467
VAT payables	8,300,059	2,470,012
EPF payable	135,512	171,603
Royalty Payable	8,056,230	9,075,149
ETF payable	20,327	25,740
	<b>38,399,995</b>	<b>113,513,072</b>
<b>Total trade and other payables</b>	<b>375,399,350</b>	<b>269,217,719</b>



**19. COMMITMENTS**

There were no material commitments, financial or other contracted or consented by the Board of Directors as at 31 March

**20. CONTINGENCIES**

There were no material contingent liabilities as at 31 March 2023 which require adjustments to / or disclosure in the Financial Statements apart from the below mentioned details.

**21. EVENTS AFTER THE REPORTING PERIOD**

Subsequent to the reporting date no circumstances have arisen which would require adjustments to / or disclosure in the Financial Statements.

**22. RELATED PARTY DISCLOSURE**

Related Party Disclosures are as follows;

**22.1 Transactions with key management personnel**

The key management personnel of the company are the members of its Board of Directors and their close family members.

	2023	2022
	Rs.	Rs.
<b>a) Key management personnel compensation</b>		
Short - Term Employee Benefits - Directors' Remunerations	-	-

**22.2 Transaction with the parent and related entities**

Name of the Company	Relationship	Nature of Transaction	Transaction Amount (Rs.)	Amounts Due from / (to)
Emami Limited, India	Parent Company	Purchases-FG	(11,313,830)	
		Purchases-RM/PM	(49,335,359)	
		Asset Purchases	-	
		Guarantee commission	(1,000,000)	
		Interest cost	(15,778,448)	
		Royalty	(8,056,230)	
		Loan outstanding	(197,230,605)	
		Intrest payable	(31,556,897)	
		Trade payable-FG	-	
		Trade payable-RM/PM	(12,571,161)	
Emami International FZE	Group Affiliate	Purchases-FG	-	
		Purchases-RM/PM	(12,080,079)	
		Receivable	907,202	
		Loan outstanding	(104,320,320)	
		Intrest payable	(2,094,892)	



**22. RELATED PARTY DISCLOSURE (Contd...)****22.2 Transaction with the parent and related entities (Contd...)**

Amounts due to the parent and related entities	2023 Rs.	2022 Rs.
<b>Emami Limited, India</b>		
Trade payable	12,571,161	34,323,928
Royalty payable	17,131,379	9,075,149
Intrest payable	31,556,897	14,229,377
Guarantee commission payable	2,000,000	1,000,000
Loan payable	197,230,605	177,867,217
	<u>260,490,042</u>	<u>236,495,671</u>
<b>Emami International FZE</b>		
Trade payable	-	-
Receivable during the year	(907,202)	(531,463)
Loan payable	104,320,320	-
	<u>103,413,118</u>	<u>(531,463)</u>



EMAMI LANKA (PRIVATE) LIMITED

**DETAILED INCOME STATEMENT  
YEAR ENDED 31 MARCH 2023**

Emami Lanka (Private) Limited

DETAILED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2023

		2023 Rs.	2022 Rs.
Revenue	I	446,390,640	539,071,381
Cost of sales	II	(208,977,772)	(257,393,931)
<b>Gross profit</b>		<u>237,412,869</u>	<u>281,677,450</u>
Other income	I	3,682,395	1,302,288
Selling and distribution expenses	III	(161,795,341)	(196,511,042)
Administrative and other expenses	IV	<u>(56,551,021)</u>	<u>(43,449,691)</u>
<b>Profit from operation</b>		22,748,902	43,019,004
Finance expenses	V	(39,046,554)	(88,507,253)
<b>Profit/(Loss) before tax</b>		<u><u>(16,297,653)</u></u>	<u><u>(45,488,248)</u></u>

Figures in brackets indicate deductions



Emami Lanka (Private) Limited

DETAILED STATEMENT OF PROFIT OR LOSS

Year ended 31 March 2023

STATEMENT I

	2023 Rs.	2022 Rs.
<b>REVENUE</b>		
Sale of goods	446,390,640	539,071,381
	<u>446,390,640</u>	<u>539,071,381</u>
<b>OTHER INCOME</b>		
Insurance Claim	-	-
Interest on Fixed Deposit	3,682,395	1,302,288
	<u>3,682,395</u>	<u>1,302,288</u>

STATEMENT II

	2023 Rs.	2022 Rs.
<b>COST OF SALES</b>		
Opening inventory as at 01 April	63,443,867	67,504,558
<i>Add: -</i>		
Purchases during the year	339,841,221	253,333,240
<i>Less: -</i>		
Closing inventory as at 31 March	(194,307,316)	(63,443,867)
<b>Total cost of sales</b>	<u>208,977,772</u>	<u>257,393,931</u>

STATEMENT III

	2023 Rs.	2022 Rs.
<b>SELLING AND DISTRIBUTION EXPENSES</b>		
Trade scheme	46,516,006	40,472,685
Sales incentives	1,458,143	2,144,420
Promotional expenses	10,201,246	6,443,747
Advertisement expenses	24,819,955	95,370,798
Damage and expire provision	6,345,000	2,680,000
Transport charges	2,212,470	1,256,276
DSR Expenses	70,242,522	48,143,116
	<u>161,795,341</u>	<u>196,511,042</u>



# Emami Lanka (Private) Limited

## DETAILED EXPENDITURE ANALYSIS

Year ended 31 March 2023

### STATEMENT IV

	2023	2022
	Rs.	Rs.
<b>ADMINISTRATIVE EXPENSES</b>		
Salaries	22,013,394	20,364,725
Employees' Provident Fund	1,210,536	1,187,244
Employees' Trust Fund	302,634	296,811
Performance linked variable remuneration (PLVR)	2,554,929	789,468
Leave travel allowance (LTA)	298,294	211,640
Gratuity	1,844,214	429,008
Welfare Expense	146,123	62,265
Secretarial charges	64,469	364,705
NMRA consultancy charges	(135,000)	246,012
Stamp duty	26,600	46,431
Social Security Levy	4,455,911	-
Insurance	733,988	538,331
Audit fees	1,050,493	723,490
Tax fees	-	-
Communication charges	104,245	72,322
Printing and stationery	66,662	35,688
Repair and maintenance	-	-
Rent expenses	6,476,940	5,561,610
Travelling and fuel charges	2,368,807	1,033,718
Electricity	126,918	147,454
Depreciation and amortization	2,814,737	742,927
Product registration and testing charges	689,178	230,447
Sundry expenses	253,712	283,860
Postage and courier charge	27,008	6,386
Provision for inventory	-	-
Guarantee commission	1,000,000	1,000,000
Royalty expenses	8,056,230	9,075,149
	<u>56,551,021</u>	<u>43,449,691</u>

### STATEMENT V

	2023	2022
	Rs.	Rs.
<b>FINANCE EXPENSES</b>		
Interest expense on loans	17,873,341	9,175,188
Bank charges	3,957,671	4,751,063
Foreign exchange loss	17,215,542	74,581,002
	<u>39,046,554</u>	<u>88,507,253</u>

