

Annual Report | 2019



Contents

Notice of Annual Meeting	Overleaf
Financial Highlights	6
Chairman's Statement	8 - 9
Corporate Information	11
Report from the Board of Directors	12 - 13
Corporate Governance Report	15 - 32
Statement of Compliance	33
Certificate from the Company Secretary	34
Independent Auditor's Report	36 - 38
Statements of Financial Position	40
Statements of Profit or Loss and Other Comprehensive Income	41
Statements of Changes in Equity	42 - 43
Statements of Cash Flows	44
Notes to the Financial Statements	45 - 100

NOTICE OF ANNUAL MEETING

Notice is hereby given that the Annual Meeting of **Quality Beverages Limited ("the Company")** will be held at the Boardroom of the Company, situated at Royal Road, Belle Rose on the **25th of September 2020 at 14.00 hours** to transact the following business:

RESOLUTIONS TO BE VOTED AS ORDINARY RESOLUTIONS

- To adopt the Minutes of the Annual Meeting of Shareholders held on 28th June 2019 as true proceedings of the meeting.
ORDINARY RESOLUTION I
"RESOLVED that the Minutes of the Annual Meeting of Shareholders held on 28th June 2019 be adopted as true proceedings of the meeting."
- To consider the Annual Report for the year ended 31st December 2019.
- To receive the Auditors' Report for the year ended 31st December 2019.
- To consider and adopt the Audited Financial Statements for the year ended 31st December 2019.
ORDINARY RESOLUTION II
"RESOLVED that the Audited Financial Statements for the year ended 31st December 2019 be adopted."
- To re-appoint Mr. Bashirali A Currimjee as Director of the Company, to hold office until the next Annual Meeting of Shareholders, in accordance with section 138(6) of the Companies Act 2001.
ORDINARY RESOLUTION III
"RESOLVED that Mr. Bashirali A Currimjee be hereby re-appointed as Director of the Company in accordance with section 138(6) of the Companies Act 2001, to hold office until the next Annual Meeting of Shareholders."
- To re-appoint Mr. Azim F Currimjee as Director of the Company, to hold office until the next Annual Meeting of Shareholders.
ORDINARY RESOLUTION IV
"RESOLVED that Mr. Azim F Currimjee be hereby re-appointed as Director of the Company, to hold office until the next Annual Meeting of Shareholders."
- To re-appoint Mr. Raffi Currimjee as Director of the Company, to hold office until the next Annual Meeting of Shareholders.
ORDINARY RESOLUTION V
"RESOLVED that Mr. Raffi Currimjee be hereby re-appointed as Director of the Company, to hold office until the next Annual Meeting of Shareholders."
- To re-appoint Mr. Anil C Currimjee as Director of the Company, to hold office until the next Annual Meeting of Shareholders.
ORDINARY RESOLUTION VI
"RESOLVED that Mr. Anil C Currimjee be hereby re-appointed as Director of the Company, to hold office until the next Annual Meeting of Shareholders."

- To re-appoint Mr. Ashraf M Currimjee as Director of the Company, to hold office until the next Annual Meeting of Shareholders.
ORDINARY RESOLUTION VII
"RESOLVED that Mr. Ashraf M Currimjee be hereby re-appointed as Director of the Company, to hold office until the next Annual Meeting of Shareholders."
- To re-appoint Mr. Uday K Gujadhur as Director of the Company, to hold office until the next Annual Meeting of Shareholders.
ORDINARY RESOLUTION VIII
"RESOLVED that Mr. Uday K Gujadhur be hereby re-appointed as Director of the Company, to hold office until the next Annual Meeting of Shareholders."
- To appoint, on recommendation of the Board, Messrs. PricewaterhouseCoopers as Auditors of the Company for the year ending 31st December 2020 and to authorise the Board of Directors to fix their remuneration.
ORDINARY RESOLUTION IX
"RESOLVED that Messrs. PricewaterhouseCoopers be appointed as Auditors of the Company for the year ending 31st December 2020 and that the Board of Directors be authorised to fix their remuneration."

RESOLUTION TO BE VOTED AS SPECIAL RESOLUTION

SPECIAL RESOLUTION I

- To consider and if thought fit, to approve, on recommendation of the Board, with or without modifications, as special resolution, the alteration of the Constitution of the Company pursuant to Section 44(2) of the Companies Act 2001 as follows:

To amend Clause 23.1 of the Constitution to read as follows:

A director who has declared his interest in accordance with this clause 23.1 of the Constitution, shall not be present at that part of the Board Meeting in which any matter relating to the transaction or proposed transaction in which he/she is interested is discussed, and should not participate in the debate, vote or indicate how he/she would have voted on the transaction, at the Board Meeting.

By Order of the Board

31st August 2020



Currimjee Secretaries Limited
Per Ramanuj Nathoo
(Secretary)

Notes:

- A member entitled to attend and vote at this Annual Meeting may appoint a proxy, whether member or not, to attend and vote on his or her behalf. A proxy needs not be a member of the Company.
- The proxy forms, duly signed, to be effective, must be deposited at the Registered Office of the Company - Attention: The Secretary, at 38, Royal Street, Port Louis, not less than 24 hours before the Annual Meeting of Shareholders.
- For the purpose of this Annual Meeting, the Directors have resolved, in compliance with section 120(3) of the Companies Act 2001, that the Shareholders entitled to receive notice of the meeting and attend such meeting shall be those Shareholders whose names are registered in the share register of the Company as at 31st August 2020.
- The Minutes of the Annual Meeting of Shareholders held on 28th June 2019 are available for consultation by the Shareholders during office hours, at the Registered Office of the Company.
- The Annual Report of the Company will be available at the Registered Office of the Company as from 11th September 2020. Shareholders who wish to receive a copy of the Annual Report by email or any other electronic means or a hard copy should send their request to the Secretary. The Secretary shall do the needful within 2 working days of the request.

This Communiqué is issued pursuant to:
Rule 14 of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007.
Practice Directions No. 4 and 5 pursuant to section 20A of the Companies Act 2001.



Dear Shareholder,

The Board of Directors is pleased to present the Annual Report of Quality Beverages Limited (the "Company") for the year ended 31 December 2019. This report was approved by the Board of Directors on 30th April 2020.

On behalf of the Board of Directors, we invite you to join us at the Annual Meeting of the Company to be held on 25th September 2020 at 14:00 hours at the Boardroom of the Company situated at Royal Road, Belle Rose.

Sincerely,

Bashirali A Currimjee, G.O.S.K
Chairman

OUR PURPOSE

An inspiring workplace where we celebrate our success of touching all consumers lives by providing them with their preferred choice of quality food and beverages.

OUR MISSION

We are a diverse team that fully embraces a culture of innovation, change, progress, and recognition. We work together to anticipate our customers' expectations, to provide unique and finest quality moments for our consumers, and ultimately to build value to last.

OUR HISTORY

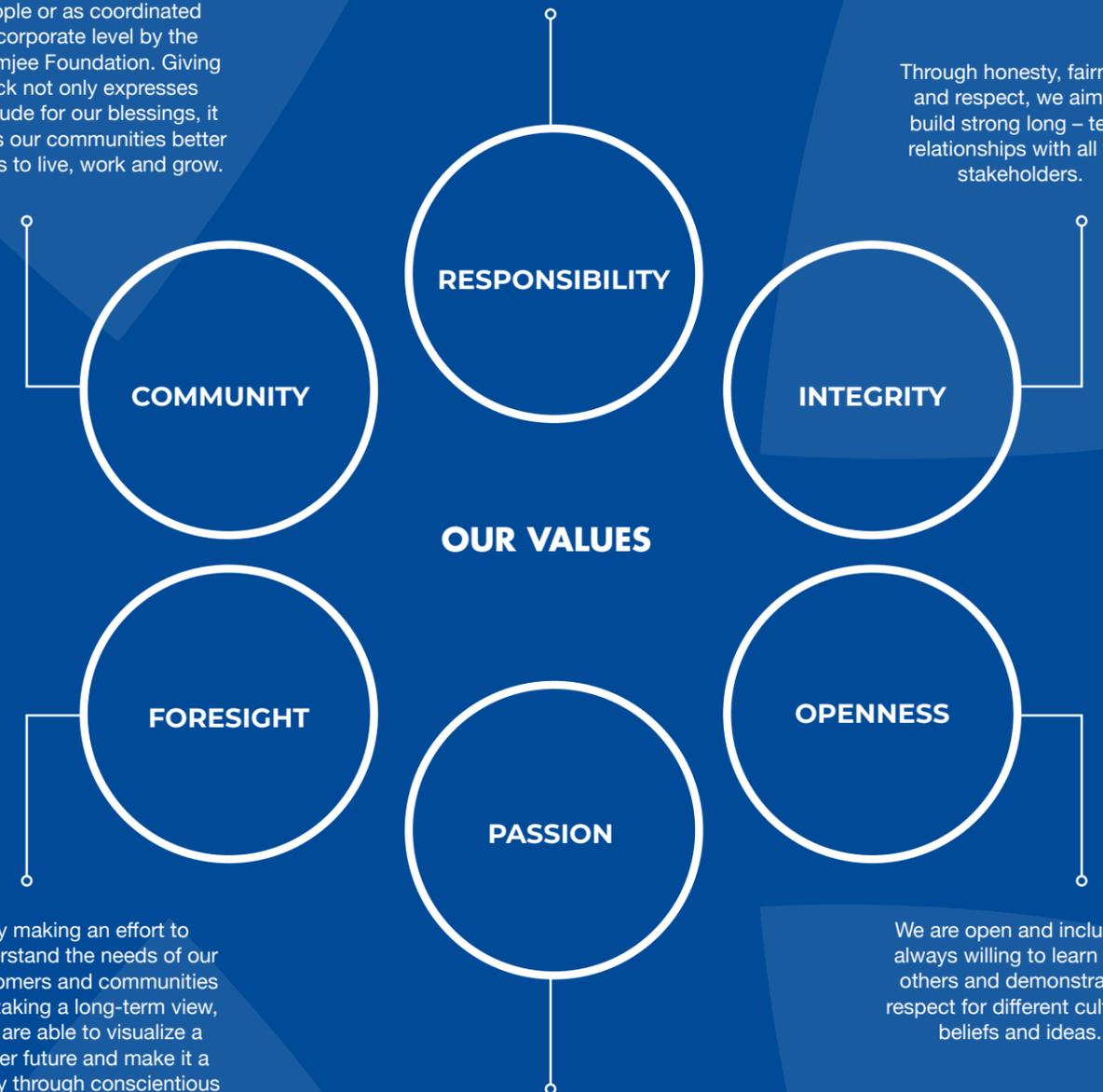
Quality Beverages Limited (the "Company") dates back to 1955, when the Company was established as the manufacturer and distributor of PepsiCo. brands for the Mauritian territory. Back then, we began to manufacture and distribute Pepsi, Mirinda and Evervess in 8oz. returnable glass bottles only. Today, and after more than 64 years of operation, we have grown to be one of the leading bottlers and distributors of food and beverages in Mauritius.

OUR VALUES

We understand that with success comes the responsibility to give back. We believe in supporting our communities, whether through hands-on involvement of our people or as coordinated at corporate level by the Currimjee Foundation. Giving back not only expresses gratitude for our blessings, it makes our communities better places to live, work and grow.

We understand that success is not only reflected in the bottom line but also in how we positively impact the surrounding communities and the environment.

Through honesty, fairness and respect, we aim to build strong long – term relationships with all the stakeholders.



By making an effort to understand the needs of our customers and communities and taking a long-term view, we are able to visualize a better future and make it a reality through conscientious planning.

We have the passion required to bring our vision to life, to inspire success and build a better tomorrow for our customers, company, people and country.

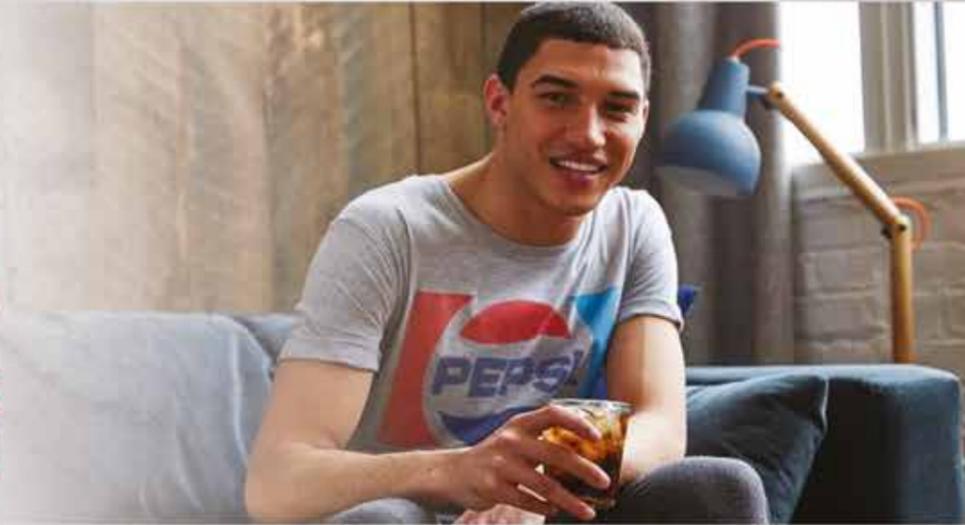
We are open and inclusive, always willing to learn from others and demonstrating respect for different cultures, beliefs and ideas.

OUR PRODUCT PORTFOLIO



YOUR FAVORITE QUALITY FOOD AND DRINKS

Sparkling



Coffee & Pastries



Ice Tea & Juice



Spreads, Margarine & Ingredients



Hydration

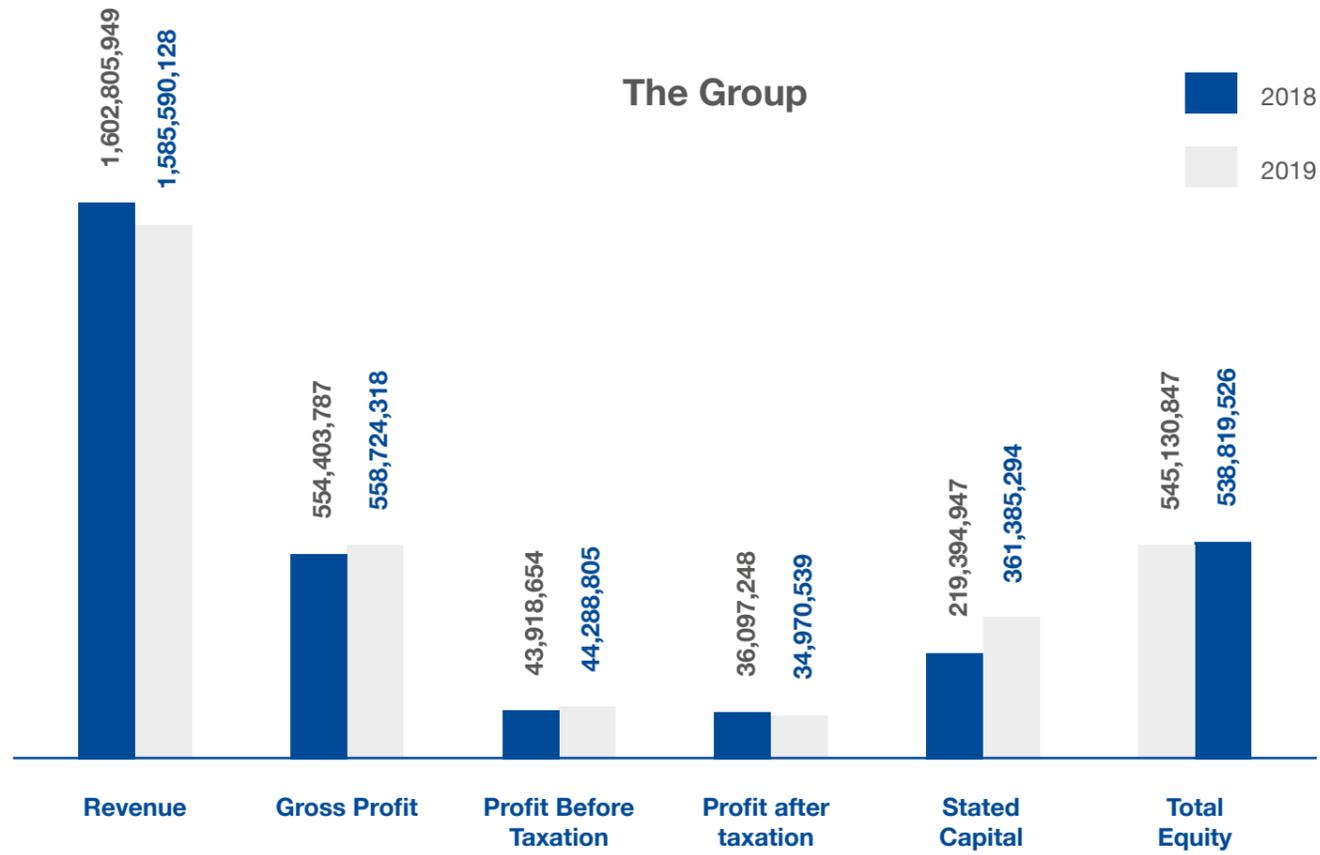


Breakfast & Snacking

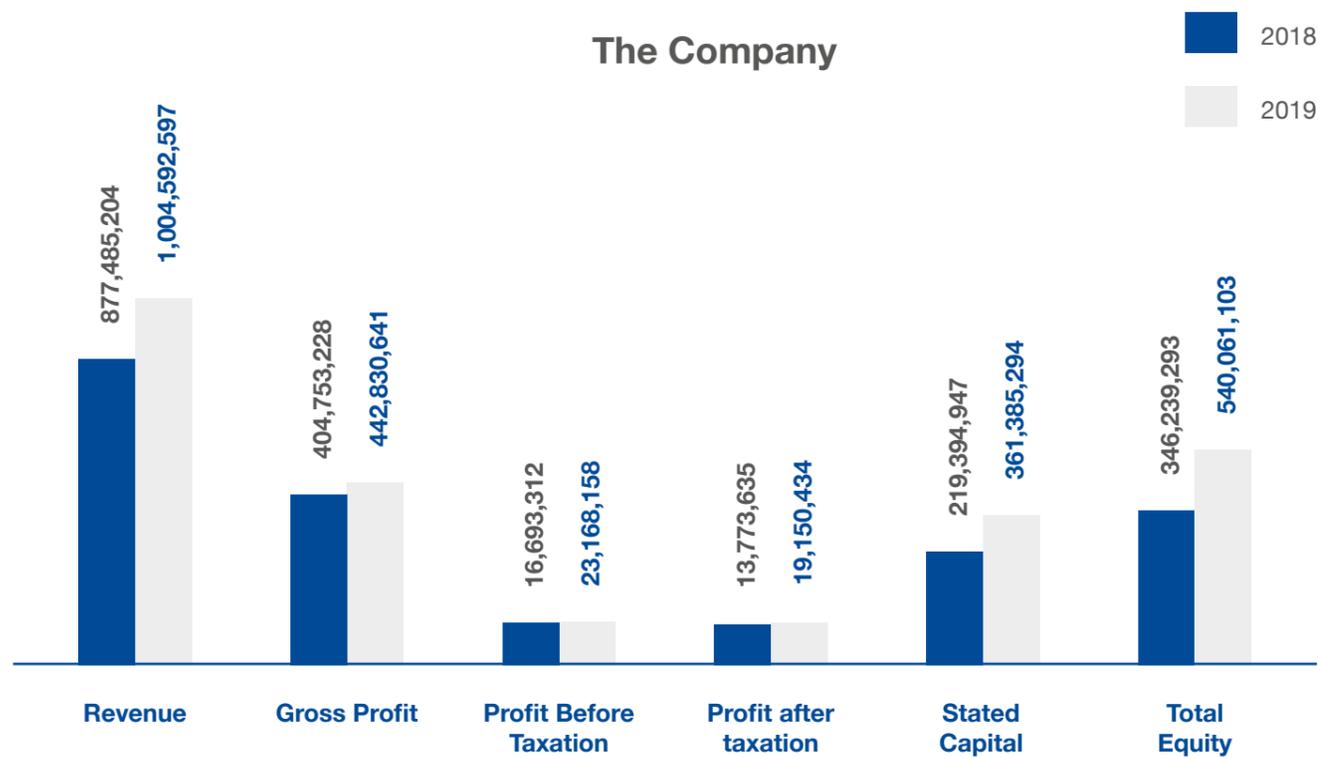


FINANCIAL HIGHLIGHTS

The Group



The Company



CHAIRMAN'S STATEMENT



Dear Shareholder,

I am pleased to present to you the Annual Report of **Quality Beverages Limited** ("the Company") and the Group for the year 2019.

An Unprecedented and disruptive operating environment.

As we prepare this annual report, the world is witnessing one of its worst economic downturns driven by the unforeseen Covid-19 global pandemic. Countries have taken drastic measures to halt the spread of the pandemic enacting travel bans and putting populations under lockdown. As a result, entire industries have been disrupted and unemployment has soared. Our island has not been spared from the effects of this pandemic and went through a total lockdown from mid-March to end May 2020 and closure of its borders. In this climate, businesses are navigating uncharted territory, and our business is no exception. We responded to this challenge swiftly, assembling a trusted crisis management team to make rapid tactical decisions. Our employees' health and safety being at the forefront of our priorities, we promptly developed measures to help to keep them safe. The work from home approach was adopted for those employees who do not require physical presence whereas front line employees were operating in a well-controlled environment in terms of health and safety measures.

OUR BUSINESS

Since its establishment in 1955 as the bottler and distributor of PepsiCo brands for the Mauritian market, Quality Beverages Limited, has grown to be one of the leading distributors of non-

alcoholic beverages in Mauritius. For almost 65 years now, the Company has continued to progress and grow by improving its products and services and expanding its beverage portfolio to meet the ever-changing consumer needs. Today, the Group has grown to be a Rs1.6B revenue business by offering a diverse wide range of products.

Our product portfolio has and will continue to evolve overtime to address consumers new tastes, habits and preferences. To that extent, Margarine Industries Limited, the largest manufacturer of margarine and spreads in Mauritius was amalgamated with and into the Company effective October 2019, creating one food and beverage organisation. With this amalgamation, we have expanded our product offering beyond beverages to include new product categories such as dairy, spreads, margarines, cooking aids, bakery, or cereals to name a few. This stronger portfolio of products will allow the Company to better compete in what is today a very dynamic food and beverage market.

OUR PERFORMANCE

In 2019, the Company achieved a key milestone with the amalgamation of Margarine Industries Limited with and into the Company. As from October 2019, both organizations became one and began to operate under one single entity, Quality Beverages Ltd. This integration will help accelerate our future growth, improve our productivity, gain competitiveness and maintain our commitment to create value for our customers, employees and shareholders overtime.

During this year, the Company remained focused in strengthening its core business by improving product availability and market execution. In addition, we continued to invest to unleash our future growth potential while becoming more consumer centric and ensuring that our manufacturing and supply chain processes are more sustainable and respectful for our planet. Finally, we began to rationalize and rethink our portfolio by focusing on the high value growth opportunities and increased our brands' content in digital platforms and social media networks.

Our beverage business continued to evolve positively in 2019 and delivered positive volume growth compared to prior year. We sustained our leadership in the water category and remained a strong player in the soft drink segment with the support of global brands like Pepsi, Mirinda, or 7UP. However, Group revenue for the year ended at Rs1.6 billion, 1% lower compared to prior year, mainly driven by 11% price reduction in the domestic gas cylinders and a slight shortfall in our revenue generated from our food business segment. Group gross profit improved by 1% and gross profit margin continued to evolve positively, from 34.6% in 2018 to 35.2% in 2019. Group Profit before tax ended at Rs44.3million, 1% ahead of prior year in spite of one-off amalgamation costs and the adverse impact of the USD vs. the Mauritian Rupee. In light of the overall financial performance of the Company, the Board of Directors declared a dividend of Rs0.90 per share for the financial year 2019.

CORPORATE RESPONSIBILITY AND SUTAINABILITY INITIATIVES

Sustainability is one of our longstanding commitments and even more so now. We cannot lose sight of the persisting ecological and existential threat we are facing. As a Group,

CHAIRMAN'S STATEMENT

we will continue to integrate sustainability into our actions and minimize in whatever we can our impact to the environment. We have put in place a long-term plan to ensure that plastic needs never become waste, through a 3-pillar strategy focused on reducing, reusing and reinventing. This will help ensure that: (1) the amount of plastic used in our products is constantly reduced year on year, (2) all remaining plastic used is 100% recyclable, biodegradable or made from recycled content and (3) new and innovative packaging solutions not using plastic are constantly sought. We have set ourselves with clear targets to incorporate recycled plastic into our packaging and reduce by 35% the use of virgin plastic content across our beverage portfolio by 2025. Additionally, our manufactured spreads and margarines will be packed in biodegradable containers as from 2021.

As a Company with over 64 years of operation in Mauritius, we aim to make a difference through our involvement in the communities where we live and do business. We have continued to work to incentivize people around the country to learn or practice sports. In 2019, we remained committed to promoting the importance of sports in having a healthy and active lifestyle and became one of the main sponsors of the 2019 Indian Ocean Games that were held in Mauritius while we continued to engage, among others through youth programs to teach children around the island how to swim.

WAY FORWARD

In view of the COVID-19 pandemic across the world, consumption patterns may drastically change and therefore have an impact on the food and beverage industry in which we operate. It is now, more than ever difficult to predict how this pandemic will impact the future growth of our business, but it will for sure have an impact one way or another. Consumer patterns have drastically changed in a very short period of time and they will continue to change as we go along. Additionally, consumers behaviors are shifting towards healthier choices and more sustainable packaging solutions. In driving the Company forward, we have already begun to pave the road ahead and work on new business opportunities to anticipate for the new situation and help ensure the sustainability of our operations. We will look at enhancing our portfolio to include more natural alternatives, plant-based ingredients or reduced calorie beverages while at the same time continue to look at alternative packaging solutions in line with our commitment to drive an organization fully committed to minimizing its impact to the environment.

The digital world has changed how consumers connect, communicate or engage with brands and the current pandemic has accelerated the use of digital platforms. We need to continue to anticipate and adapt to this rapidly changing consumer landscape. As such, we will further leverage the digital space and online platforms to best connect with our customers and consumers and enhance their shopping experience. Finally, and on the manufacturing side, we will continue to invest to make our manufacturing processes leaner and allow for new and innovative products. To meet these challenges, we will need to continue to simplify our organization following the amalgamation, reduce our cost of doing business, further improve our response to market needs and work as a single unified team with a common set of values, shared vision and a common sense of destiny.

GOVERNANCE

At Quality Beverages Limited, we strongly believe that a robust governance framework contributes towards improving the efficiency of the Board, enhancing business performance, sustaining growth, maximizing returns to Shareholders and protecting their long-term interests. We strive to ensure that the highest standards of corporate governance are upheld at all levels within the organisation and embedded in our culture.

I am delighted to report that the Company has applied all the principles of the National Code of Corporate Governance of Mauritius (2016) ("the Code") and has complied with the material aspects of the Code. The Corporate Governance Report that follows sets out how QBL is applying the Code's principles.

A TOKEN OF APPRECIATION

Since our earliest days, Quality Beverages has lived by the strong values established by our founders. I am proud that these principles have stood the test of time and continue to guide our organisation today. Now, more than ever, I feel a deep sense of pride in our employees, who rose to the challenge and operated with fortitude under the most extraordinary of circumstances.

I take this opportunity to thank my fellow Directors and Board Committee Members for their unflinching support, guidance and advice during the year.

To our shareholders, partners and customers, thank you for your ongoing trust in us. We are fully prepared to emerge stronger so we can maintain our place at the heart of your households.

I do hope this message finds you and your family in good health.

Bashirali A. Currimjee G.O.S.K
Chairman

30 years

1990 ♥ 2020

**SPREADING
THE JOY OF
GOOD FOOD**



CORPORATE INFORMATION

Directors of the Company

Chairman

Mr. Bashirali A Currimjee, G.O.S.K.

Executive Directors

Mr. Azim F Currimjee – Managing Director
Mr. Raffi Currimjee – Deputy Managing Director

Non- Executive Directors

Mr. Anil C Currimjee
Mr. Ashraf M Currimjee
Mr. Uday K Gujadhur
Mr. Mazahir F E Adamjee (ceased to be Director on 14th February 2020)

Directors of the Company's Subsidiaries

	Creative Advertising Bureau Limited ("CAB")	Central Distributors Company Limited ("CDCO")
Mr. Currimjee J Currimjee, G.O.S.K	•	•
Mr. Mustanshir A Currimjee	•	•
Mr. Azim F Currimjee	•	•
Mr. Raffi Currimjee	•	•
Mr. Ashraf M Currimjee		As alternate to Mr. Mustanshir A Currimjee

Secretary

Currimjee Secretaries Limited

Registry and Transfer Office

Currimjee Secretaries Limited
38, Royal Street
Port Louis

External Auditor

Deloitte
7th Floor, Standard Chartered Tower
19-21, Bank Street
Cybercity, Ebene
Mauritius

Registered Office

38, Royal Street
Port Louis
Mauritius

Principal Place of Business

Royal Road, Belle Rose
Mauritius

Bankers

The Mauritius Commercial Bank Ltd
SBM Bank (Mauritius) Ltd
Absa Bank (Mauritius) Limited
AfrAsia Bank Limited
MAUBank Ltd
ABC Banking Corporation Limited

REPORT FROM THE BOARD OF DIRECTORS

Dear Shareholders

The Board of Directors is pleased to present the Annual Report of **QUALITY BEVERAGES LIMITED** ("the Company") for the year ended 31 December 2019.

Legal Form and Principal Activity

The Company was incorporated on 23rd February 1954 as a private company and was converted into public company on 05th April 1972. The Company was admitted to the Development & Enterprise Market (DEM) of the Stock Exchange of Mauritius (SEM) in August 2006. Margarine Industries Limited has been amalgamated with and into the Company on 01st October 2019.

The principal activities of the Company consist of (1) bottling and distribution of carbonated and non-carbonated beverages (2) exclusive distribution of Lavazza coffee and (3) manufacturing and sale of oils and fats.

The activities of the wholly-owned subsidiaries of the Company are as follows:

Creative Advertising Bureau Limited ("CAB")

CAB is engaged in creation of advertisement and its activity has remained unchanged during the year under review.

Central Distributors Company Limited ("CDCO")

CDCO is engaged in the trading of liquid petroleum gas (LPG). Effective 1 October 2019, the Company transferred the food trading business to Quality Beverages Limited (QBL), its holding company, following the amalgamation of Margarine Industries Limited with and into QBL as of the same date.

Results

Group revenue for the year ended at Rs1.585 billion, 1% lower compared to prior year. This was mainly driven by 11% price reduction in the domestic LPG cylinders and the loss of two working days at the end of the year due to cyclonic weather conditions.

Group profit after tax ended at Rs 34.971 million compared to Rs 36.097 million prior year. The 2019 result was negatively impacted by one-off cost of the amalgamation and the adverse impact of the USD vs Mauritian Rupee.

A total dividend of Rs 33million was declared in December 2019 and paid in January 2020.

Statement of Directors' responsibilities in respect of the Financial Statements

Company law requires the Directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance and cash flows of the Company. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether International Financial Reporting Standards have been followed and complied with, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- adhere to the National code of corporate governance, maintain adequate accounting records and an effective system of Internal Control and risk management.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritian Companies Act 2001. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT FROM THE BOARD OF DIRECTORS

Auditor

Deloitte has been providing external audit services to the Company for more than seven years and their last year of audit was 31 December 2019 as per the Regulations of the Financial Reporting Act 2004. The Audit & Risk Committee had recommended their re-appointment as external auditors for the year ended 31 December 2019, on the basis of their continued performance, effectiveness and independence. An external audit tender exercise is being conducted for the rotation and appointment of external auditors for the year ending December 2020.

The total audit fees for the Company and its subsidiaries were as follows:

	2019	2018
	Rs	Rs
Audit fees	2,700,000	2,445,000
Other Services	2,500,000	-
	5,200,000	1,345,000

The other services are in relation to report issued as reporting accountant on the pro-forma statements disclosed in the amalgamation proposal.

Acknowledgements

On behalf of the Board, we wish to express our sincere appreciation and gratitude to Management and staff for their work done and commitment to the Company.

Signed on behalf of the Board of Directors on 30 April 2020.

Mr. Bashirali A Currimjee, G.O.S.K.
Chairman

Mr. Azim F Currimjee
Managing Director

vital⁺ Boost

Orange & Green Coffee
WATER



CORPORATE GOVERNANCE REPORT 2019

Introduction

The Board of Directors affirms that the Company is a Public Interest Entity ("PIE") as defined by the Financial Reporting Act 2004. The governance of the Company is principally guided by the provisions of the Mauritius Companies Act 2001, the Financial Reporting Act 2004, the National Code of Corporate Governance for Mauritius 2016 ("the Code") and its constitutive documents. The Board has, as far as practical, followed the principles of the Code.

This report outlines the Company's governance framework under the Code and the application of the principles of the Code by the Company.

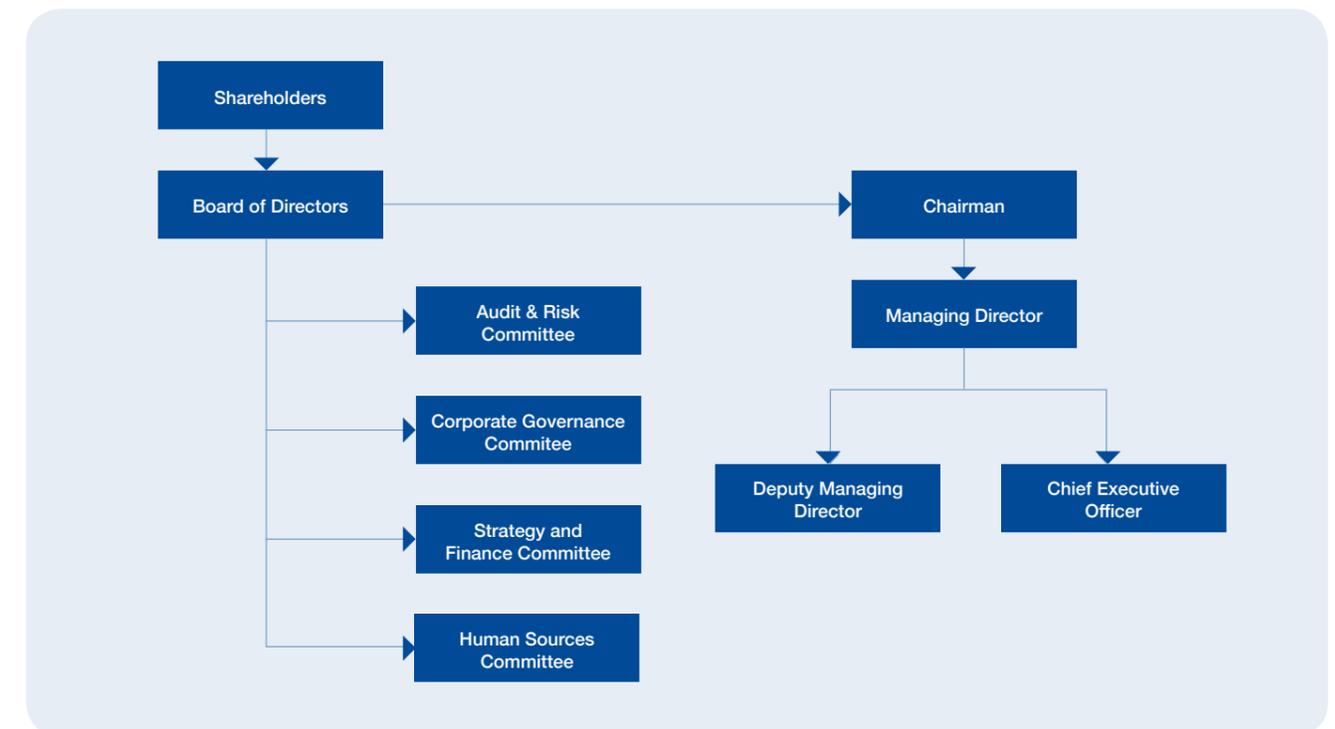
Following the amalgamation of Margarine Industries Limited with and into the Company on 01 October 2019, the Company is in the process of constructing its website to contain such disclosure requirements as recommended by the Code. As decided by the Corporate Governance Committee held on 16th March 2020, the new website will be launched in year 2020. Presently, all material information on the Company and its governance framework, recommended to be disclosed on the website as per the Code, is available to shareholders and stakeholders through (i) publication of the quarterly Abridged Financial Statements on the website of the Stock Exchange of Mauritius and in the local newspapers, and (ii) the Annual Report & Financial Statements filed at the Registrar of Companies.

Principle 1 – Governance Structure

The Board - Statement of Accountabilities

The Board is responsible for leading and controlling the organisation and meeting all legal and regulatory requirements. It is accountable for the performance and affairs of the Company and for achieving growth in a sustainable manner. The Board is also responsible for ensuring that the Company adheres to high standards of ethical behaviour and acts in the best interest of shareholders.

The Board operates within a defined governance framework, which provides for effective delegation of some of its powers to established Board Committees with clear lines of responsibilities. A proper reporting mechanism is in place to ensure that matters affecting the affairs of the Company are escalated to the Board by the Chairman of the respective Board Committees. This enables the Board to discharge its duties more effectively.



Principle 1 – Governance Structure (Cont'd)

The Board - Statement of Ac countabilities (Cont'd)

The Terms of Reference of each Board Committee provides for a review thereof on an annual basis.

Board Charter

The Company is guided by the provisions of its Constitution and also operates within the principles laid down in the prevailing legislation, rules and regulations such as the Mauritius Companies Act 2001, the Financial Reporting Act 2004, the Development & Enterprise Market (DEM) rules, the Securities Act 2005 and the Code.

Following the amalgamation program, the Company's Corporate Governance Committee has now recommended for the development of a Board Charter. The process is planned to be finalised and approved by the Board in year 2020.

Code of Conduct

The Company has adopted a Code of Conduct which sets out a summary of our ethical and professional standards to encourage and consolidate such behaviours and attitudes by the Company's Directors and Officers so as to foster a high sense of duty, imbued with honesty and integrity. All concerned are called to read the Code of Conduct with due care and attention and they are expected to comply fully with its provisions.

Key Senior Governance Positions and responsibilities

The key senior governance positions within the Company and their corresponding responsibilities are crucial to the strategic performance and optimised adherence to proper governance. The Board of Directors operates under the Chairmanship of Mr Bashirali A Currimjee. The functions of the Chairman and Managing Director are separate. Mr Azim F Currimjee is the Managing Director of the Company.

Company Secretary

The role of the Company Secretary is assumed by Currimjee Secretaries Limited, represented by Mr. Ramanuj Nathoo.

Mr. Nathoo is a fellow Member of the Institute of Chartered Secretaries and Administrators, UK ('ICSA') and holds a MBA Finance from the University of Leicester. He also attended a professional course on Governance of Family Businesses at INSEAD. He is a Fellow Member of the Mauritius Institute of Directors and the ICSA Mauritius Branch.

The Board has approved the Position Statements of the Chairman, Managing Director and Company Secretary.

The profiles of the Directors as at the date of this report are set out below. Only directorships in listed companies have been disclosed in this report. Details of other directorships are available at the Company's registry.

Mr. Bashirali A Currimjee, G.O.S.K – Mauritian Citizen and Resident – Chairman and Non-Executive Director

Committee Membership: Chairman of Human Resources Committee and Member of Corporate Governance Committee

Qualifications:

- B.A. Arts, Major in Economics and Government, Tufts University, USA.
- OPM, Harvard Business School, USA.

Experience:

- Former President of Mauritius Chamber of Commerce and Industry, Association of Mauritian Manufacturers and Joint Economic Council (now Business Mauritius).
- Former Director of Bank of Mauritius and SBM Bank (Mauritius) Ltd.
- Held key executive positions within the Currimjee Group.
- Honorary Consul General for the Republic of Turkey in Mauritius from 1985 to 2016.
- Currently Chairman of numerous companies within the Currimjee Group and Managing Director of Emtel Ltd.

Directorship in other listed companies: Non-Executive Chairman of Soap & Allied Industries Limited.

Mr. Azim F Currimjee – Mauritian Citizen and Resident – Managing Director

Committee Membership: Chairman of Strategy & Finance Committee, Member of Human Resources Committee and Member of Corporate Governance Committee

Qualifications:

- B.A. Mathematics, Williams College, Massachusetts, USA.
- MBA, Trinity College, Dublin, Ireland.

Experience:

- Over 10 years' experience in the textile industry.
- Held key executive positions in the Food and Beverages Cluster of the Currimjee Group for the last 18 years and is currently the Managing Director of the Company.
- Former Manufacturing Director of Bonair Group of Companies.
- Director of numerous companies within the Currimjee Group.
- President of the Mauritius Chamber of Commerce and Industry ('MCCI') from 2016 to 2018. He also held this position during 2007 and 2008.
- Former First Vice-President of the COMESA Business Council.
- Former Independent Director of SBM Holdings Ltd.
- Former Vice-President of the Economic Development Board of Mauritius.

Directorship in other listed companies: Non-Executive Director of Soap & Allied Industries Limited.

Principle 1 – Governance Structure (Cont'd)

Key Senior Governance Positions and responsibilities (Cont'd)

Mr. Raffi Currimjee – Mauritian Citizen and Resident – Executive Director

Committee Membership: Member of Strategy & Finance Committee, Member of Human Resources Committee and Member of Corporate Governance Committee

Qualifications:

- BSE Mechanical Engineering and Applied Mechanics, University of Pennsylvania, USA

Experience:

- Held key executive positions in the Food and Beverages Cluster of the Currimjee Group for the last 24 years.
- Deputy Managing Director of the Company.
- Managing Director of Margarine Industries Limited, a company listed on the Stock Exchange of Mauritius and amalgamated with and into the Company effective as from 01st October 2019.
- Director of numerous companies within the Currimjee Group.

Directorship in other listed companies: Non-Executive Director of Compagnie Immobilière Limitée and Soap & Allied Industries Limited.

Mr. Anil C Currimjee – Mauritian Citizen and Resident – Non-Executive Director

Committee Membership: Member of Strategy & Finance Committee and Human Resources Committee

Qualifications:

- B.A. Liberal Arts, Williams College, Massachusetts, USA.
- MBA, London Business School, UK.

Experience:

- Former President of the Mauritius Chamber of Commerce & Industry.
- Former Director of The Mauritius Commercial Bank Ltd.
- Honorary Consul General of Japan in Mauritius from 2004 to 2016.
- Chairman of Joint Business Council Mauritius-India.
- Managing Director of Currimjee Jeewanjee and Company Limited and Director of numerous companies within the Currimjee Group.

Directorship in other listed companies: Non-Executive Chairman of Compagnie Immobilière Limitée and Independent Director of Sanlam Africa Core Real Estate Investments Limited

Mr. Ashraf M Currimjee – Mauritian Citizen and Resident – Non-Executive Director

Committee Membership: Member of Audit & Risk Committee, Chairman of Corporate Governance Committee and Member of Human Resources Committee

Qualifications:

- B.A. Economics, Williams College, Massachusetts, USA.

Experience:

- Managing Director of Soap & Allied Industries Limited, a company listed on the Stock Exchange of Mauritius.
- Director of a number of companies within the Currimjee Group.

Directorship in other listed companies: Non-Executive Director of Mauritius Oil Refineries Limited.

Mr. Uday K Gujadhur – Mauritian Citizen and Resident – Non-Executive Director

Committee Membership: Chairman of Audit & Risk Committee

Qualifications:

- Fellow Member of the Association of Certified Chartered Accountants (FCCA).

Experience:

- Over 40 years' experience in the fields of Tax Planning, Structuring, Auditing and Consulting.
- Former Partner of De Chazal Du Mée & Co, a leading firm of Chartered Accountants.
- Former CEO & Director of Multiconsult Ltd, the Offshore Management Company of De Chazal Du Mée & Co.
- Founder Member of the International Fiscal Association Mauritius.
- Fellow of the Mauritius Institute of Directors and member of Institute of Directors, UK.
- Currently resident Director of Essar Capital Limited.

Directorship in other listed companies: Non-Executive Director of Soap & Allied Industries Limited, Independent Director of Bravura Holdings Limited, Trevo Capital Ltd, RHT Holdings Ltd, Dacosbro Limited and The Mauritius Commercial Bank Ltd.

Principle 1 – Governance Structure (Cont'd)

Key Senior Governance Positions and responsibilities (Cont'd)

Senior Management's Profiles

Mr. Inigo de Prado – Chief Executive Officer

Qualifications:

- BSc in Business Administration and Economics, Universidad del Pais Vasco, Spain
- MBA, Strathclyde Graduate Business School (UK) and Audencia Nantes, Ecole de Management, France.

Experience:

- Over 20 years of comprehensive professional international experience in the beverage industry, mainly in leading multinationals, including The Coca-Cola Company where he held management roles going from Finance, Business Development, Strategy to Global Marketing and Innovation.

Mr. Salim Rafic Sulliman – Chief Commercial Officer

Qualifications:

- Advance General Management Certificate, National University of Singapore.

Experience:

- Salim has been working with the Currimjee Group since March 1987. He has over 30 years of experience in the commercial field. He held managerial position at Elf Antargaz. He then moved to MIL Group in 1990 and held many executive positions before promoted to the post of General Manager. He currently excels as Chief Commercial Officer at Quality Beverages Ltd. since 01st January 2019. He is also an executive member of the Association of Mauritian Manufacturers.

Mr. Nasser Muhammad – Financial Controller

Qualifications:

- Fellow Member of the Association of Chartered Certified Accountants, UK.

Experience:

- Previous experience in Textile and Tourism industry
- Joined the Company in 2008 and is in charge of the financial management.

Mr. Zabeer Abbas – Accounts Manager

Qualifications:

- Affiliate of the Association of Chartered Certified Accountants, UK.

Experience:

- Zabeer joined the Group in August 2010. He has accumulated over 18 years of experience in the financial field. Before joining the Group, he was Accountant at British American Investment and similar position at Multiconsult Limited. Currently, he is the Accounts Manager of the Group and responsible for the financial management of the business, including production of financial reports and forecasts.

Mrs. Giany Devi Sauhye-Sauntoo – Factory Manager (Beverage)

Qualifications:

- BSc in Chemistry, University of Mauritius
- Master's Degree in Chemistry, University of Mauritius

Experience:

- Joined the Company in October 2004 and is currently the Factory Manager of the Company.

Mrs. Nooreen Ramjane – Factory Manager (Food)

Qualifications:

- BSc. (Hons) in Food Science and Nutrition from University of Mauritius.

Experience:

- Nooreen joined the Group in January 2011. She has accumulated 9 years of experience in the Quality Assurance and Production field. She is currently the Factory Manager of the Food section and responsible for day to day management of the Production, Laboratory & Quality Assurance Department.

Principle 1 – Governance Structure (Cont'd)

Key Senior Governance Positions and responsibilities (Cont'd)

Senior Management's Profiles (Cont'd)

Mr. Varoun Jeewoath – Human Capital Manager

Qualifications:

- BSc. in Management, University of Mauritius
- MBA with specialization in Human Resources- University of Technology
- Associate member of the Chartered Institute of Personnel Development, UK

Experience:

- Over 12 years of experience as HR Generalist in Tourism and Hospitality Industry prior to joining Quality Beverages in August 2018 as Human Capital Manager. He held several management positions at The Oberoi Mauritius including Deputy Director of Human Resources & Learning & Development Manager before joining the Company.

Mrs. Karishma Gopy – Manager- Marketing & Strategy

Qualifications:

- BSc in Management studies with specialisation in International Marketing, University of Mauritius
- MBA, University of Mauritius

Experience:

- Over 20 years of management experience, Karishma joined the company in August 2014 as Marketing Manager. Prior to joining the Company, she worked at Emtel and Nestle where she held the position of Category Development Manager.

Mr. Yahyah Rawat - Transport Manager

Qualifications:

- Courses in Automobile Technology

Experience:

- Joined the company in September 1980, and is responsible for the management of the garage, the maintenance and repairs of Vital Water coolers and Lavazza Coffee machines.

Principle 2 – The Structure of the Board and its Committees

The Company has a unitary Board with an appropriate balance of skills and experience. As at 31 December 2019, the Board was composed of seven Directors with two Executive Directors and five Non-Executive Directors, including the Chairman. Mr Mazahir F E Adamjee resigned on 14 February 2020.

Executive Directors



Non – Executive Directors (Including Chairman)



The Executive Directors are responsible for running the Company's business, developing and implementing the Company's strategy, as approved by the Board. They manage the dynamics between their management responsibilities and their fiduciary duties in the best interests of the Company.

The Non-Executive Directors have a diverse mix of skills and experience and provide an objective oversight, independent of the Executive Directors, to constructively challenge management and contribute to effective decision-making at the Board.

The Board acknowledges the Code's recommendation in terms of appointment of Independent Directors and recognizes that one of the directors who was previously qualified as an Independent Director at the start of the financial year 2019 is now considered as a Non-Executive Director since he has served the Board for more than nine years from the date of his first election.

The Board composition is currently being reviewed taking into account the Code's recommendation in terms of appointment of Independent Director(s). The criteria for appointment and the profile required for potential candidates have been established and are being considered by the Nomination and Remuneration Committee, set up at the level Currimjee Limited, formerly known as Fakhary Limited. The Board also acknowledges the need for diversity in gender representation, and the matter is being addressed as part of the review.

Where necessary in the discharge of their duties, directors have the right to seek independent professional advice at the expense of the Company. They also have access to the records of the Company.

CORPORATE GOVERNANCE REPORT 2019 (CONT'D)

Principle 2 – The Structure of the Board and its Committees (Cont'd)

The Board met eight times during the year and has considered / approved, amongst other items, the following key matters:

Financial Matters:

- Approval of the Annual Report for the year ended 31 December 2018.
- Quarterly review of the performance of the Company against budget, including operational and financial highlights.
- Approval of the annual operating plan for year 2020.
- Declaration and payment of final dividend for the year ended 31 December 2019.

Governance Matters:

- Monitoring of implementation plan for the Code.
- Receive Reports from Chairman of Board Committees.
- Approval of Corporate Governance Report for the financial year 2018.
- Approval of Related Party Transactions Policy.
- Approval of the process for evaluation of the Board.

Strategy Matters:

- Amalgamation of Margarine Industries Limited with and into the Company.

Audit and Risk Committee

The Audit and Risk Committee is chaired by Mr Uday K Gujadhur. The Board thought it appropriate to appoint Mr Gujadhur as the Chairman of the Audit and Risk Committee given his strong financial expertise. The Board is in the process of reviewing the Committee composition.

The members of the Committee as at date of this report are as follows:

Membership	
Mr Uday K Gujadhur	Chairman and Member
Mr Ashraf M Currimjee	Member

The Audit and Risk Committee is responsible, *inter-alia*, for the following:

- Monitoring the integrity of the financial statements and annual report and review significant financial reporting issues and judgements therein;
- Reviewing the Company's internal controls related to financial reporting and disclosure controls and procedures and monitoring the effectiveness of the internal audit function;
- Reviewing the internal audit recommendations and monitoring their implementation;

CORPORATE GOVERNANCE REPORT 2019 (CONT'D)

Principle 2 – The Structure of the Board and its Committees (Cont'd)

Corporate Governance Committee (Cont' d)

- Reviewing the Company's Corporate Governance Policy and any other issues related to Corporate Governance and making due recommendations to the Board.

Membership	
Mr Bashirali A Currimjee	Chairman and Member
Mr Anil C Currimjee	Member
Mr Ashraf M Currimjee	Member
Mr Azim F Currimjee	Member
Mr Raffi Currimjee	Member
Mr Mazahir F E Adamjee	Ceased to be Member on 14 February 2020

The Committee is responsible, *inter-alia*, for the following:

- Ensuring that the human resources, their management and development are given the proper thrust and importance by the Board;
- Reviewing, monitoring existing policies, systems and structures, reporting on their implementation and making recommendations to the Board;
- Reviewing and monitoring appointment for key executive positions and approve appointments of all reportees to the Managing Director;
- Reviewing and monitoring compensation policies for key executives and approve compensation decisions relating to all reportees to the Managing Director;

Membership	
Mr Azim F Currimjee	Chairman and Member
Mr Anil C Currimjee	Member
Mr Raffi Currimjee	Member
Mr Mazahir F E Adamjee	Ceased to be Member on 14 February 2020

Human Resources Committee

The Committee is chaired by Mr. Bashirali A Currimjee.

The members of the Committee are as follows:

- Reviewing the implementation of a succession planning system for the position of the Managing Director, his reportees and other key executives; and
- Formulating relevant Human Resources policies and monitoring their implementation by Management.

Strategy and Finance Committee

The Committee of the Company is chaired by Mr Azim F Currimjee and the other members of the Committee are Messrs Anil C Currimjee, Raffi Currimjee and Mazahir F E Adamjee.

The members of the Committee are as follows:

Principle 2 – The Structure of the Board and its Committees (Cont'd)

Strategy and Finance Committee (Cont'd)

The Strategy and Finance Committee is responsible, *inter-alia*, for the following:

- Ensuring an effective strategic planning process is in place;
- Reviewing and proposing strategic objectives and options to the Board and monitoring effectiveness of strategies;
- Approving and monitoring large investments within limits of authority;

- Reviewing and monitoring the IT policy, investment in IT and strategic assets;
- Making recommendations to the Board on matters pertaining to capital structure, finance strategy, treasury operations, investment strategies and financial risk management; and
- Developing and recommending long-term financial objectives for the Company.

Attendance at Board Meetings and Board Committees

The table below gives the records of attendance at the Board and Committee meetings for the year under review:

Directors	Board Meeting	Audit and Risk Committee	Corporate Governance Committee
Number of meetings held during Year 2019	8	4	1
Mr Bashirali A Currimjee	4	n/a	-
Mr Azim F Currimjee	8	n/a	1
Mr Raffi Currimjee	8	n/a	n/a
Mr Anil C Currimjee	8	n/a	n/a
Mr Ashraf M Currimjee	4	4	1
Mr Mazahir F E Adamjee*	3	n/a	1
Mr Uday K Gujadhur	7	4	n/a
Co-opted Member			
Geerja S Ramdaursingh**	n/a	n/a	-

* Mr Mazahir F E Adamjee resigned as Director and Chairman and Member of the Corporate Governance Committee on 14 February 2020.

** Mr Geerja S Ramdaursingh resigned as co-opted member of the Corporate Governance Committee on 18 November 2019.

No meeting of the Strategy and Finance Committee and Human Resources Committee was held during the year under review.

Principle 3 – Director Appointment Procedures

Appointment and re-election

The Nomination and Remuneration Committee is set up at the level of Currimjee Limited, formerly known as Fakhary Limited. The Nomination and Remuneration Committee is responsible *inter-alia* for making recommendations to the Board on the appointment of new Directors, taking into consideration the Board's needs in terms of skills, experience, diversity and size.

Appointments of new Directors are made in a formal and transparent manner and are addressed by the Board based on the recommendations of the Nomination and Remuneration Committee. As provided in the Constitution of the Company, each Director is eligible for re-election at the Annual Meeting. The Directors have been re-elected at the Annual Meeting of Shareholders of the Company held on 28th June 2019.

Induction and orientation

Newly appointed Directors undergo an induction programme to familiarize themselves with the Company's operations, business environment and senior management. They are also entitled to receive an induction pack outlining the Company's purpose, mission and values, the Board governance structure and key governance policies, an overview of the previous year's performance, the annual operating plan, the three-year strategy, major projects and Board initiatives.

Professional Development & Succession Planning

The Company provides regular updates and the necessary resources to the Directors to best develop their knowledge and capabilities. They are also regularly updated on the developments in the industry and changes in the general business and regulatory environment at Board Meetings.

The Board recognises and nurtures talent across the Company's executive and management teams to ensure that the Company creates opportunities to develop current and future leaders.

The Board assumes the responsibilities for succession planning of Directors and Senior Management positions.

The succession planning of the Directors and Managing Director is addressed at the level of the Nomination & Remuneration Committee of the ultimate holding Company, Currimjee Limited. The Committee shall, as part of its mandate, make recommendations to the Board of Currimjee Limited and the Company on the succession planning.

The Company's Human Resources Committee makes recommendations to the Board on the succession planning for its Senior Key Management positions.

Principle 4 - Director Duties, Remuneration and Performance

All the Directors on the Board are fully appraised of their fiduciary duties as laid out in the Mauritius Companies Act 2001 and all other legal duties towards the Company.

The Board has a "Related Party Transaction Policy", to ensure due and timely identification, approval process, disclosure and reporting requirements of transactions between the Company and any of its related Parties. It also ensures transparency in the conduct of Related Party Transaction(s) in the best interest of the Company and the Shareholders. The Audit & Risk Committee has been assigned responsibility to monitor and report related party transactions to the Board. The Board ensures that all related party transactions are carried out at arm's length.

The Company Secretary also maintains an interest register, which is available to Shareholders upon written request to the Company Secretary.

Information, Information Technology and Information Security Governance

Information

The Chairman, with the assistance of the Senior Management Team, ensures that Directors receive necessary information for them to perform their duties and that the Board has sufficient time for consultation and decision making.

There are set of policies governing access, passwords, authorization and security of the Server. These are reviewed regularly to ensure the security of data and safeguarding the confidentiality of information. The backup storage and reliability of the system undergo also regular audit to ensure that risks are assessed and corrective actions taken, to ensure integrity of secured information. Independent consultants and professionals are called regularly to evaluate the system.

All significant investments on information technology and expenditures, based on the business needs for the financial year, are provided for in the annual budget of the Company and approved by the Board.

In view of ensuring compliance with the Data Protection Act 2017 and the EU General Data Protection Regulations, the Company is endeavouring to reinforce its security measures to protect the data it collects, stores and processes and the Board is in the process of introducing a number of policies for implementation by the Company during the year 2020.

Board, Board Committees & Individual Director evaluation

Each year, the Board conducts an evaluation of its own performance through the circulation of a questionnaire to each Director to obtain their feedback on the effectiveness of the Board, its procedures and practices. The questionnaire assesses the behavioural attributes that contribute to Board effectiveness and their corresponding importance to the Company and the Board's current performance on those behaviours. The results are compiled and analysed by the Secretary with utmost confidentiality and first presented for discussion to the Corporate Governance Committee which then, recommends appropriate action plans to the Board in view of further enhancing Board performance.

Principle 4 - Director Duties, Remuneration and Performance (Cont'd)

Board, Board Committees & Individual Director evaluation (Cont'd)

The Board further decided to introduce the process of Individual Director evaluation in the form of a self- evaluation by Directors, which is then followed by one-to one meetings between the Chairman and Directors. The objective of the exercise is to provide individual feedback to each Director and agree on their professional development needs.

The evaluation of the Board and Individual Directors undertaken for the year 2018, are currently being analysed by the Secretary with utmost confidentiality. Given that in 2019 the Board was dealing with the strategic implications of the amalgamation program, the Board is now working towards the development of an action plan based on the recommendations of the Corporate Governance Committee, and shall address any action(s) as may be required.

The Board and Individual Directors' evaluation questionnaires for the year 2019 have also been approved and will be used to assess the performance of the Board and Individual Directors for 2019. Evaluation of the Board Committees will be undertaken in the year 2020 to assess the performance of the Board Committees for the year 2019.

Remuneration Philosophy

The Company's remuneration philosophy for Executive Directors follows the guidelines proposed by the Nomination and Remuneration Committee of Currimjee Limited, formerly known as Fakhary Limited.

The Committee's main responsibility is to make recommendations to the Board for determining, developing and agreeing the Company's general policy on remuneration for Executive Directors and pension for Retired Directors and on the appointment of new Directors.

The Company's policy provides for remuneration of Executive Directors to be reviewed every three years, as per their Service Contract. Executive Directors are not remunerated for serving on the Board of the Company or its Committees. Their remuneration packages as Executives of the Company are in accordance with market rates.

Independent Directors who are members of the Board Committees are paid committee fees; directors' fees; and attendance at Board Meetings. Non-executive directors are not paid directors fees.

The Company's policy for determining remuneration for Management and Staff is to:

- Ensure that remuneration is commensurate with qualifications, skills and experience;
- Ensure that pay levels are internally consistent and aligned with market rates;
- Provide a remuneration package that attracts, retains and motivates key personnel; and
- Reward managers according to their performance.

As approved by the Board, remuneration and benefits paid to Directors during the financial year ended 31 December 2019 were as follows:

Name of Director	Category of Director	From the Group		From the Company	
		Year 2019	Year 2018	Year 2019	Year 2018
		Rs	Rs	Rs	Rs
Mr Bashirali A Currimjee	Chairman and Non- Executive	217,003	262,230	74,231	136,728
Mr Azim F Currimjee	Executive	9,223,432	12,416,167	8,973,581	10,169,392
Mr Raffi Currimjee	Executive	6,264,762	7,747,746	6,050,605	6,883,096
Mr Anil C Currimjee	Non-Executive	81,378	98,337	27,838	51,273
Mr Ashraf M Currimjee	Non-Executive	81,378	98,337	27,838	51,273
Mr Uday K Gujadhur	Non-Executive	360,000	340,000	315,000	252,442

Note: Mr Mazahir F E Adamjee and Mr. Geerja S. Ramdaursingh (co-opted member of Corporate Governance Committee) were not paid any remuneration during the years 2018 and 2019.

None of the Directors were paid any remuneration in the form of share options.

Principle 4 - Director Duties, Remuneration and Performance (Cont'd)

Directors' Service Contracts

Messrs Azim F Currimjee and Raffi Currimjee have service contracts with the Company, with no prescribed expiry terms.

The Company had a service contract with Margarine Industries Limited (now amalgamated with and into the Company with effect from 01 October 2019), by virtue of which the Company charges related costs pertaining to the remuneration of the Executive Directors except for Variable Performance Pay (VPP) which is paid directly to the Executive Directors.

Directors' & Officers' Liability Insurance

A liability insurance cover for Directors and Officers has been subscribed by the Company. The policy provides cover for the risks arising out of acts or omissions of the Directors and Officers of the Company.

Directors' Interests and Dealings in Shares

The Directors are aware of the principles of the Code on Securities Transactions by Directors as detailed in Appendix 6 of the Mauritius Stock Exchange listing rules.

The Company Secretary maintains a Register of Interests, which is updated with every transaction entered into by the Directors and their closely related parties. All new Directors are required to notify in writing to the Company Secretary their holdings in the Company's shares as well as those in related companies.

None of the Directors traded in the Company's shares during the year under review.

The following table details the interests of the Directors in the share capital of the Company as at 31 December 2019:

	Interests in the Company's shares	
	Direct	Indirect*
Mr Bashirali A Currimjee	-	-
Mr Azim F Currimjee	39,563	2,053,368
Mr Raffi Currimjee	83,575	1,189,650
Mr Anil C Currimjee	8,415	1,238,941
Mr Ashraf M Currimjee	41,681	1,842,607
Mr Mazahir F E Adamjee**	285,368	-
Mr Uday K Gujadhur	-	-

*Indirect interest includes shares held in the Company through the ultimate holding company and the Directors' associates.

** Mr Mazahir F E Adamjee resigned as Director on 14 February 2020.

Principle 5 - Risk Governance and Internal Control

Risk Governance

The Board has overall responsibility for the total process of risk management, including the development of strategies to manage risks and putting in place a system for the on-going assessment of risks to reduce them to an acceptable level, taking into account the objectives of the Company.

Senior Management assumes responsibility for identifying and monitoring the risks as appropriate to their position in the organisation.

The process of reviewing and documenting the accounting and financial internal control system in place is being followed with the objective to limit the risk of not achieving the business objectives of the Company and provide reasonable assurance that the financial statements are free from material misstatement.

The Group is exposed to a variety of risks, and the key risks are listed below:

Market risks

Market risk is the risk of loss due to the factors that affect an entire market or class of asset. The risk that exchange rates will go up or possibly down may have a great impact on the Company. The Company is exposed to market risk with respect to commodity price fluctuations related to purchases of beverage concentrates, sugar, PET or butterfat thus impacting on finished products. Moreover, the Company also imports consumable food products to supply the local market where it operates.

With the evolution of the market, the Company uses derivative financial instruments primarily to reduce its exposure to adverse fluctuations in foreign currency exchange rates, interest rates, commodity prices and other market risks. We manage our exposure to risks primarily through pricing agreements with our suppliers that enable us to establish the purchase prices of our inputs that are used in our manufacturing and our distribution business.

Operational risks

Operational risks are largely based on inadequate procedures and processes. Operational risk sources may be internal or external to the business and are usually generated by people, processes and technology. Risk based audit can be used as a tool to identify risks, as well as a method of reporting to the Board on the effectiveness of the organisation's risk management framework. In that respect, the Company has established a risk register where the key risks are identified and monitored and controlled closely to readily face any challenge. Additionally, risks are mitigated through adequate insurance covers, wherever possible among other controls.

Principle 5 - Risk Governance and Internal Control (Cont'd)

Risk Governance (Cont'd)

Fraud risks

Due to its nature of business, the Company is highly exposed to fraud mainly due to large amount of bills, cash handling and ease of resale of products.

The Company mitigates this risk by having a team of internal controllers who perform daily checks. Areas of weaknesses and non-compliance to procedures are identified and reported for immediate action. Controls and procedures are strengthened to mitigate those risks.

Moreover, each head of department reviews access rights on a monthly basis and ensures segregation of duties of employees to avoid any fraudulent transaction. The Company supports whistle-blowing and same is communicated in the employee handbook. This approach is an effective approach which leads to investigation and corrective action. Any non-adherence to procedures is taken seriously by management and disciplinary action is taken.

Physical risks

The Company is exposed to health & Safety risks and has a regulatory obligation to safeguard its workers.

These risks are mitigated by properly maintaining a record of all machinery and the software that runs on it, train safety personnel on a regular basis and to make all this information available so that the correct accident prevention procedures and methods can be produced and then followed.

The Company also has a full time Health & Safety Officer who continuously assesses the risk and possible safety hazards of all aspects of operations. Regular inspections of production equipment and processes are carried out to minimize the hazard risks. All changes to, and faults in, the machinery and work methods are controlled and monitored closely, so that all consequences of the changes or faults can be assessed before they are actioned. By adhering to high technical standards, our rules of conduct and all legal requirements in environmental protection and occupational health & safety, the Company ensures the preservation of its employees.

The Company also invests in the training of its personnel and ensures that they are properly trained for all the tasks they carry out on the factory floor. Moreover, recurrent training given to Fire Warden and strengthening on Health & Safety requirements regarding fire risks has been put in place.

Human resource risks

The Company's success and growth are highly dependent on the competences and the commitment of its employees. Sourcing, recruiting key personnel and retaining them within the Company are part of our key priorities. The Company has put in place incentive schemes including a performance management system, team building and sport activities to further promote

employee engagement and promote long term retention of employees. As well as career prospects and attractive incentives, we offer development programmes where and when needed to managers and training to other employees.

The Company's Mission, Vision and Values are also included on its website and management ensures that the code of conduct is communicated individually to all new employees as part of their induction process. Additionally, a risk assessment is done every two years and periodic reviews are carried out to reduce hazards and ensure strict compliance to the Employment Rights Act and the Occupational Health and Safety Act.

Technology risks

The Company relies heavily on Information Technology to ensure integrity of its information and enhance performance. The Company is striving for greater flexibility, efficiency, innovation and improving productivity and competitiveness.

Hence, the IT Department ensures that appropriate technology is implemented to maintain confidentiality, integrity and availability of business-critical applications. With the trend moving towards targeted industrial espionage, the Company has implemented firewalls to protect the systems against external threats. In addition, the Company has enhanced the backup strategy by replication of our ERP Systems to different sites and ensure backup media availability in the event of a disaster, ransomware attack or other incident at the main data centre.

Security guidelines are in place for the Company and more and more emphasis on our security systems is being placed. They include appropriate organisational and technical precautions for access control and monthly review access rights. The Company provides an additional security layer for identifying and remediating potential vulnerabilities in our system (GFI LAN Guard System). Upgrade of antivirus and all computers updated to the latest version of windows are measures taken to further minimise risks of hacking. The effectiveness of these measures is continuously monitored and reviewed by the internal auditor as well as the external auditor.

Business continuity

The Company ensures business continuity through the ability to manage its reputation and continue to serve customers in event of a natural disaster, accident, major food security related problem, critical equipment failure or in the case of major supplier disruption.

Management is aware that risk exists in a dynamic context resulting from the constantly changing external and internal environments. Continuous assessment of the Company's medium to long term growth objectives are also reviewed on a regular basis to ensure that the Company remains in the business and meet its long term objectives.

Financial risk

The financial risk factors are highlighted in note 28 to the Financial Statements.

Principle 5 - Risk Governance and Internal Control (Cont'd)

Risk Governance (Cont'd)

Compliance and regulatory risks

Managing regulatory compliance has always been a challenge for the Company being in the food and beverage industry. The stakes are even higher today as the Company must balance adherence to strict policies and procedures together with the aim to accelerate business by getting products to customers faster and more efficiently.

In that respect the Company ensures that we are compliant to specific requirements; external testing by accredited Labs and external Food Safety audits are done by recognised institutions. System certifications such as ISO9001, ISO22000 and HACCP are in place to ensure standards are maintained. The Company has recently received the FSC 22000 Certification in 2019 and ensures our adherence to the stringent Quality Standard.

In addition, professional legal and tax advice is sought in-house and/or externally as and when required to provide sound legal advice in compliance with applicable laws and regulations, and codes of conduct. These include changes of duty structures, Excise duty, VAT and the introduction of special taxes or levies applicable to the Industry.

Internal Control

The Board is responsible for monitoring the system of internal control and should satisfy itself that the system is functioning effectively. Management is responsible for the design, implementation and monitoring of the internal control system. Appropriate processes, procedures and policies incorporating relevant internal controls, have been designed and implemented, to provide reasonable assurance that the control objectives are attained.

The Board has delegated the authority to the Audit and Risk Committee for monitoring and reviewing the effectiveness of the Company's internal control and compliance systems. The Board also relies on the internal audit function to report on any weaknesses in the internal control systems and make recommendations to Management and to the Audit and Risk Committee for appropriate actions. The approved internal audit plan ensures that all significant areas of the Company's activities are duly covered in turn over a pre-determined timeframe.

The Board acknowledges that a system of internal control can only provide reasonable but not absolute assurance against the occurrence of misstatements, human error, losses, fraud and other irregularities.

Whistleblowing policy

The Company has adopted a whistleblowing policy. The Company encourages its Directors, employees and anyone associated who have concerns about any aspect of malpractices

encountered within the Company to come forward and voice those concerns within the defined process without fear of reprisals.

The whistleblowing policy ensures that the whistleblower's identity is treated with confidentiality. However, under certain circumstances and depending on the case, the employee may need to come forward as a witness to assist in the investigation.

Principle 6 - Reporting with Integrity

Health & Safety Initiatives

The Company ensures that its operations are compliant with the Occupational Safety and Health Act 2005. A Health & Safety Officer assesses, reviews and ensures that the Company adheres to the best practices in this respect. The following activities, among others were initiated during the year under review: Blood donation, talk and sensitisation on safe driving and training on fire safety & first aid.

Environment & Sustainability Initiatives

The Company is committed to sustainable development and strives to ensure that its operations are conducted in a way that minimizes their impact on the environment and on the society at large. As an organization, we strive to be part of the solution to best protect our planet. As such, the Company is continuously focused on the reduction of the quantity of plastic used, ensuring that our packaging is recyclable or from recycled materials and looking at new and innovative alternatives to the use of plastic. Additionally, we remained focused in minimising the use of scarce resources, including water and electricity. Our water consumption for example has been further reduced by 35 cubic meters a day through the collection of backwash and rinse water during 2019.

The various undermentioned environmental initiatives were undertaken by the Company in the year 2019:

- Continued with our ongoing PET recycling initiative where almost 50% of our PET bottles sold in the market were collected by a certified supplier for future recycling. Additionally, the collector has a bottle-to-bottle facility in South Africa which will allow us to use recycled PET in the near future for our new bottles.
- Established a clear path to allow us to have 90% recyclable or biodegradable primary packaging for all our locally manufactured products by 2020.
- Waste such as carton, paper, dry cells, plastic pails or sugar bags is segregated and then recycled or reused. For that, dedicated bins have been placed outside the Company yard for collection of waste to be recycled. Additionally, electronic waste like fridges or water coolers is sent to green certified companies to be recycled or disposed in an ecofriendly manner.

Principle 6 - Reporting with Integrity (Cont'd)

Environment & Sustainability Initiatives (Cont'd)

The various undermentioned environmental initiatives were undertaken by the Company in the year 2019: (Cont'd)

- Developed an awareness program on the importance of sustainability and worked for example with schools on the transformation of polycarbonate bottles in flower pots, sponsored the first ever eco conscious and edutainment mobile game (Eco Warriors) or engaged our employees to drive their awareness on the importance of our actions to have more sustainable future through programs in line with the embellishment campaign of "Maurice mo zoli pei", river clean-up activities or planting of endemic plants.

Corporate Social Responsibility ('CSR')

As part of the Currimjee Group of companies, the Company channels a significant part of its CSR contributions to the Currimjee Foundation, the vehicle through which the CSR projects of the Currimjee Group are managed and monitored. The funds are utilized primarily towards poverty alleviations together with support to education, sports, health and environment. Details of the projects undertaken by the Currimjee Foundation can be viewed on the website : [http:// www.currimjee .com](http://www.currimjee.com). Additionally, the Company began in 2019 to work with Foodwise limited, a non-governmental organisation which is dedicated to fight food waste and food insecurity by redistributing food surpluses to people in need.

Donations

The Company did not make any political, non-political and charitable donations during the year under review (Year 2018: Nil).

Principle 7 – Audit

Internal audit

The internal audit service is provided by Currimjee Jeewanjee & CO Ltd (CJ & CO Ltd), which delivers the service through its internal audit department. Headed by a Chief Internal Auditor, CJ & CO Ltd's internal audit department is adequately staffed with qualified personnel and certified internal auditors. The internal audit department operates in line with an Internal Audit Charter and adopts a risk-based methodology that enables it to provide assurance on controls that address high risk areas.

The Chief Internal Auditor reports independently to the Chairman of the Audit & Risk Committee and the Chairman of the Board on all internal audit issues. He is responsible for providing assurance to the Audit & Risk Committee regarding the implementation, operation and effectiveness of the Company's internal control systems. In this respect, reliance is placed on the plan, as approved by the Audit & Risk Committee. The audit plan ensures that all significant areas of the Company's activities are duly covered in turn over a pre-determined timeframe.

The Chief Internal Auditor has unrestricted access to the Company's accounting records, the Chairman of the Board, the Chairman of the Audit & Risk Committee, management and employees, for the effective performance of his duties.

Following completion of internal audit engagements, salient internal audit observations are reported to Management in a closing meeting. The Chief Internal Auditor presents his internal audit reports to the Audit & Risk Committee meetings, to apprise the Committee of significant audit findings as well as management's proposed action plans. The Chief Internal Auditor also regularly conducts follow-up audits to monitor progress on the implementation of internal audit recommendations by Management, and reports back to the Audit & Risk Committee thereon, for monitoring purposes. The Chief Internal Auditor works closely with and shares his internal audit findings with the external auditors.

Areas covered by the internal audit function in the year 2019 were:

- Audit of Inventory Management and Control
- Audit of Maintenance Machines & Equipment
- Review of Integrated accounts after amalgamation

The services of the internal auditor are also solicited to carry out special reviews or investigations at the request of the Chairman, Audit & Risk Committee or Board of Directors.

External Audit

One of the principal responsibilities of the Audit & Risk Committee is to review and report to the Board on the clarity and accuracy of the Company's financial statements. When conducting their reviews, the Committee considers the following:

- the accounting policies and practices applied;
- material accounting judgements and assumptions made by management or significant issues or audit risks identified by the external auditor; and
- compliance with relevant accounting standards and other regulatory financial reporting requirements, including the National Code of Corporate Governance.

Deloitte has been providing external audit services to the Company for more than seven years and their last year of audit was 31 December 2019 as per the Regulations of the Financial Reporting Act 2004. The Audit & Risk Committee had recommended their re-appointment as external auditors for the year ended 31 December 2019, on the basis of their continued performance, effectiveness and independence. An external audit tender exercise is being conducted for the rotation and appointment of external auditors for the year ending 31 December 2020.

Principle 7 – Audit (Cont'd)

External audit (Cont'd)

The Audit & Risk Committee has not had any meeting with the external auditor without the presence of management.

Deloitte has provided non-audit services for the period relating to the review of the amalgamation proposal and acting as reporting accountant. The fees payable to Deloitte for this non-audit services are Rs 2.5 million.

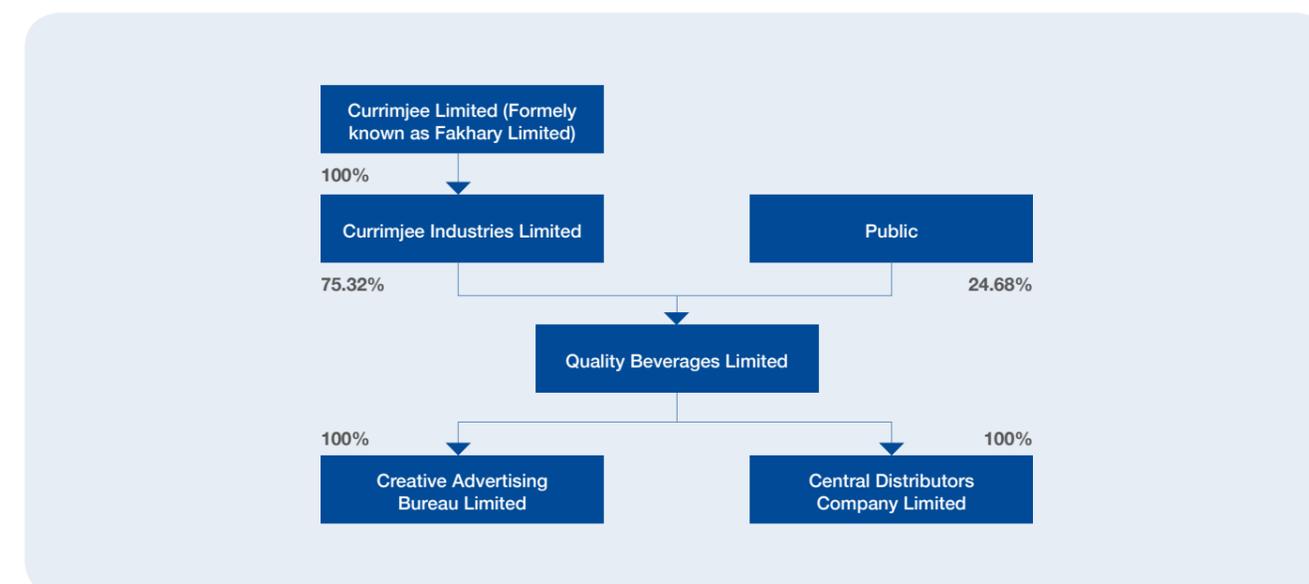
The fees paid to the External Auditors for audit services or other services are disclosed on page 13.

When the services of the External Audit Firm are solicited for providing non-auditing services, the Board ensures that such non-audit services are provided by a team of officers that is completely independent from the external audit team, to ensure that the Auditor's objectivity and independence are safeguarded.

Principle 8 - Relations with Shareholders and Other Key Stakeholders

Ownership Structure

The stated capital of the Company consists of 36,768,812 ordinary shares of Rs 10 each. The shareholding structure of the Company as at 31 December 2019 is set out below:



The Company's Key Stakeholders are its employees, Customers, Banks, Regulatory / Government, Suppliers, Local Community and Shareholders.



CORPORATE GOVERNANCE REPORT 2019 (CONT'D)

Principle 8 - Relations with Shareholders and Other Key Stakeholders (Cont'd)

Shareholders' Agreement

To the knowledge of the Company, there was no such agreement with any of its Shareholders for the year under review.

Share Registry and Transfer Office

The Share Registry is managed by the Company Secretary. The Company had 1,112 registered Shareholders as at 31 December 2019.

The share ownership and the category of Shareholders as at 31 December 2019 are set out below:

Number of Shareholders	Size of Shareholding	Number of Shares Owned	% of Total Issued Shares
448	1 - 500	96,666	0.263
163	501 - 1,000	123,999	0.337
315	1,001 - 5,000	755,943	2.056
61	5,001 - 10,000	437,018	1.189
100	10,001 - 50,000	2,291,047	6.231
9	50,001 - 100,000	666,299	1.812
4	100,001 - 250,000	540,812	1.471
8	250,001 - 500,000	2,435,986	6.625
4	Over 500,000	29,421,042	80.016
1,112	Total	36,768,812	100

Number of Shareholders	Category of Shareholders	Number of Shares Owned	% of Total Shares Issued
1,076	Individual	6,825,363	18.563
1	Insurance & Assurance Cos	348,108	0.947
2	Pension & Providence Funds	462,622	1.258
2	Investment & Trust Cos	84,221	0.229
31	Other Corporate Bodies	29,048,498	79.003
1,112		36,768,812	100

CORPORATE GOVERNANCE REPORT 2019 (CONT'D)

Principle 8 - Relations with Shareholders and Other Key Stakeholders (Cont'd)

Share Price Information

The shares of the Company have a nominal value of Rs 10 and the Company's share price evolution for over the last 5 years was as follows:



Shareholders Communication and Key Events

The Board of Directors of the Company understands that communication to Shareholders about matters pertaining to the Company is of great importance and ensures that information is delivered in an open, transparent and meaningful manner. Press

communiqués, disclosures in the Annual Report and the Annual Meeting of Shareholders are means availed by the Board in keeping the communication line with Shareholders open.

The calendar of key events is as follows:

Financial Year End	31 December
Annual Meeting of Shareholders	June 2020 ¹
Publication of results	
Annual Report for the year ended 31 December 2019	April 2020
Abridged Unaudited Financial Statements for the quarter ending 31 st March 2020	May 2020
Abridged Unaudited Financial Statements for the quarter ending 30 th June 2020	August 2020
Abridged Unaudited Financial Statements for the quarter ending 30 th September 2020	November 2020
Annual report for the year ended 31 December 2020	March 2021

¹ Post Covid-19, the annual meeting of Shareholders has been rescheduled for September 2020.

Employee Share Scheme

There is no Employee Share Scheme in place.

CORPORATE GOVERNANCE REPORT 2019 (CONT'D)

Principle 8 - Relations with Shareholders and Other Key Stakeholders (Cont'd)

satisfaction of the solvency test in accordance with the Mauritius Companies Act 2001. For the year under review, the Company declared a dividend of Rs 0.90 per share.

Dividend Policy

Payment of dividends is subject to the profitability of the Company, its cash flow, its capital expenditure requirements and

The trend in dividend declaration for the previous 5 years is illustrated below:



Approved by the Board of Directors and signed on its behalf on **30 April 2020**

Mr. Bashirali A Currimjee, G.O.S.K.
Chairman

Mr Ashraf M Currimjee
Director and Chairman of Corporate Governance Committee

STATEMENT OF COMPLIANCE

(Section 75 (3) of the Financial Reporting Act)

Name of Public Interest Entity ("PIE"): **Quality Beverages Limited**

Reporting Period: **01 January 2019 to 31 December 2019**

We, the Directors of **Quality Beverages Limited** confirm to the best of our knowledge that the Company has complied with all of its obligations and requirements under the Code of Corporate Governance 2016 in all material aspects save and except the following:

Principles	Reasons for non-compliance and actions taken
Principle 2 - Independent Directors and Gender Diversity	<p>The Board does not have any independent director and any female director as recommended by the Code.</p> <p>The Non-Executive Directors have a diverse mix of skills and experience and provide an objective oversight, independent of the Executive Directors, to constructively challenge Management and contribute to effective decision-making at the Board.</p> <p>The Board composition is currently being reviewed taking into account the Code's recommendation in terms of appointment of Independent Director(s). The Board also acknowledges the need for diversity in gender representation, and the matter is being addressed as part of the review.</p>
Principle 2 - Chairman of Audit and Risk Committee	<p>The Audit and Risk Committee is chaired by a non independent non-executive director.</p> <p>The Board thought it appropriate to continue the appointment of Mr. Uday K. Gujadhur who was previously qualified as an independent director as the Chairman of the Audit and Risk Committee given his strong financial expertise. The Board is in the process of reviewing the Committee composition in line with the appointment of new independent director(s).</p>

SIGNED BY:

Mr. Bashirali A Currimjee, G.O.S.K.
Chairman

Mr Ashraf M Currimjee
Director and Chairman of Corporate Governance Committee

Date: **30 April 2020**

CERTIFICATE FROM THE COMPANY SECRETARY

Quality Beverages Limited ('the Company')

UNDER SECTION 166(d) OF THE COMPANIES ACT 2001 OF MAURITIUS

We certify that in terms of the compliance report as submitted and approved by the Board, the Company has filed with the Registrar of Companies, for the year ended 31 December 2019, all such returns as are required of the Company under the Companies Act 2001 of Mauritius.



Currimjee Secretaries Limited
Per Ramanuj Nathoo (Mr)
Secretary

Date: 30 April 2020

FEELS GOOD TO BE YOU



INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Quality Beverages Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Quality Beverages Limited (the "Company" and the "Public Interest Entity") and its subsidiaries (the "Group") set out on pages 33 to 94, which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and consolidated and separate notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and Company as at 31 December 2019, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and comply with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

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 Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<i>Retirement benefits</i> The Group and the Company operate a final salary defined benefit plan and have recognized a retirement benefit asset of Rs31.5 million retirement benefit obligations of Rs244.0 million respectively at 31 December 2019. Management has applied judgement in determining the retirement benefits and has involved an independent actuary to assist with the IAS 19 provisions and disclosures. Retirement benefit assets and obligations are considered a key audit matter due to the significance of the balance to the financial statements as a whole, combined with the judgment associated with determining the amount of provision. The significant assumptions used in respect of the retirement benefits assets and obligations have been disclosed in Note 10.	 We assessed the competence, capabilities and objectivity of management's independent actuary and verified the qualifications of the actuary. The procedures performed included: <ul style="list-style-type: none">Assessing and challenging the assumptions that management made in determining the present value of the liabilities and fair value of plan assets.Comparing the assumptions used such as discount rate and annual salary increment with industry and historical data.Verifying the data used by the actuary with the payroll report for completeness and accuracy. We found the assumptions and disclosures in the financial statements to be appropriate and in accordance with the applicable accounting standards.

Report on other legal and regulatory requirements

Mauritius Companies Act 2001

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

- we have no relationship with, or interest in, the Company and its subsidiaries other than in our capacity as auditor and tax advisor;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the Company as far as appears from our examination of those records.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Quality Beverages Limited

Report on other legal and regulatory requirements (Cont'd)

Other information

The directors are responsible for the other information. The other information comprises the Corporate Profile, Report from the Board of Directors, the Corporate Governance Report and the Certificate from the Company Secretary, but does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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.

Corporate Governance Report

Our responsibility under the Financial Reporting Act 2004 is to report on the compliance with the Code of Corporate Governance disclosed in the annual report and assess the explanations given for non-compliance with any requirement of the Code. From our assessment of the disclosures made on corporate governance in the annual report, the Public Interest Entity has, pursuant to section 75 of the Financial Reporting Act 2004, complied with the requirements of the Code.

Responsibilities of directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, and in compliance with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004 and they are also responsible 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.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and 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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Quality Beverages Limited

Auditor's responsibilities for the audit of the consolidated and separate financial statements (cont'd)

- Conclude on the appropriateness of the directors' 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 Group's and 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 Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate 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 relevant ethical requirements 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe those matters in our auditor's report unless laws or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

This report is made solely to the Company's shareholders, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte.

Deloitte
Chartered Accountants

30 April 2020

Vishal Agrawal

Vishal Agrawal, FCA
Licensed by FRC


Sélection du Chef

à vous de
créer



Sélection du Chef, c'est une gamme de margarines et de beurres spécialement mises au point pour les professionnels de la pâtisserie et de la viennoiserie respectueux des traditions.



STATEMENTS OF FINANCIAL POSITION

AT 31 DECEMBER 2019

	Note	THE GROUP			THE COMPANY	
		2019	2018	1 January 2018	2019	2018
		Rs	(Restated) Rs	(Restated) Rs	Rs	Rs
ASSETS						
Non-current assets						
Property, plant and equipment	5	855,064,645	898,523,519	936,241,788	842,887,172	681,354,815
Right-of-use assets	6	73,078,425	-	-	56,463,443	-
Intangible assets	7	7,021,608	5,322,467	4,017,244	5,720,390	2,666,866
Investment property	8	5,600,000	5,100,000	5,100,000	5,600,000	5,100,000
Investments	9	2,586,068	2,208,139	1,885,749	14,558,107	10,136,578
Loan to subsidiary	25	-	-	-	-	731,337
Deferred tax assets	15	1,998,184	3,827,285	4,560,469	-	-
Retirement benefit assets	10(a)	31,806,000	59,191,000	42,699,000	31,530,000	27,493,000
Retirement benefit obligations allocated to related parties	10(b)(ii)	-	-	-	9,975,808	55,051,306
		977,154,930	974,172,410	994,504,250	966,734,920	782,533,902
Current assets						
Inventories	11	266,072,376	282,915,663	300,428,379	261,752,388	177,740,009
Loan to subsidiaries	25	-	-	-	5,000,000	3,000,000
Current tax asset	16	-	-	230,642	-	-
Trade and other receivables	12	297,078,334	284,586,308	274,492,241	276,782,507	190,653,090
Cash in hand and at bank	24	55,262,045	51,730,377	52,364,503	40,234,338	43,019,464
		618,412,755	619,232,348	627,515,765	583,769,233	414,412,563
TOTAL ASSETS		1,595,567,685	1,593,404,758	1,622,020,015	1,550,504,153	1,196,946,465
EQUITY AND LIABILITIES						
Capital and reserves						
Stated capital	13	361,385,294	219,394,947	219,394,947	361,385,294	219,394,947
Revaluation and other reserves		109,307,279	228,765,456	231,596,427	108,138,088	94,032,468
Retained earnings		68,126,953	96,970,444	61,190,007	70,537,721	32,811,878
Total equity		538,819,526	545,130,847	512,181,381	540,061,103	346,239,293
Non-current liabilities						
Loans	14	189,710,789	159,769,117	170,373,062	189,710,789	158,769,155
Retirement benefit obligations	10(b)	245,754,000	226,973,000	235,091,000	244,041,000	226,083,000
Lease liabilities	15	24,198,871	18,005,630	35,289,764	14,270,897	6,728,849
Deferred tax liabilities	16	61,837,578	71,086,516	64,084,579	60,945,223	56,312,441
Other payables	17	732,778	898,632	1,050,262	732,778	898,632
		522,234,016	476,732,895	505,888,667	509,700,687	448,792,077
Current liabilities						
Loans	14	146,019,566	193,772,437	229,286,662	144,519,566	155,638,952
Lease liabilities	15	19,318,720	20,553,664	25,927,066	13,401,140	13,443,574
Income tax liabilities	16	6,831,140	2,425,083	1,432,402	6,672,849	532,152
Trade and other payables	17	283,701,926	308,294,576	307,061,753	257,585,684	206,667,512
Dividend payable	30	33,091,931	17,885,872	-	33,091,931	17,885,872
Bank overdrafts	24	45,550,860	28,609,384	40,242,084	45,471,193	7,747,033
		534,514,143	571,541,016	603,949,967	500,742,363	401,915,095
TOTAL LIABILITIES		1,056,748,159	1,048,273,911	1,109,838,634	1,010,443,050	850,707,172
TOTAL EQUITY AND LIABILITIES		1,595,567,685	1,593,404,758	1,622,020,015	1,550,504,153	1,196,946,465

Approved by the Board of Directors and authorised for issue on 30 April 2020

Mr. Bashirali A Currimjee, G.O.S.K.
Chairman

Mr Ashraf M Currimjee
Director and Chairman of Corporate Governance Committee

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	THE GROUP		THE COMPANY	
		2019	2018	2019	2018
		Rs	(Restated) Rs	Rs	Rs
Revenue	18	1,585,590,128	1,602,805,949	1,004,592,597	877,485,204
Cost of sales		(1,026,865,810)	(1,048,402,162)	(561,761,956)	(472,731,976)
Gross profit		558,724,318	554,403,787	442,830,641	404,753,228
Investment income	19	8,988	39,193	372,243	473,758
Other income	20	6,796,228	8,869,873	6,980,750	6,712,235
Selling, distribution and marketing expenses		(244,994,537)	(263,860,407)	(212,258,132)	(209,215,399)
Administrative expenses		(248,694,845)	(228,336,253)	(191,084,378)	(164,635,705)
Finance costs	21	(22,730,620)	(27,197,539)	(18,852,239)	(21,394,805)
Fair value gain on investment property		500,000	-	500,000	-
Amalgamation costs		(5,320,727)	-	(5,320,727)	-
Profit before taxation		44,288,805	43,918,654	23,168,158	16,693,312
Taxation	16	(9,318,266)	(7,821,406)	(4,017,724)	(2,919,677)
Profit for the year	22	34,970,539	36,097,248	19,150,434	13,773,635
Other comprehensive income					
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Gain on revaluation of land and buildings		29,363,488	-	15,724,979	-
Deferred tax on revaluation of buildings		(1,955,423)	-	(1,415,246)	-
Fair value gain on investment in equity instruments designated as at FVTOCI		377,929	322,390	377,929	322,390
Remeasurement of retirement benefit liabilities		(15,899,000)	14,242,000	(12,950,790)	11,011,361
Deferred tax on remeasurement of retirement benefit liabilities		2,702,830	(2,421,140)	2,201,634	(1,871,931)
Remeasurement of retirement benefit assets		(24,886,000)	21,213,000	(4,361,000)	13,447,000
Deferred tax on remeasurement of retirement benefit assets		4,230,620	(3,606,210)	741,370	(2,285,990)
Other comprehensive (loss)/income for the year		(6,065,556)	29,750,040	318,876	20,622,830
Total comprehensive income for the year		28,904,983	65,847,288	19,469,310	34,396,465
Earnings per share	23	0.95	0.98		

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

THE GROUP							
	Note	Stated capital	Amalgamation reserve	Properties revaluation reserve	Investment revaluation reserve	Retained earnings	Total
		Rs	Rs	Rs	Rs	Rs	Rs
At 1 January 2018							
- As previously reported		219,394,947	(130,506,480)	226,413,769	1,712,749	(10,440,254)	306,574,731
- Prior year adjustments	35	-	30,023,900	103,952,489	-	71,630,261	205,606,650
- As restated		219,394,947	(100,482,580)	330,366,258	1,712,749	61,190,007	512,181,381
Profit for the year		-	-	-	-	36,097,248	36,097,248
Other comprehensive income for the year		-	-	-	322,390	29,427,650	29,750,040
Total comprehensive income for the year		-	-	-	322,390	65,524,898	65,847,288
Revaluation surplus realised on depreciation		-	-	(3,153,361)	-	3,153,361	-
Dividend	30	-	-	-	-	(32,897,822)	(32,897,822)
At 31 December 2018		219,394,947	(100,482,580)	327,212,897	2,035,139	96,970,444	545,130,847
At 1 January 2019							
- As previously reported		219,394,947	(130,506,480)	223,673,000	2,035,139	12,787,356	327,383,962
- Prior year adjustments	35	-	30,023,900	103,539,897	-	84,183,088	217,746,885
- As restated		219,394,947	(100,482,580)	327,212,897	2,035,139	96,970,444	545,130,847
Profit for the year		-	-	-	-	34,970,539	34,970,539
Other comprehensive loss for the year		-	-	27,408,065	377,929	(33,851,550)	(6,065,556)
Total comprehensive income for the year		-	-	27,408,065	377,929	1,118,989	28,904,983
Issue of shares on amalgamation		141,990,347	(144,114,720)	-	-	-	(2,124,373)
Revaluation surplus realised on depreciation		-	-	(3,129,451)	-	3,129,451	-
Dividend	30	-	-	-	-	(33,091,931)	(33,091,931)
At 31 December 2019		361,385,294	(244,597,300)	351,491,511	2,413,068	68,126,953	538,819,526

STATEMENTS OF CHANGES IN EQUITY (CONT'D)

FOR THE YEAR ENDED 31 DECEMBER 2019

THE COMPANY							
	Note	Share capital	Amalgamation reserve	Properties revaluation reserve	Investment revaluation reserve	Retained earnings	Total
		Rs	Rs	Rs	Rs	Rs	Rs
At 1 January 2018		219,394,947	(130,506,480)	225,244,578	1,712,749	13,882,906	329,728,700
Profit for the year		-	-	-	-	13,773,635	13,773,635
Other comprehensive income for the year		-	-	-	322,390	20,300,440	20,622,830
Total comprehensive income for the year		-	-	-	322,390	34,074,075	34,396,465
Revaluation surplus realised on depreciation		-	-	(2,740,769)	-	2,740,769	-
Dividend	30	-	-	-	-	(17,885,872)	(17,885,872)
At 31 December 2018		219,394,947	(130,506,480)	222,503,809	2,035,139	32,811,878	346,239,293
At 1 January 2019		219,394,947	(130,506,480)	222,503,809	2,035,139	32,811,878	346,239,293
Profit for the year		-	-	-	-	19,150,434	19,150,434
Other comprehensive income for the year		-	-	14,309,733	377,929	(14,368,786)	318,876
Total comprehensive income for the year		-	-	14,309,733	377,929	4,781,648	19,469,310
Issue of shares on amalgamation		141,990,347	(114,090,820)	-	-	-	27,899,527
Amalgamation adjustment (Note 1)		-	-	116,249,542	-	63,295,362	179,544,904
Revaluation surplus realised on depreciation		-	-	(2,740,764)	-	2,740,764	-
Dividend	30	-	-	-	-	(33,091,931)	(33,091,931)
At 31 December 2019		Rs 361,385,294	(244,597,300)	350,322,320	2,413,068	70,537,721	540,061,103

Note 1: The amalgamation adjustments relate to the revaluation reserves and retained earnings of MIL at 1 October 2019.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

Note	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	44,288,805	43,918,654	23,168,158	16,693,312
Adjustments for:				
Depreciation of property, plant and equipment	79,924,692	92,412,349	69,396,076	72,638,551
Depreciation of right-of-use assets	17,847,380	-	10,273,733	-
Amortisation of intangible assets	2,042,006	1,473,304	1,743,588	1,260,282
Assets written off	-	3,010,327	-	2,801,827
(Profit)/loss on disposal of property, plant and equipment	(566,142)	(212,383)	(566,142)	193,138
Fair value gain on investment property	(500,000)	-	(500,000)	-
Exchange difference on borrowings	918,134	1,611,690	918,134	1,611,690
Retirement benefit obligations	2,882,000	6,124,000	1,222,732	3,776,761
Retirement benefit asset	2,499,000	4,721,000	2,370,000	3,358,000
Interest income	(8,988)	(39,193)	(372,243)	(473,758)
Provision for doubtful debts	2,081,855	1,967,225	2,101,626	1,420,559
Interest expense	22,730,620	27,197,539	18,852,239	21,394,805
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	174,139,362	182,184,512	128,607,901	124,675,167
Decrease/(increase) in inventories	16,843,287	17,512,716	(29,927,998)	16,865,421
Increase in trade and other receivables	(14,573,881)	(15,700,292)	(29,956,213)	(11,381,434)
(Decrease)/increase in trade and other payables	(24,758,504)	1,081,193	13,355,196	9,529,576
	(22,489,098)	2,893,617	(46,529,015)	15,013,563
CASH GENERATED FROM OPERATIONS	151,650,264	185,078,129	82,078,886	139,688,730
Interest paid	(22,730,620)	(27,197,539)	(18,852,239)	(21,394,805)
Tax paid	(7,354,019)	(4,890,312)	(2,318,387)	-
NET CASH GENERATED FROM OPERATING ACTIVITIES	121,565,625	152,990,278	60,908,260	118,293,925
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(66,925,286)	(52,075,311)	(62,679,313)	(48,707,624)
Payment on right-of-use assets	(239,498)	-	-	-
Purchase of intangible assets	(3,741,147)	(2,987,027)	(1,641,447)	(1,116,570)
Proceeds from sale of property, plant and equipment	1,947,559	2,680,817	1,947,559	951,566
Repayment of loan by subsidiary	-	-	3,731,337	3,000,000
Loan granted to subsidiary	-	-	(5,000,000)	-
Net cash outflow from amalgamation	-	-	(6,605,511)	-
Interest received	8,988	39,193	372,243	473,758
NET CASH USED IN INVESTING ACTIVITIES	(68,949,384)	(52,342,328)	(69,875,132)	(45,398,870)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net movement in loans	(250,911)	(50,726,305)	6,130,457	(41,939,508)
Repayment of lease liabilities	(27,286,471)	(26,907,566)	(17,662,626)	(17,698,589)
Movement in bank factoring facilities	(18,478,422)	2,996,445	-	(422,215)
Issue costs	(2,124,373)	-	(2,124,373)	-
Dividend paid	(17,885,872)	(15,011,950)	(17,885,872)	-
NET CASH USED IN FINANCING ACTIVITIES	(66,026,049)	(89,649,376)	(31,542,414)	(60,060,312)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(13,409,808)	10,998,574	(40,509,286)	12,834,743
CASH AND CASH EQUIVALENTS AT 1 JANUARY	24 23,120,993	12,122,419	35,272,431	22,437,688
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	24 9,711,185	23,120,993	(5,236,855)	35,272,431

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1. GENERAL INFORMATION

Quality Beverages Limited (the "Company") is a public company incorporated in Mauritius with its registered office at 38, Royal Street, Port Louis and principal place of business at Belle Rose. It is listed on the Development and Enterprise Market (DEM) of the Stock Exchange of Mauritius. The Company's main activities are the processing and distribution of beverages.

As of 1 October 2019, Margarine Industries Limited (MIL), a DEM listed company, was amalgamated with and into the Company. The principal place of business of MIL is at Trianon and its main activities are the manufacturing and distribution of margarine and related products. On that date, MIL's subsidiary, Central Distributors Company Limited, has also transferred its food business to the Company. Following the amalgamation with MIL and the transfer of the food business, the Company has extended its activities to the manufacturing and distribution of margarine and related products as well as the distribution of consumer goods.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

In the current year, the Group and the Company have applied all of the new and revised Standard and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2019.

New and revised IFRSs that are effective for the current year

The following relevant revised Standards have been applied in these financial statements. Except for IFRS 16, their application has not had any significant impact on the amounts reported for the current and prior periods but may affect the accounting treatment for future transactions or arrangements.

IAS 12	Income Taxes - Amendments resulting from annual Improvements 2015-2017 Cycle (income tax consequences of dividends)
IAS 19	Employee Benefits - Amendments regarding plan amendments, curtailments or settlements
IFRS 9	Financial Instruments - Amendments regarding prepayment features with negative compensation and modification of financial liabilities
IFRS 16	Leases - Original issue
IFRIC 23	Uncertainty over income tax treatments

Impact of initial application of IFRS 16 Leases

In the current year, the Group and the Company have applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for an annual period that begins on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant

changes to the lessee accounting by removing the distinction between operating and finance lease requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Group's and the Company's financial statements is described below.

The date of initial application of IFRS 16 for the Group and the Company is 1 January 2019.

The Group and the Company have applied IFRS 16 using the cumulative catch-up approach which:

- requires the Group and the Company to measure the right-of-use asset at an amount equal to the lease liability at the date of initial application.
- does not permit the restatement of comparatives, which continue to be presented under IAS 17 and IFRIC 4.

Impact of the new definition of a lease

The Group and the Company have made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Group and the Company applied the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it a lessor or a lessee in the lease contract). The new definition in IFRS 16 has not significantly changed the scope of contracts that meet the definition of a lease for the Group and the Company.

Impact on Lessee Accounting

- (i) Former operating leases

IFRS 16 changes how an entity accounts for lease previously classified as operating leases under IAS 17, which were off balance-sheet. Applying IFRS 16, for all leases (except as noted below), an entity:

- (a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of future lease payments discounted at the entity's incremental borrowing rate at 1 January 2019;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONT'D)

New and revised IFRSs that are effective for the current year (Cont'd)

Impact of initial application of IFRS 16 Leases (Cont'd)

Impact on Lessee Accounting (Cont'd)

- (i) Former operating leases (Cont'd)
- (b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss and other comprehensive income; and
- (c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under IFRS 16, right of use assets are tested for impairment in accordance with IAS 36 Impairment of assets.

For short term leases (lease term of 12 months or less) and leases of low value assets, the Group and the Company have opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within "Administrative expenses" in profit or loss.

The Group and the Company have used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group and the Company have applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group and the Company have elected not to recognise right-of-use assets and lease liabilities to leases for which the lease terminates within 12 months of the date of initial application.
- The Group and the Company have excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group and the Company have used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

(ii) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the entity has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 as from 1 January 2019.

Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, IFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under IFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts. The intermediate lessor is required to classify the sublease as a finance or operating lease by reference to the right-of-use asset arising from the head lease (and not by reference to the underlying asset as was the case under IAS 17).

No adjustment was required in respect of lessor accounting following the initial application of IFRS 16.

Financial impact on initial application of IFRS 16)

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 5.07% for the Company and 5.75% and 6.47% for the subsidiaries.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

- Disclosures: Amendments reform (effective 1 January 2020) regarding pre-replacement issues in the context of the IBOR reform (effective January 2020)
- Amendments regarding pre-replacement issues in the context of the IBOR reform (effective January 2020)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONT'D)

New and revised IFRSs that are effective for the current year (Cont'd)

Impact of initial application of IFRS 16 Leases (Cont'd)

Financial impact on initial application of IFRS 16 (Cont'd)

Impact on statement of financial position as at 1 January 2019

	GROUP	COMPANY
	Rs	Rs
Operating lease commitments at 31 December 2018	32,576,165	17,685,160
Short term leases and leases of low-value assets	(376,403)	(376,403)
Effect of discounting the above amounts	(8,649,518)	(5,926,015)
Finance lease liabilities recognised under IAS 17 at 31 December 2018	38,559,294	20,172,423
Present value of the lease payments not previously included in operating lease commitments	877,961	-
Lease liabilities recognised at 1 January 2019	62,987,499	31,555,165

The Group has recognised Rs 24,459,205 of right-of-use assets and Rs 24,428,205 of lease liabilities upon transition to IFRS 16 with no impact on retained earnings at 1 January 2019.

The Company has recognised Rs 11,413,742 as right-of-use assets and Rs 11,413,742 of lease liabilities upon transition to IFRS 16 with no impact on retained earnings at 1 January 2019.

Standards and Interpretations in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards and Interpretations were in issue but effective on annual periods beginning on or after the respective dates as indicated:

- IAS 1 Presentation of Financial Statements - Amendments regarding the definition of material (effective 1 January 2020)
- IAS 1 Presentation of Financial Statements - Amendments regarding the classification of liabilities (effective 1 January 2022)
- IAS 8 Amendments regarding the definition of material (effective 1 January 2020)
- IFRS 3 Business Combinations - Amendments to clarify the definition of a business (effective 1 January 2020)

Conceptual Framework - Amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework (effective 1 January 2020)

The directors anticipate that these Standards and Interpretation will be applied on their effective dates in future periods. The directors have not yet had an opportunity to consider the potential impact of the application of these amendments.

3. ACCOUNTING POLICIES

The principal accounting policies adopted by the Group and the Company are as follows:-

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and complied with the requirements of the Mauritius Companies Act 2001 and the Financial Reporting Act 2004.

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain property, plant and equipment, investment property and financial instruments.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group and the Company take into account the characteristics of the asset or a liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (Cont'd)

(a) Basis of preparation (Cont'd)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety which are describes as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company, i.e. its subsidiaries (collectively referred to as the "Group"). Control is achieved where the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power to affect its returns.

Subsidiaries are consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if the results in the non-controlling interests have a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments, when applicable, or the cost on initial recognition of an investment in an associate or jointly controlled entity.

Business combination under common control

Business combination in which all of the combining entities are ultimately controlled by the same party or parties before and after the combination are accounted for under the pooling of interest method in the consolidated financial statements. This assumes that the entities have always been combined and requires the restatement of the opening balance of each component of equity for the earliest prior period presented and the other comparative amounts disclosed. Under this method, assets and liabilities are recorded at their previous carrying values and the difference between the purchase consideration and net assets transferred are accounted for as an adjustment to equity ('Amalgamation reserves'). Retained earnings and reserves are aggregated line by line in the statement of financial position.

As of 1 October 2019, Margarine Industries Limited (MIL), a DEM listed company, was amalgamated with and into the Company. As of 31 December 2015, Vital Water Bottling Co. Ltd (VITAL), a DEM listed company, was amalgamated with and into the Company. The entities and the Company were controlled by Currimjee Industries Limited and following the amalgamation, the Company has accounted these transactions as a business combination under common control at group level.

The above transaction has been accounted in the separate financial statements as from the date amalgamation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (Cont'd)

(c) Investment in subsidiaries

In the Company's financial statements, investment in subsidiaries are stated at cost, unless in the opinion of the directors, there has been a permanent diminution in value, in which event the carrying amount is reduced to recognise any impairment loss.

(d) Revenue recognition

The Company recognises revenue from sale of manufactured consumer goods locally and overseas. The subsidiaries recognise revenue from advertising services and sale of liquefied petroleum products.

Revenue is recognised when control of the products has been transferred, being when the products and services are delivered and accepted by the customers i.e at a point in time. The customers have full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products.

For exports, revenue is recognised when control of the goods has been transferred to the customers. In majority of the cases, this condition is met when the goods are loaded on the ship and customer receives the bill of lading (delivery). In certain cases, revenue is recognised when the goods have been shipped to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has primary responsibility when onselling the goods and bears all the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods and services are delivered, as this represents the point in time at which the right to consideration becomes unconditional, because only passage of time is required before payment is due.

The goods are often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the selling price net of the estimate volume discounts. The estimate for volume discount is based on the most likely amount method.

There is no right of return policy on the sale of goods.

The Company has trade agreements with some of its customers where cash payments are made to them in order to have their products prominently displayed (slotting fees) and for co-operative advertising (advertising by the customers of the company's products). The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distinct good or service that the customer transfers to the entity.

Other income

- Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.
- Dividend income is recognised when the right to receive payment is established.

(e) Property, plant and equipment

Land and buildings are stated at their revalued amounts being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in other comprehensive income to the property revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in statement of profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to profit or loss. A transfer is made from the revaluation reserve to retained earnings as the asset is used. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Other property, plant and equipment are stated at cost or valuation less accumulated depreciation and any accumulated impairment losses.

Freehold land is not depreciated. On other items of fixed assets, it is calculated to write off the cost or revalued amount of tangible assets over the expected useful lives of such assets, using the straight line method.

The annual depreciation rates used are as follows:

Buildings and improvements	2% - 33.3% p.a.
Building on leasehold property	2% p.a.
Plant and machinery	6.5% - 50% p.a.
Selling equipment	6.5% - 50% p.a.
Containers, bottles and crates	6.67% - 25% p.a.
Motor vehicles	10% - 20% p.a.
Computer equipment	25% - 33.3% p.a.
Furniture and equipment	10% - 33.3% p.a.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any change in estimate accounted for on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (Cont'd)

(e) Property, plant and equipment (Cont'd)

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of PPE is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in statement of profit or loss.

(f) Intangible assets

Software costs

Expenditure incurred on the development of new computer software programmes is recognised as asset and is amortised at 25% p.a on a straight line basis over their estimated useful lives. Assets in progress are not amortised.

Cost associated with maintaining computer software programmes are recognised as an expense as incurred.

Brand

Intangible assets with indefinite useful lives that are acquired separately are recognised at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal or when no future economic benefit is expected from use or disposal. Gains or losses arising from derecognition of intangible assets, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Goodwill

Goodwill is measured as the excess of the sum of consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the

combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the related amount of goodwill is included in the determination of the profit or loss on disposal.

(g) Investment property

Property held to earn rentals and/or for capital appreciation, is stated at its fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in the statement of profit or loss for the period in which they arise. On derecognition upon disposal, any gain or loss is included in profit or loss in the period in which the property is derecognised.

(h) Foreign currencies

For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Mauritian Rupee, which is the functional currency of the Company and the presentation currency for the financial statements.

Transactions in foreign currencies are converted at the exchange rate at the date of the transactions. Outstanding monetary assets and liabilities in foreign currencies are translated to Mauritian rupees at the rates of exchange ruling at the reporting date. Exchange differences arising on translation of assets and liabilities are dealt with in the statement of profit or loss. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Cost is based on the invoiced value of materials plus in the case of finished goods, a proportion of labour and factory overheads, based on a normal level of production. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (Cont'd)

(j) Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss as it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(k) Cash and cash equivalents

Cash comprises cash at bank and in hand and demand deposits net of bank overdrafts. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

(l) Leased assets

The Group and the Company have applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from 1 January 2019

The Group and the Company as lessee

An entity assesses whether a contract is or contains a lease, at inception of the contract. The entity recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the entity recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (Cont'd)

(l) Leased assets (Cont'd)

Policies applicable from 1 January 2019 (Cont'd)

The Group and the Company as lessee (Cont'd)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

An entity remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group and the Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever an entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

An entity applies IAS 36 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'administrative expenses' in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The lease contracts do not have lease and non-lease components and hence the Group and the Company have not used this practical expedient.

The Group and the Company as lessor

Leases for which an entity is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. The Group and the Company have only operating lease contracts.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the leased term.

Policies applicable prior to 1 January 2019

Lessor accounting was similar to IFRS 16 and policy applied was same as above.

The Group and the Company as lessee

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

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (Cont'd)

Policies applicable prior to 1 January 2019 (Cont'd)

The Group and the Company as lessee (Cont'd)

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease terms, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(m) Related parties

For the purposes of these financial statements, parties are considered to be related to the group if they have the ability, directly or indirectly, to control the group or exercise significant influence over the group in making financial and operating decisions, or vice versa, or if they and the group are subject to common control. Related parties may be individuals or other entities.

(n) Retirement benefits

(i) Defined benefit plan

The cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, the effect of changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The Group and the Company present the first two components of defined benefit costs in profit or loss in the line item administrative expenses as

part of staff costs. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligations/asset recognised in the statement of financial position represents the actual deficit or surplus in the defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

(ii) Other retirement benefits

The present value of retirement gratuities is recognised in the statement of financial position as a non-current liability. The recognition and presentation of the components of the retirement gratuities are similar to the defined benefit plan (as above).

The present value of the unfunded obligation is recognised in the statement of financial position as a non-current liability based on the valuation carried out by a firm of actuaries annually. If there is a contractual agreement or stated policy for charging the net defined benefit cost for the plan as a whole measured in accordance with IAS 19 to related companies, each related company recognises in its individual financial statements, the net defined benefit cost so charged. The recognition and presentation of the components of the retirement benefit obligations are similar to the defined benefit plan (as above).

(iii) State plan

Contributions to the National Pension Scheme are expensed to the statement of profit or loss in the period in which they fall due.

(o) Provision

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event, and it is probable that the Group and the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(p) Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount which is higher of an asset's net selling price and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

ACCOUNTING POLICIES (Cont'd)

(p) Impairment of non-financial assets (Cont'd)

value in use, that is the present value of estimated future cash flows expected to arise from continuing to use the asset and from its disposal at the end of its useful life. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

An impairment loss is recognised as an expense in profit or loss immediately, unless the asset is carried at revalued amount in which case the impairment loss is recognised against the fair value reserve for the asset to the extent that the impairment loss does not exceed the amount held in the fair value reserve for that same asset. Any excess is recognised immediately in the statement of profit or loss.

(q) Financial instruments

Financial assets and liabilities are recognised on the statement of financial position when the Group and the company have become party to the contractual provisions of the financial instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value depending on the classification of the financial assets

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

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

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

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

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the entity may make the following irrevocable election/designation at initial recognition of a financial asset:

- the entity may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met (see (ii) below); and
- the entity may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (Cont'd)

(q) Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification of financial assets (Cont'd)

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the entity may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the entity manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'Investment income' line item in profit or loss.

The Group and the Company have designated their investments in equity instruments that are not held for trading as at FVTOCI on initial application of IFRS 9.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and

- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investment revaluation reserve.

Impairment of financial assets

The Group and the Company recognise a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group and the Company apply the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group and the Company recognise lifetime ECL until they are derecognised due to short-term nature of the receivables and have been assessed to have credit risk other than low.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Definition of default

The Group and the Company consider a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the entity.

(ii) Write off policy

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures. Any recoveries made are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

3. ACCOUNTING POLICIES (Cont'd)

(q) Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(iii) Recognition of expected credit losses

The Group and the Company recognise an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Derecognition of financial assets

The Group and the Company derecognise a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the entity neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the entity recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the entity retains substantially all the risks and rewards of ownership of a transferred financial asset, the entity continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group and the Company have elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

Classification as debt or equity

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

Equity instrument

An equity instrument is any contract that evidences a residual interest in the asset of an entity after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Debt instrument

(i) Borrowings

Interest bearing loans and bank overdrafts are initially recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instalment to the extent that they are not settled in the period in which they arise. Borrowings are subsequently measured at amortised cost.

(ii) Accounts payable

Accounts payable are stated at their amortised cost using the effective interest method.

(iii) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the interest rate, transaction costs and other premium or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(r) Grants

Grants received by the Company on the acquisition of the KHS plant have been amortised and recognised in profit or loss over a period of 15 years, consistent with the useful life of the asset.

(s) Derivative financial instruments

The Group and the Company enter into foreign exchange forward contracts to manage its exposure to foreign exchange risk. Further details of derivative financial instruments are disclosed in note 28.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured at fair value at each reporting date. The resulting gain or loss is recognised in the statement of profit or loss immediately.

(t) Comparative figures

Comparative figures have been restated or reclassified, where necessary, to conform with the current year's presentation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Judgements

In the process of applying the Group's and the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Business combination under common control - accounting policy choice

In the absence of an IFRS standard that specifically applies to business combination under common control, management has used judgement in developing and applying accounting policies for both its separate and consolidated financial statements. Management considers the pooling of interests method to be the most appropriate accounting policy as it results in information that is most relevant to the amalgamation on the basis that there is no change in control. The information provided is also reliable in that the financial statements represent faithfully the financial position, financial performance and cash flows of the entity as well as reflect the economic substance of the transaction both at Group and Company levels. The Company has applied the same accounting policies for such transaction consistently.

(ii) Going concern

Directors and management have made an assessment of the Group's and the Company's ability to continue as a going concern and is satisfied that the Group and the Company have the resources to continue in business for the foreseeable future. Furthermore, directors and management are not aware of any material uncertainties that may cast significant doubt upon the Group's and the Company's ability to continue as a going concern. Hence, the financial statements continue to be prepared on the going concern basis.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Property valuation

Land and buildings, investment property and the building component of owner-occupied leasehold properties are valued every three years by independent valuers. In arriving at the fair value of the properties, which is determined on an open market value basis, the independent valuers have to make assumptions that are mainly based on market conditions existing at the reporting date. Should these assumptions and estimates change, or not be met, the valuation as adopted in the financial statements will be affected.

(ii) Property, plant and equipment and depreciation

Management determines the estimated useful lives and related depreciation charges for the property, plant and equipment. Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(iii) Pension obligations

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include a selection of discount rate.

The Group and the Company determine the appropriate discount rate at the end of each year. The Nelson Siegel model has been used to derive a yield curve and to extrapolate the discount rates at the corresponding duration for this year's exercise for the Group and the Company. Other key assumptions for pension obligations are based in part on current market conditions.

These assumptions are considered to be a key source of estimation uncertainty as relatively small changes in the assumptions used may have a significant effect on the Group's and the Company's financial statements within the next year. Further information on the carrying amounts of the Group's and the Company's defined benefit obligation and the sensitivity of those amounts to changes in discount rate are provided in note 10.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

4. ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Cont'd)

Key sources of estimation uncertainty (Cont'd)

(iv) Calculation of loss allowance

The Group and the Company use a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and coverage by credit insurance).

The provision matrix is initially based on the Group's and the Company's historical observed default rates. The Group and the Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

When measuring ECL the Group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. The Group and the Company did not provide detailed information on how the forecast economic conditions have been incorporated in the determination of ECL because the impact is not significant.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the entity would expect to receive, taking into account cash flows from credit enhancements.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

COST OR VALUATION	Freehold land and buildings		Building on leasehold property		Plant and machinery		Selling equipment		Containers bottles and crates		Motor vehicles		Computer equipment		Furniture and equipment		Assets in progress		Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	
At 1 January 2018	329,643,476	9,900,000	488,865,496	258,935,122	159,459,103	71,488,768	15,595,363	11,212,487	-	1,345,099,815	-	-	-	-	-	-	-	-	1,345,099,815
Prior year adjustments (Note 35)	140,815,294	-	120,808,100	-	-	59,244,493	10,902,067	28,513,033	-	360,282,987	-	-	-	-	-	-	-	-	360,282,987
At 1 January 2018 (as restated)	470,458,770	9,900,000	609,673,596	258,935,122	159,459,103	130,733,261	26,497,430	39,725,520	-	1,705,382,802	-	-	-	-	-	-	-	-	1,705,382,802
Reclassification	-	-	512,170	-	-	-	1,501,908	1,027,252	-	3,041,330	-	-	-	-	-	-	-	-	3,041,330
Additions	3,401,291	-	35,460,605	5,855,157	4,745,810	731,236	2,779,679	3,351,563	-	56,325,341	-	-	-	-	-	-	-	-	56,325,341
Transfer from other receivables	3,639,000	-	-	-	-	-	-	-	-	3,639,000	-	-	-	-	-	-	-	-	3,639,000
Write offs	-	-	(23,085,066)	-	-	-	-	-	-	(23,262,661)	-	-	-	-	-	-	-	-	(23,262,661)
Disposals	-	-	(180,326)	(183,933)	-	(14,662,254)	(72,300)	-	-	(15,098,813)	-	-	-	-	-	-	-	-	(15,098,813)
At 31 December 2018	477,499,061	9,900,000	622,380,979	264,606,346	164,204,913	116,802,243	30,706,717	43,926,740	-	1,730,026,999	-	-	-	-	-	-	-	-	1,730,026,999
At 1 January 2019	332,772,340	9,900,000	499,061,048	264,606,346	164,204,913	65,985,278	19,160,368	12,375,187	-	1,368,065,480	-	-	-	-	-	-	-	-	1,368,065,480
Prior year adjustments (Note 35)	144,726,721	-	121,286,539	2,033,392	-	50,816,965	11,546,349	31,551,553	-	361,961,519	-	-	-	-	-	-	-	-	361,961,519
Transfer to right-of-use assets (Note 6)	-	-	(11,900,384)	(65,133,984)	-	(33,867,901)	(893,142)	(1,756,306)	-	(113,551,717)	-	-	-	-	-	-	-	-	(113,551,717)
At 1 January 2019 (as restated)	477,499,061	9,900,000	608,447,203	201,505,754	164,204,913	82,934,342	29,813,575	42,170,434	-	1,616,475,282	-	-	-	-	-	-	-	-	1,616,475,282
Additions	1,925,850	-	13,876,081	13,488,254	9,505,362	1,004,079	2,031,193	10,098,084	-	66,925,286	-	-	-	-	-	-	-	-	66,925,286
Revaluation adjustments	9,834,439	300,000	-	-	-	-	-	-	-	10,134,439	-	-	-	-	-	-	-	-	10,134,439
Write offs	-	-	(38,311,011)	-	-	(34,624)	(82,496)	(7,694,719)	-	(46,122,850)	-	-	-	-	-	-	-	-	(46,122,850)
Disposals	-	-	-	-	(549,301)	(6,587,086)	-	-	-	(7,136,387)	-	-	-	-	-	-	-	-	(7,136,387)
At 31 December 2019	489,259,350	10,200,000	584,012,273	214,994,008	173,160,974	77,316,711	31,762,272	44,573,799	-	1,640,275,770	-	-	-	-	-	-	-	-	1,640,275,770
DEPRECIATION																			
At 1 January 2018	4,764,544	209,610	276,566,518	173,102,965	103,832,969	56,585,384	12,075,034	8,217,112	-	635,354,136	-	-	-	-	-	-	-	-	635,354,136
Prior year adjustments (Note 35)	1,379,124	-	78,351,524	-	-	30,425,304	7,253,467	16,377,459	-	133,786,878	-	-	-	-	-	-	-	-	133,786,878
At 1 January 2018 (as restated)	6,143,668	209,610	354,918,042	173,102,965	103,832,969	87,010,688	19,328,501	24,594,571	-	769,141,014	-	-	-	-	-	-	-	-	769,141,014
Reclassification	2,729	-	512,170	(2,729)	-	-	1,516,407	1,012,753	-	3,041,330	-	-	-	-	-	-	-	-	3,041,330
Charge for the year	6,204,916	210,661	39,134,803	18,045,705	12,529,513	9,563,204	2,868,855	3,854,692	-	92,412,349	-	-	-	-	-	-	-	-	92,412,349
Write offs	-	-	(20,283,239)	-	-	-	-	(177,595)	-	(20,460,834)	-	-	-	-	-	-	-	-	(20,460,834)
Disposals	-	-	(180,326)	(125,618)	-	(12,252,135)	(72,300)	-	-	(12,630,379)	-	-	-	-	-	-	-	-	(12,630,379)
At 31 December 2018	12,351,313	420,271	374,101,450	191,020,323	116,362,482	84,321,757	23,641,463	29,284,421	-	831,503,480	-	-	-	-	-	-	-	-	831,503,480

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE GROUP

DEPRECIATION

	Freehold land and buildings	Building on leasehold property	Plant and machinery	Selling equipment	Containers bottles and crates	Motor vehicles	Computer equipment	Furniture and equipment	Assets in progress	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 1 January 2019	9,561,260	420,271	288,811,030	191,020,323	116,362,482	55,280,986	15,575,678	9,462,809	-	686,494,839
Prior year adjustment (Note 35)	2,790,053	-	83,257,028	2,033,392	-	29,040,771	8,065,785	19,821,612	-	145,008,641
Transfer to right-of-use assets (Note 6)	-	-	(5,531,773)	(33,529,754)	-	(14,390,837)	(759,596)	(898,218)	-	(55,110,178)
At 1 January 2019 (as restated)	12,351,313	420,271	366,536,285	159,523,961	116,362,482	69,930,920	22,881,867	28,386,203	-	776,393,302
Charge for the year	6,601,435	210,661	40,218,965	10,894,044	12,043,427	3,540,764	1,571,987	4,843,409	-	79,924,692
Revaluation adjustments	(18,598,117)	(630,932)	-	-	-	-	-	-	-	(19,229,049)
Write offs	-	-	(38,311,011)	-	-	(34,624)	(82,496)	(7,694,719)	-	(46,122,850)
Disposals	-	-	-	-	(139,229)	(5,615,741)	-	-	-	(5,754,970)
At 31 December 2019	354,631	-	368,444,239	170,418,005	128,266,680	67,821,319	24,371,358	25,534,893	-	785,211,125

NET BOOK VALUE

At 31 December 2019	488,904,719	10,200,000	215,568,034	44,576,003	44,894,294	9,495,392	7,390,914	19,038,906	14,996,383	855,064,645
At 31 December 2018	465,147,748	9,479,729	248,279,529	73,586,023	47,842,431	32,480,486	7,065,254	14,642,319	-	898,523,519
At 1 January 2018	464,315,102	9,690,390	254,755,554	85,832,157	55,626,134	43,722,573	7,168,929	15,130,949	-	936,241,788

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

THE COMPANY

COST OR VALUATION

	Freehold land and buildings	Building on leasehold property	Plant and machinery	Selling equipment	Containers bottles and crates	Motor vehicles	Computer equipment	Furniture and equipment	Assets in progress	Total
	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs	Rs
At 1 January 2018	329,643,476	9,900,000	467,468,163	261,214,615	159,492,853	68,211,608	11,986,997	10,573,862	-	1,318,491,574
Additions	3,128,864	-	32,768,448	5,865,957	4,745,810	-	1,547,283	651,262	-	48,707,624
Disposals	-	-	-	(183,933)	-	(5,503,490)	-	-	-	(5,687,423)
Write off	-	-	(23,085,066)	-	-	-	-	-	-	(23,085,066)
At 31 December 2018	332,772,340	9,900,000	477,151,545	266,896,639	164,238,663	62,708,118	13,534,280	11,225,124	-	1,338,426,709
Transfer to right-of-use assets (Note 6)	-	-	-	(65,133,984)	-	(6,861,116)	-	-	-	(71,995,100)
Additions	1,925,850	-	13,626,221	13,537,859	9,505,362	1,004,079	1,285,310	6,798,249	14,996,383	62,679,313
Disposals	-	-	-	-	(549,301)	(6,587,086)	-	-	-	(7,136,387)
Revaluation adjustments	61,160	300,000	-	-	-	-	-	-	-	361,160
Amalgamation adjustments (Note 34)	154,500,000	-	109,503,206	2,033,392	-	18,555,107	8,148,002	9,424,517	-	302,164,224
Write off	-	-	(22,346,254)	-	-	-	-	-	-	(22,346,254)
At 31 December 2019	489,259,350	10,200,000	577,934,718	217,333,906	173,194,724	68,819,102	22,967,592	27,447,890	14,996,383	1,602,153,665

DEPRECIATION

At 1 January 2018	4,767,273	209,610	255,350,623	175,005,293	103,866,718	53,831,870	8,648,786	7,579,128	-	609,259,301
Charge for the year	4,793,987	210,661	31,889,507	18,148,056	12,529,513	2,903,668	1,429,541	733,618	-	72,638,551
Disposals	-	-	-	(125,618)	-	(4,417,101)	-	-	-	(4,542,719)
Write off	-	-	(20,283,239)	-	-	-	-	-	-	(20,283,239)
At 31 December 2018	9,561,260	420,271	266,956,891	193,027,731	116,396,231	52,318,437	10,078,327	8,312,746	-	657,071,894
Transfer to right-of-use assets (Note 6)	-	-	-	(33,529,754)	-	(3,348,171)	-	-	-	(36,877,925)
Charge for the year	5,526,258	210,661	35,800,899	11,022,587	12,043,427	2,152,580	541,550	2,098,114	-	69,396,076
Disposals	-	-	-	-	(139,229)	(5,615,741)	-	-	-	(5,754,970)
Revaluation adjustments	(14,732,887)	(630,932)	-	-	-	-	-	-	-	(15,363,819)
Amalgamation adjustments (Note 34)	-	-	81,955,142	2,033,392	-	15,702,879	6,115,127	7,334,951	-	113,141,491
Write off	-	-	(22,346,254)	-	-	-	-	-	-	(22,346,254)
At 31 December 2019	354,631	-	362,366,678	172,553,956	128,300,429	61,209,984	16,735,004	17,745,811	-	759,266,493

NET BOOK VALUE

At 31 December 2019	488,904,719	10,200,000	215,568,040	44,779,950	44,894,295	7,609,118	6,232,588	9,702,079	14,996,383	842,887,172
At 31 December 2018	323,211,080	9,479,729	210,194,654	73,868,908	47,842,432	10,389,681	3,455,953	2,912,378	-	681,354,815

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) Property, plant and equipment include the following assets held under finance leases at 31 December 2018:

	THE GROUP		THE COMPANY	
	2019 Net book value	2018 Net book value	2019 Net book value	2018 Net book value
	Rs	Rs	Rs	Rs
Plant and machinery	-	6,368,611	-	-
Selling equipment	-	31,604,231	-	31,604,231
Office equipment	-	858,088	-	-
Computer equipment	-	133,546	-	-
Motor vehicles	-	19,477,063	-	3,512,945
	-	58,441,539	-	35,117,176

The Group's and the Company's obligations under finance leases are secured by the lessors title to the leased assets.

The additions during the year ended 31 December 2018 for the Group include an amount of Rs4,250,030 which have been financed through finance leases. Additions for the Company were financed by cash.

As from 1 January 2019, leased assets are presented as a separate line item in the statement of financial position (Refer to Note 6).

(b) The Group and the Company have pledged their property, plant and equipment to secure banking facilities granted to them. The Group and the Company are not allowed to pledge these assets as security for other borrowings or to sell them to another entity without the approval of the chargeholders.

(c) The Company's land and buildings were revalued by Elevante Investments Limited, Chartered Valuation Surveyors at 31 December 2019 in accordance with the RICS Valuation Standards. MIL's land and buildings were revalued at 30 September 2019 prior to the amalgamation on the same basis and there was no significant change in fair value from that date to 31 December 2019. The land and buildings have been valued on the basis of its market value, being the estimated amount for which the property could be exchanged between knowledgeable willing parties in an arm's length transaction. In arriving at the market value, the valuer has used the sales comparison approach for the land and the depreciated replacement cost approach for the buildings. The depreciated replacement cost approach estimates the value by computing the current cost of replacing a property and subtracting any depreciation resulting from one or more of the following factors: physical deterioration, functional obsolescence and external (or economic) obsolescence. The revaluation surplus was credited to revaluation reserves.

The significant unobservable input used in valuation of land pertains to recent market sale price per sqm metre ("sqm") taking into account the differences in location and individual factors such as frontage and size between the comparables and the freehold land. A significant increase in the market sale price used would result in a significant increase in fair value, and vice versa.

The significant unobservable input used in valuation of buildings pertains to depreciation rate taking into account the differences into structures, type of construction, functionality, maintenance and physical state of each components of the building. A significant increase in the depreciation rate used would result in a significant decrease in fair value, and vice versa.

(d) Details of the Group's and the Company's land and buildings and information about the fair value hierarchy as at 31 December are as follows:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Level 3				
Land and buildings	499,104,719	474,627,477	499,104,719	332,690,809

(e) If land and buildings were stated at historical cost basis, their carrying amounts at 31 December would be as follows:

	THE GROUP AND THE COMPANY		
	Freehold land	Buildings	Total
	Rs	Rs	Rs
2019			
Cost	616,316	125,077,482	125,693,798
Accumulated depreciation	-	(53,802,112)	(53,802,112)
Net book value	616,316	71,275,370	71,891,686

	THE GROUP			THE COMPANY		
	Freehold land	Buildings	Total	Freehold land	Buildings	Total
	Rs	Rs	Rs	Rs	Rs	Rs
2018						
Cost	616,316	123,151,632	123,767,948	532,825	76,893,927	77,426,752
Accumulated depreciation	-	(51,408,253)	(51,408,253)	-	(27,785,048)	(27,785,048)
Net book value	616,316	71,743,379	72,359,695	532,825	49,108,879	49,641,704

(f) Assets which are no longer in use have been written off during the year ended 31 December 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

6. RIGHT-OF-USE ASSETS

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	4,721,863	-	4,721,863
ACCUMULATED DEPRECIATION	At 31 December 2019	4,721,863	11,900,384	4,721,863
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	3,148,883	5,083,488	3,148,883
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,384	647,811
	At 31 December 2018	-	-	-
CARRYING AMOUNT	At 31 December 2019	-	5,083,487	-
	At 31 December 2018	-	-	-
COST	At 1 January 2019	-	11,900,384	-
	- Transfer from property, plant and equipment (Note 5)	647,811	-	647,811
ACCUMULATED DEPRECIATION	At 31 December 2019	647,811	11,900,3	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

6. RIGHT-OF-USE ASSETS (CONT'D)

The Company leases several assets including land, equipment and motor vehicles. The average lease term is 5 years.

The Group and the Company have option to purchase certain motor vehicles for a nominal amount at the end of the lease term. The Group's and the Company's obligations are secured by the lessors' title to the leased assets for such leases.

The maturity analysis of the lease liabilities is presented in Note 15.

Amounts recognised in profit and loss - year ended 31 December 2019

	THE GROUP Rs	THE COMPANY Rs
Depreciation expense on right-of-use assets	17,847,380	10,273,733
Interest expense on lease liabilities	3,647,820	1,923,060
Expense relating to short-term leases	2,517,960	1,950,503
	<u>24,013,160</u>	<u>14,147,296</u>
Total cash outflow for leases	<u>30,934,291</u>	<u>19,585,686</u>

At 31 December 2019, the Group and the Company do not have any commitment for short-term leases.

There are no variable lease payment in the lease contracts of the Group and the Company.

7. INTANGIBLE ASSETS

THE GROUP COST	Software cost Rs	Asset in progress Rs	Brand Rs	Goodwill Rs	Total Rs
At 1 January 2018	18,189,099	-	-	-	18,189,099
Prior year adjustments (Note 35)	7,271,673	-	-	651,218	7,922,891
At 1 January 2018 (as restated)	25,460,772	-	-	651,218	26,111,990
Additions	157,500	2,179,527	650,000	-	2,987,027
Write off	(208,500)	-	-	-	(208,500)
At 31 December 2018	<u>25,409,772</u>	<u>2,179,527</u>	<u>650,000</u>	<u>651,218</u>	<u>28,890,517</u>
At 1 January 2019	18,189,099	1,116,570	-	-	19,305,669
Prior year adjustments (Note 35)	7,220,673	1,062,957	650,000	651,218	9,584,848
At 1 January 2019 (as restated)	25,409,772	2,179,527	650,000	651,218	28,890,517
Transfer	3,479,527	(3,479,527)	-	-	-
Additions	1,753,147	1,988,000	-	-	3,741,147
At 31 December 2019	<u>30,642,446</u>	<u>688,000</u>	<u>650,000</u>	<u>651,218</u>	<u>32,631,664</u>
AMORTISATION					
At 1 January 2018	15,378,521	-	-	-	15,378,521
Prior year adjustments (Note 35)	6,716,225	-	-	-	6,716,225
At 1 January 2018 (as restated)	22,094,746	-	-	-	22,094,746
Charge for the year	1,473,304	-	-	-	1,473,304
At 31 December 2018	<u>23,568,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,568,050</u>
At 1 January 2019	16,638,803	-	-	-	16,638,803
Prior year adjustments (Note 35)	6,929,247	-	-	-	6,929,247
At 1 January 2019 (as restated)	23,568,050	-	-	-	23,568,050
Charge for the year	2,042,006	-	-	-	2,042,006
At 31 December 2019	<u>25,610,056</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,610,056</u>
CARRYING AMOUNT					
At 31 December 2019	<u>5,032,390</u>	<u>688,000</u>	<u>650,000</u>	<u>651,218</u>	<u>7,021,608</u>
At 31 December 2018	<u>1,841,722</u>	<u>2,179,527</u>	<u>650,000</u>	<u>651,218</u>	<u>5,322,467</u>
At 1 January 2018	<u>3,366,026</u>	<u>-</u>	<u>-</u>	<u>651,218</u>	<u>4,017,244</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

7. INTANGIBLE ASSETS (CONT'D)

The directors expect that economic benefits associated with the brand will flow to the entity for an indefinite period, and hence have determined that the brand has an indefinite useful life. No amortisation has been charged. The directors consider that the intangible asset is not impaired at the reporting date.

The goodwill arose on acquisition of the minority shares in Central Distributors Company Limited. Goodwill acquired in a business combination is allocated at acquisition to the cash generating unit that are expected to benefit from that business combination. The goodwill has been allocated wholly to CGU pertaining to the trading of consumer goods. The Group assesses the recoverable amount of goodwill annually or more frequently if there are indications of any impairment. The directors are of the opinion that no impairment has occurred during the year.

THE COMPANY

	Software cost Rs	Asset in progress Rs	Total Rs
At 1 January 2018	16,170,082	-	16,170,082
Additions	-	1,116,570	1,116,570
At 31 December 2018	<u>16,170,082</u>	<u>1,116,570</u>	<u>17,286,652</u>
Transfer	2,416,570	(2,416,570)	-
Amalgamation adjustments (Note 34)	8,395,330	1,988,000	10,383,330
Additions	1,641,447	-	1,641,447
At 31 December 2019	<u>28,623,429</u>	<u>688,000</u>	<u>29,311,429</u>

AMORTISATION

At 1 January 2018	13,359,504	-	13,359,504
Charge for the year	1,260,282	-	1,260,282
At 31 December 2018	<u>14,619,786</u>	<u>-</u>	<u>14,619,786</u>
Charge for the year	1,743,588	-	1,743,588
Amalgamation adjustments (Note 34)	7,227,665	-	7,227,665
At 31 December 2019	<u>23,591,039</u>	<u>-</u>	<u>23,591,039</u>

CARRYING AMOUNT

At 31 December 2019	<u>5,032,390</u>	<u>688,000</u>	<u>5,720,390</u>
At 31 December 2018	<u>1,550,296</u>	<u>1,116,570</u>	<u>2,666,866</u>

8. INVESTMENT PROPERTY

THE GROUP AND THE COMPANY

Freehold land and buildings at fair value	2019 Rs	2018 Rs
At 1 January	5,100,000	5,100,000
Fair value adjustment	500,000	-
At 31 December	<u>5,600,000</u>	<u>5,100,000</u>

Investment property was revalued at 31 December 2019 at Rs5,600,000 on an open market value basis by Elevante Investments Limited, Chartered Valuation Surveyors. The land has been valued using the comparable sales approach taking into account recent transactions while the building element has been valued using depreciated replacement cost. The fair value of the investment property was classified as Level 3 in the fair value hierarchy.

There were no rental income and/or expenses attributable to the investment property.

The investment property was pledged to secure banking facilities granted to the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

9. INVESTMENTS

	THE GROUP			THE COMPANY	
	2019	2018	1 January 2018	2019	2018
	Rs	Rs	Rs	Rs	Rs
Investment in subsidiaries (note 9(i))	-	-	-	4,081,100	37,500
Advance towards equity (note 9(ii))	-	-	-	7,890,939	7,890,939
Equity investment designated at FVTOCI (note 9(iii))	2,586,068	2,208,139	1,885,749	2,586,068	2,208,139
	<u>2,586,068</u>	<u>2,208,139</u>	<u>1,885,749</u>	<u>14,558,107</u>	<u>10,136,578</u>

(i) Investment in subsidiaries

(a) Unquoted investments at cost

	2019	2018
	Rs	Rs
At 1 January	37,500	37,500
Amalgamation adjustment	4,043,600	-
	<u>4,081,100</u>	<u>37,500</u>

The amalgamation adjustment represents investment in Central Distributors Company Limited, previously owned by Margarine Industries Limited.

(b) Details of the Company's investment in subsidiaries are as follows:

Name	Country of incorporation	Type of shares	% Holding Direct	Principal activity
Creative Advertising Bureau Ltd	Mauritius	Ordinary	100%	Advertising
Central Distributors Company Limited	Mauritius	Ordinary	100%	Trading in Liquid Petroleum Gas (LPG)

The directors believe that the investments are not impaired.

(ii) Advance towards equity

The Company has reclassified an amount of Rs7,890,939 due by its subsidiary as advance towards equity and the related shares will be subsequently allotted. The directors believe that the investment is not impaired.

(iii) Equity investment designated at FVTOCI

THE GROUP AND THE COMPANY

	2019	2018
	Rs	Rs
At 1 January	2,208,139	1,885,749
Fair value movement during the year	377,929	322,390
At 31 December	<u>2,586,068</u>	<u>2,208,139</u>

The investment in equity shares is not held for trading but rather for strategic purposes. Accordingly, the directors of the Company have elected to designate the investment as at FVTOCI as they believe that recognising short-term fluctuations in the investment fair value in profit or loss would not be consistent with the Company's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

The directors have valued the unquoted investment using the net asset value approach as the underlying investments in the investee company are listed and measured at fair value. The net asset value was adjusted to account for preferential rights to surplus by certain shareholders. An increase in the share prices of the underlying investments will impact the fair value positively while a decrease in share prices will have a negative impact.

There was no quoted investment at 31 December 2019 and 31 December 2018. The fair value of the unquoted investment is classified under level 3 of the fair valuation hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

10. RETIREMENT BENEFIT PLANS

(a) Retirement benefit asset

THE GROUP AND THE COMPANY

Pension plan

The pension plans are final salary defined benefit plans to employees and are wholly funded. The assets of the funded plans are managed and administered independently by Swan Life Ltd.

The plans provide for a pension at retirement and a benefit in death or disablement in service before retirement.

The plans expose the Group and the Company to normal risks associated with defined benefit pension plans such as investment, interest, longevity and salary risks.

Investment risk: The plan liability is calculated using a discount rate determined by reference to government bond yields; if the return on plan assets is below this rate, it will create a plan deficit and if it is higher, it will create a plan surplus.

Interest risk: A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Longevity risk: The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

There has been no plan amendment, curtailment or settlement during the year.

Amounts recognised in the statements of financial position:

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
Present value of funded obligation	227,023,000	200,349,000	225,221,000	128,310,000
Fair value of plan assets	(260,089,000)	(259,540,000)	(256,751,000)	(155,803,000)
Effect of asset ceiling	1,260,000	-	-	-
Net asset recognised in statements of financial position	<u>(31,806,000)</u>	<u>(59,191,000)</u>	<u>(31,530,000)</u>	<u>(27,493,000)</u>

Movement in the asset recognised in the statements of financial position:

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
At 1 January	(27,493,000)	(17,404,000)	(27,493,000)	(17,404,000)
- As previously reported	(31,698,000)	(25,295,000)	-	-
- As restated	(59,191,000)	(42,699,000)	(27,493,000)	(17,404,000)
Amount recognised in profit and loss	3,775,000	5,988,000	3,093,000	3,883,000
Amount recognised in other comprehensive income	24,886,000	(21,213,000)	4,361,000	(13,447,000)
Employer contributions	(1,276,000)	(1,267,000)	(723,000)	(525,000)
Amalgamation adjustments (Note 34)	-	-	(286,000)	-
Transfer from subsidiary	-	-	(10,482,000)	-
At 31 December	<u>(31,806,000)</u>	<u>(59,191,000)</u>	<u>(31,530,000)</u>	<u>(27,493,000)</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

10. RETIREMENT BENEFIT PLANS (CONT'D)

(a) Retirement benefit asset (Cont'd)

Future cash flows:

The funding policy is to pay contributions to an external legal entity at the rate recommended by the entity's actuaries.

The expected employer contributions in the year 2020 amount to Rs1,452,000 for the Group and Rs1,444,000 for the Company.

The weighted average duration of the defined benefit plans is 13, 16 and 21 years.

Sensitivity analysis on the defined benefit asset:

The sensitivity analysis below has been carried out by recalculating the present value of obligation at the year end after increasing or decreasing the actuarial assumptions below while leaving all other assumptions unchanged. Any similar variation in the other assumptions would have shown smaller variations in the defined benefit obligation.

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
Increase due to 1% decrease in discount rate	37,174,000	31,180,000	36,742,000	18,463,000
Decrease due to 1% increase in discount rate	29,657,000	25,108,000	29,327,000	15,083,000
<i>Expected salary growth</i>				
Increase due to 1% increase in salary growth	15,448,000	12,673,000	15,217,000	7,080,000
Decrease due to 1% decrease in salary growth	13,406,000	11,005,000	13,211,000	6,215,000

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit asset as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

The principal actuarial assumptions used for accounting purposes are:-

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	%	%	%	%
Discount rate	5.60	6.35/6.6	5.60	6.35
Expected rate of salary increase	3.0	3.0/3.5/4.0	3.0	3.0/3.5
Future pension increases	0.5	0.5	0.5	0.5
Rate of inflation	2.8	3.5	2.8	3.5
Average retirement age (ARA)	65 years	65 years	65 years	65 years
Average life expectancy for:				
- Males at ARA	15.9 years	15.9 years	15.9 years	15.9 years
- Females at ARA	20.0 years	20.0 years	20.0 years	20.0 years
Average life expectancy for:				
- Males retiring in 20 years	15.9 years	15.9 years	15.9 years	15.9 years
- Females retiring in 20 years	20.0 years	20.0 years	20.0 years	20.0 years

The most recent actuarial valuation of the pension plan asset was carried out at 31 December 2019 by AON Hewitt Ltd, actuaries and consultants.

(b) Retirement benefit obligations

	THE GROUP			THE COMPANY	
	2019	2018	2017	2019	2018
	Rs	Rs	Rs	Rs	Rs
Retirement gratuities (Note 10(b)(i))	68,420,000	63,958,000	62,988,000	66,707,000	63,068,000
Unfunded pensions (Note 10(b)(ii))	177,334,000	163,015,000	172,103,000	177,334,000	163,015,000
	245,754,000	226,973,000	235,091,000	244,041,000	226,083,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

10. RETIREMENT BENEFIT PLANS (CONT'D)

(b) Retirement benefit obligations (Cont'd)

The plans expose the Group and the Company to normal risks associated with defined benefit pension plans such as longevity, interest and salary risks.

Interest risk: A decrease in the bond interest rate will increase the plan liability; however, this may be partially offset by an increase in the return on the plan's debt investments and a decrease in inflationary pressures on salary and pension increases.

Salary risk: The plan liability is calculated by reference to the future projected salaries of plan participants. As such, an increase in the salary of the plan participants above the assumed rate will increase the plan liability whereas an increase below the assumed rate will decrease the liability.

Longevity risk: The plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan liability. There has been no plan amendment, curtailment or settlement during the year.

There has been no plan amendment, curtailment or settlement during the year.

(i) Retirement gratuities

Amounts recognised in the statements of financial position:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
At 1 January	63,958,000	62,988,000	63,068,000	62,217,000
Paid during the year	(8,556,000)	(2,599,000)	(8,556,000)	(2,599,000)
Amount recognised in profit and loss	8,890,000	7,208,000	8,312,000	7,105,000
Amount recognised in other comprehensive income	4,128,000	(3,639,000)	3,883,000	(3,655,000)
At 31 December	68,420,000	63,958,000	66,707,000	63,068,000

Amounts recognised in the statements of comprehensive income:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Current service cost	4,466,000	3,815,000	4,199,000	3,754,000
Past service cost	811,000	-	561,000	-
	5,277,000	3,815,000	4,760,000	3,754,000
Net interest on defined benefit liability	3,613,000	3,393,000	3,552,000	3,351,000
Components of amount recognised in profit or loss	8,890,000	7,208,000	8,312,000	7,105,000
<i>Remeasurement of the net defined benefit asset:</i>				
Liability experience loss/(gain)	4,933,000	(6,965,000)	4,736,000	(7,034,000)
Liability (gain)/loss due to change in financial assumptions	(805,000)	3,326,000	(853,000)	3,379,000
Components of amount recognised in other comprehensive income	4,128,000	(3,639,000)	3,883,000	(3,655,000)
Total	13,018,000	3,569,000	12,195,000	3,450,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

10. RETIREMENT BENEFIT PLANS (CONT'D)

(b) Retirement benefit obligations (Cont'd)

(i) Retirement gratuities (Cont'd)

Movement in the present value of the defined benefit obligations (unfunded) were as follows:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
At 1 January	63,958,000	62,988,000	63,068,000	62,217,000
Current service cost	4,466,000	3,815,000	4,199,000	3,754,000
Interest expense	3,613,000	3,393,000	3,552,000	3,351,000
Past service cost	811,000	-	561,000	-
Benefits paid	(8,556,000)	(2,599,000)	(8,556,000)	(2,599,000)
Liability experience loss/(gain)	4,933,000	(6,965,000)	4,736,000	(7,034,000)
Liability (gain)/loss due to change in financial assumptions	(805,000)	3,326,000	(853,000)	3,379,000
	68,420,000	63,958,000	66,707,000	63,068,000

Future cash flows:

The funding policy is to pay benefits out of the reporting entity's cash flow as and when due.

Expected employer contributions for the Group and the Company for the year 2019 - Rs 3,632,000.

The weighted average duration of the defined benefit obligation is 11/10 years for the Company and 13 and 17 years for the subsidiaries.

Sensitivity analysis on the defined benefit obligations:

The sensitivity analysis below has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the actuarial assumptions below while leaving all other assumptions unchanged.

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Discount rate				
Increase due to 1% decrease in discount rate	8,031,000	7,257,000	7,725,000	7,081,000
Decrease due to 1% increase in discount rate	6,760,000	6,146,000	6,510,000	6,004,000
Salary growth				
Increase due to 1% increase in salary growth	8,046,000	7,323,000	7,735,000	7,144,000
Decrease due to 1% decrease in salary growth	6,846,000	6,275,000	6,588,000	6,128,000

The principal actuarial assumptions used for accounting purposes are:-

THE GROUP AND THE COMPANY

	2019	2018
	%	%
Discount rate	5.1/5.6	6 - 6.85
Future salary increases	3.0	3.5 - 4
Rate of inflation	2.5	3.5
Average retirement age	65 years	65 years

The most recent actuarial valuation of the retirement gratuities was carried out at 31 December 2019 by AON Hewitt Ltd, actuaries and consultants.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

10. RETIREMENT BENEFIT PLANS (CONT'D)

(b) Retirement benefit obligations (Cont'd)

(ii) Unfunded pensions

The Company operates an unfunded defined benefit plan for some of the directors which provides for a pension at retirement. The net defined cost was previously allocated to other related companies with common directors/officers in accordance with the contractual agreements with each of these companies. In 2019, following the amalgamation of businesses, only Creative Advertising Bureau Ltd (CAB) has a share of the liability recognised in its financial statements. There were no additional costs charged to CAB for the years 2018 and 2019.

Amount recognised in the statements of financial position:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Present value of unfunded obligation	177,334,000	163,015,000	177,334,000	163,015,000
Liability recognised in the statements of financial position	-	-	(9,975,808)	(55,051,306)
Allocated to related companies	177,334,000	163,015,000	167,358,192	107,963,694

Movement in liability recognised in the statements of financial position:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
At 1 January	163,015,000	172,103,000	163,015,000	172,103,000
Amount recognised in profit or loss	14,046,000	13,474,000	14,046,000	13,474,000
Amount recognised in other comprehensive income	11,771,000	(10,603,000)	11,771,000	(10,603,000)
Benefits paid	(11,498,000)	(11,959,000)	(11,498,000)	(11,959,000)
At 31 December	177,334,000	163,015,000	177,334,000	163,015,000

Amounts recognised in the statements of comprehensive income:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Current service cost	4,448,000	4,333,000	4,448,000	4,333,000
Net interest on net defined benefit liability	9,598,000	9,141,000	9,598,000	9,141,000
Allocated to related companies	14,046,000	13,474,000	14,046,000	13,474,000
Components of amount recognised in profit and loss	-	-	(3,212,268)	(4,125,739)
Components of amount recognised in profit and loss	14,046,000	13,474,000	10,833,732	9,348,261
Remeasurement of the net defined benefit asset:				
Liability experience loss/(gain)	7,517,000	(6,532,000)	7,517,000	(6,532,000)
Liability loss/(gain) due to change in financial assumptions	4,254,000	(4,071,000)	4,254,000	(4,071,000)
Allocated to related companies	11,771,000	(10,603,000)	11,771,000	(10,603,000)
Components of amount recognised in other comprehensive income	-	-	(2,703,210)	3,246,639
Components of amount recognised in other comprehensive income	11,771,000	(10,603,000)	9,067,790	(7,356,361)
Total	25,817,000	2,871,000	19,901,522	1,991,900

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

10. RETIREMENT BENEFIT PLANS (CONT'D)

(b) Retirement benefit obligations (Cont'd)

(ii) *Unfunded pensions (Cont'd)*

THE GROUP AND THE COMPANY

Movement in the present value of the defined benefit obligations were as follows:

	2019	2018
	Rs	Rs
At 1 January	163,015,000	172,103,000
Current service cost	4,448,000	4,333,000
Interest expense	9,598,000	9,141,000
Benefits paid	(11,498,000)	(11,959,000)
Liability experience loss/(gain)	7,517,000	(6,532,000)
Liability loss/(gain) due to change in financial assumptions	4,254,000	(4,071,000)
At 31 December	177,334,000	163,015,000

Reconciliation of the liability allocated to related companies:

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
Balance at 1 January	45,075,497	46,077,897	55,051,306	56,053,706
Prior year adjustment (Note 35)	(45,075,497)	(46,077,897)	-	-
Amount recognised in profit or loss	-	-	3,212,268	4,125,739
Amount recognised in other comprehensive income	-	-	2,703,210	(3,246,639)
Benefits paid	-	-	(2,131,000)	(1,881,500)
Amalgamation adjustment	-	-	(39,848,029)	-
Transfer from subsidiary	-	-	(9,011,947)	-
Balance at 1 January	-	-	9,975,808	55,051,306

Future cash flows:

The funding policy is to pay benefits out of the reporting entity's cash flow as and when due.

Expected employer contributions for the year 2020 - Rs11,843,000.

The weighted average duration of the defined benefit obligation is 12 years.

Sensitivity analysis on the defined benefit obligations:

The sensitivity analysis below has been carried out by recalculating the present value of obligation at end of period after increasing or decreasing the actuarial assumptions below while leaving all other assumptions unchanged.

	2019	2018
	Rs	Rs
<i>Discount rate</i>		
Increase due to 1% decrease in discount rate	24,589,000	22,511,000
Decrease due to 1% increase in discount rate	19,738,000	18,048,000
<i>Salary growth</i>		
Increase due to 1% increase in salary growth	2,029,000	1,781,000
Decrease due to 1% decrease in salary growth	1,839,000	1,601,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

10. RETIREMENT BENEFIT PLANS (CONT'D)

(b) Retirement benefit obligations (Cont'd)

(ii) *Unfunded pensions (Cont'd)*

The principal actuarial assumptions used for accounting purposes are:-

	2019	2018
	%	%
Discount rate	5.4	5.5
Future salary increases (active directors)	3.0	3.0
Future pension increases	1.0	1.0
Rate of inflation	2.7	3.0
Medical cost increase	5.4	5.5
Passage benefit increase	2.7	3.0
Car benefit increase	2.7	3.0
Driver's allowance increase	2.7	3.0
Average retirement age	65 years	65 years
Average life expectancy for		
- Male at ARA	15.9 years	15.9 years
- Female at ARA	20 years	20 years

The most recent actuarial valuation of the retirement benefit obligations was carried out at 31 December 2019 by AON Hewitt Ltd, actuaries and consultants.

(c) State pension plan

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
National Pension Scheme Contribution expensed	7,304,400	7,524,775	4,960,008	4,944,813

11. INVENTORIES

	THE GROUP			THE COMPANY	
	2019	2018	1 January 2018	2019	2018
	Rs	(Restated)	(Restated)	Rs	Rs
Raw materials and other consumables	115,191,192	135,231,073	144,511,634	114,128,076	100,351,461
Finished goods	52,471,792	58,923,678	60,080,197	49,214,919	16,679,691
Goods in transit	39,771,969	48,489,381	58,161,967	39,771,969	28,440,319
Others	58,637,423	40,271,531	37,674,581	58,637,424	32,268,538
	266,072,376	282,915,663	300,428,379	261,752,388	177,740,009

The cost of inventories recognised as an expense for the year ended 31 December 2019 includes Rs14,908,051 for the Group (2018: Rs9,384,992) and Rs14,290,009 for the Company (2018: Rs7,459,622) in respect of writedowns of inventory to net realisable value.

The Group and the Company have pledged the inventories to secure banking facilities granted to them.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

12. TRADE AND OTHER RECEIVABLES

	THE GROUP			THE COMPANY	
	2019	2018 (Restated)	1 January 2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs	Rs
Trade receivables	251,981,027	262,144,028	250,158,543	233,640,486	175,812,198
Less: Loss allowances	(4,051,774)	(5,535,888)	(11,275,655)	(3,478,355)	(4,595,361)
	247,929,253	256,608,140	238,882,888	230,162,131	171,216,837
Other receivables	12,516,960	23,151,020	32,820,872	10,635,256	11,542,759
Prepayments and advance payments	35,973,315	4,544,120	2,146,664	35,878,620	4,373,662
Foreign currency forward contract	106,500	57,536	331,465	106,500	11,456
Amount due by fellow subsidiaries	181,339	138,535	138,420	-	3,508,376
Amount due by related companies	370,967	86,957	171,932	-	-
	297,078,334	284,586,308	274,492,241	276,782,507	190,653,090
Trade and other receivables include the following:-					
Amount due by fellow subsidiaries	113,588	96,725	135,191	108,505	167,097
Amount due by related companies	2,883,249	3,670,367	2,649,859	915,315	289,143
	2,996,837	3,767,092	2,785,050	1,023,820	456,240

The directors consider that the carrying amount of trade and other receivables approximates their fair value. The Group and the Company have pledged the trade receivables to secure banking facilities granted to them.

The average credit period on sales of goods and services is 30 days. Before accepting any new customer, the Group and the Company assess the potential customer's credit quality and define credit limits by customer and these are reviewed on a regular basis. The concentration of credit risk is limited due to the customer base being large and unrelated. Management consider trade receivables to be in default when contractual payments are past due for more than 180 days based on the business environment in which the entities operate taking into consideration the market dynamics, customer base and competition.

The Group and the Company measure the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group and the Company have recognised a loss allowance of 100% against receivables over 180 days past due (except where repayment plan has been agreed or debts have been recovered) because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Group and the Company have credit insurance coverage on all its trade receivables to the extent of 90% of the trade receivables balance (both local and export debtors) provided that they have not breached any of the eligibility criteria. A Loss Given Default rate of 10% has been applied on trade receivables which are covered by insurance at 31 December 2019 and 2018.

Based on past experience, there has been no history of default on export debtors. Management has made an assessment on the probability of default of the export debtors at reporting date and the ECL calculated thereon is immaterial and has not been accounted for.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

12. TRADE AND OTHER RECEIVABLES (CONT'D)

THE GROUP AND THE COMPANY

The Group and the Company have segmented its local trade receivables by customer types between Traditional Trade, HORECA, Modern Trade, Home & Office and bakery. The subsidiaries have each one category of customer base - advertising and LPG.

The following tables detail the risk profile of local trade receivables based on the Group's and the Company's provision matrix at 31 December 2019:

	Local trade receivables - past due							Total
	Not past due	<30	31-60	61-90	91-120	121-150	150-180	
Traditional Trade								
Expected credit loss rate	1.45%	1.68%	3.14%	6.65%	11.87%	17.52%	24.57%	100.00%
Estimated total gross carrying amount at default (Rs)	17,719,326	6,143,595	2,127,631	227,942	62,511	78,061	185,473	631,618
Lifetime ECL (Rs)	65,503	26,387	15,092	1,515	742	1,368	42,383	631,618
HORECA								
Expected credit loss rate	1.00%	1.05%	1.22%	2.17%	6.29%	20.86%	38.96%	100.00%
Estimated total gross carrying amount at default (Rs)	23,542,980	12,358,712	4,811,733	703,885	383,548	120,790	456,110	477,885
Lifetime ECL (Rs)	60,632	29,669	5,847	1,527	2,413	2,519	150,944	477,885
Modern Trade								
Expected credit loss rate	0.15%	0.15%	0.15%	0.34%	1.48%	4.47%	7.08%	100.00%
Estimated total gross carrying amount at default (Rs)	65,213,504	51,521,025	10,289,093	291,196	509,237	85,629	600	376,139
Lifetime ECL (Rs)	11,299	8,747	1,611	100	756	382	4	100,914
Home & Office								
Expected credit loss rate	1.94%	2.56%	4.96%	10.46%	19.13%	29.81%	41.13%	100.00%
Estimated total gross carrying amount at default (Rs)	6,905,513	4,328,703	2,702,635	606,032	480,441	251,202	204,958	1,527,762
Lifetime ECL (Rs)	133,678	110,682	134,063	63,408	91,893	74,884	84,309	1,145,581
Bakery								
Expected credit loss rate	0.00%	0.00%	0.02%	0.06%	0.19%	0.34%	0.48%	100.00%
Estimated total gross carrying amount at default (Rs)	7,586,914	4,388,215	911,208	5,957	1,621	1,980	1,849	10,588
Lifetime ECL (Rs)	-	-	-	-	-	-	-	-
Customer base - advertising								
Expected credit loss rate	0.68%	1.25%	1.59%	3.41%	6.43%	10.29%	18.81%	100.00%
Estimated total gross carrying amount at default (Rs)	1,281,797	758,572	1,825,521	588,526	327,907	-	142,792	412,682
Lifetime ECL (Rs)	8,727	9,495	29,039	20,044	21,075	-	26,852	412,682
Customer base - LPG								
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Estimated total gross carrying amount at default (Rs)	2,318,312	1,899,218	588,958	183,462	-	78,939	-	5,068,889
Lifetime ECL (Rs)	-	-	-	-	-	-	-	-
Others								
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Estimated total gross carrying amount at default (Rs)	161,753	-	-	3,834,194	2,756,196	451,522	63,495	508,778
Lifetime ECL (Rs)	-	-	-	-	-	-	-	45,505

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

12. TRADE AND OTHER RECEIVABLES (CONT'D)

THE GROUP AND THE COMPANY

The following tables detail the risk profile of local trade receivables based on the Group's and the Company's provision matrix at 31 December 2018:

	Local trade receivables - past due							Total
	Not past due	<30	31-60	61-90	91-120	121-150	150-180	
Traditional Trade								
Expected credit loss rate	1.48%	1.68%	2.97%	6.05%	11.05%	17.36%	24.92%	100.00%
Estimated total gross carrying amount at default (Rs)	12,806,696	3,914,391	862,843	267,043	115,178	69,539	55,742	1,733,217
Lifetime ECL (Rs)	150,790	48,519	12,717	5,195	10,963	11,377	12,470	1,336,641
HORECA								
Expected credit loss rate	0.92%	0.980%	1.09%	1.93%	7.75%	21.39%	33.45%	100.00%
Estimated total gross carrying amount at default (Rs)	21,811,708	11,018,645	4,986,292	1,452,542	165,245	64,766	137,706	40,710,582
Lifetime ECL (Rs)	40,701	19,758	10,203	4,820	4,375	3,661	18,554	558,416
Modern Trade								
Expected credit loss rate	0.20%	0.20%	0.20%	0.43%	1.99%	5.31%	7.87%	100.00%
Estimated total gross carrying amount at default (Rs)	85,124,359	49,892,983	9,450,611	2,103,959	566,049	765,829	1,286,310	4,105,610
Lifetime ECL (Rs)	21,721	13,635	5,543	3,006	1,507	3,918	10,350	577,823
Home & Office								
Expected credit loss rate	2.36%	3.49%	6.37%	12.80%	24.21%	37.13%	51.66%	100.00%
Estimated total gross carrying amount at default (Rs)	3,634,166	1,886,822	884,657	346,020	235,068	199,050	139,124	1,651,400
Lifetime ECL (Rs)	85,935	65,805	56,396	44,282	56,907	73,900	71,871	1,532,850
Customer base - advertising								
Expected credit loss rate	0.24%	0.38%	0.46%	0.96%	2.32%	3.94%	8.99%	100.00%
Estimated total gross carrying amount at default (Rs)	3,470,764	2,252,504	416,191	728,608	624,100	6,325	17,250	139,315
Lifetime ECL (Rs)	8,333	8,671	1,910	7,017	24,322	249	1,549	139,315
Bakery								
Expected credit loss rate	0.00%	0.00%	0.02%	0.06%	0.19%	0.34%	0.48%	100.00%
Estimated total gross carrying amount at default (Rs)	5,631,202	2,958,811	447,428	169,844	4,472	7,055	329,104	9,719,234
Lifetime ECL (Rs)	27	11	8	11	-	2	158	171,318
Customer base - LPG								
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Estimated total gross carrying amount at default (Rs)	3,339,424	1,462,981	194,152	49,156	11,419	-	-	5,057,132
Lifetime ECL (Rs)	-	-	-	-	-	-	-	-
Others								
Expected credit loss rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%
Estimated total gross carrying amount at default (Rs)	11,477,657	1,785,647	1,466,212	722,683	345,399	178,262	35,940	16,310,178
Lifetime ECL (Rs)	-	-	-	-	-	-	-	298,378

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

12. TRADE AND OTHER RECEIVABLES (CONT'D)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS 9.

THE GROUP

Balance at 1 January 2018
Prior year adjustments (Note 35)

Balance at 1 January 2018 - As restated
Increase in loss allowance recognised in profit or loss during the year
Receivables written off during the year as uncollectible

Balance at 31 December 2018

Balance at 1 January 2019
Prior year adjustments (Note 35)

Balance at 1 January 2019 - As restated
(Decrease)/increase in loss allowance recognised in profit or loss during the year
Receivables written off during the year as uncollectible

Balance at 31 December 2019

THE COMPANY

Balance at 1 January 2018
(Decrease)/increase in loss allowance recognised in profit or loss during the year
Receivables written off during the year as uncollectible

Balance at 31 December 2018

Balance at 1 January 2019
Amalgamation adjustments (Note 34)
Increase in loss allowance recognised in profit or loss during the year
Receivables written off during the year as uncollectible

Balance at 31 December 2019

13. STATED CAPITAL

Issued and fully paid

At 1 January: 22,357,340 (2018: 22,357,340) Ordinary shares of Rs10 each
Share premium
New issue of shares on amalgamation: 14,411,472 Ordinary shares of Rs10 each (Note 34)
Issue costs
At 31 December: 36,768,812 (2018: 22,357,340) Ordinary shares of Rs10 each

Each of the above share confers to its holder the following rights:

- the right to vote on poll for every share held at a meeting of the Company on any resolution;
- the right to an equal share in dividends authorised by the Board;
- the right to an equal share in the distribution of the surplus assets of the Company, on winding up.

	Collectively assessed	Individually assessed	Total
	Rs	Rs	Rs
Balance at 1 January 2018	1,367,123	9,679,933	11,047,056
Prior year adjustments (Note 35)	33,994	194,605	228,599
Balance at 1 January 2018 - As restated	1,401,117	9,874,538	11,275,655
Increase in loss allowance recognised in profit or loss during the year	69,330	1,897,895	1,967,225
Receivables written off during the year as uncollectible	-	(7,706,992)	(7,706,992)
Balance at 31 December 2018	1,470,447	4,065,441	5,535,888
Balance at 1 January 2019	915,891	3,870,836	4,786,727
Prior year adjustments (Note 35)	554,556	194,605	749,161
Balance at 1 January 2019 - As restated	1,470,447	4,065,441	5,535,888
(Decrease)/increase in loss allowance recognised in profit or loss during the year	(312,060)	2,393,915	2,081,855
Receivables written off during the year as uncollectible	-	(3,565,969)	(3,565,969)
Balance at 31 December 2019	1,158,387	2,893,387	4,051,774
	Collectively assessed	Individually assessed	Total
	Rs	Rs	Rs
Balance at 1 January 2018	1,201,862	9,594,095	10,795,957
(Decrease)/increase in loss allowance recognised in profit or loss during the year	(338,021)	1,758,580	1,420,559
Receivables written off during the year as uncollectible	-	(7,621,155)	(7,621,155)
Balance at 31 December 2018	863,841	3,731,520	4,595,361
Balance at 1 January 2019	863,841	3,731,520	4,595,361
Amalgamation adjustments (Note 34)	49,164	44,800	93,964
Increase in loss allowance recognised in profit or loss during the year	209,355	1,892,271	2,101,626
Receivables written off during the year as uncollectible	-	(3,312,596)	(3,312,596)
Balance at 31 December 2019	1,122,360	2,355,995	3,478,355

	2019	2018
	Rs	Rs
At 1 January: 22,357,340 (2018: 22,357,340) Ordinary shares of Rs10 each	218,715,053	218,715,053
Share premium	679,894	679,894
New issue of shares on amalgamation: 14,411,472 Ordinary shares of Rs10 each (Note 34)	144,114,720	-
Issue costs	(2,124,373)	-
At 31 December: 36,768,812 (2018: 22,357,340) Ordinary shares of Rs10 each	361,385,294	219,394,947

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. LOANS

	THE GROUP			THE COMPANY	
	2019	2018 (Restated)	1 January 2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs	Rs
Unsecured loans	1,500,000	1,500,000	2,000,000	-	-
Bank factoring facilities	-	18,478,422	15,481,977	-	-
Import loans	42,914,140	52,968,110	71,686,411	42,914,140	52,968,110
Secured bank loans	291,316,215	280,595,022	310,491,336	291,316,215	261,439,997
	<u>335,730,355</u>	<u>353,541,554</u>	<u>399,659,724</u>	<u>334,230,355</u>	<u>314,408,107</u>
Repayable as follows:					
Repayable within one year	146,019,566	193,772,437	229,286,662	144,519,566	155,638,952
Between two and five years	189,710,789	159,769,117	170,373,062	189,710,789	158,769,155
	<u>335,730,355</u>	<u>353,541,554</u>	<u>399,659,724</u>	<u>334,230,355</u>	<u>314,408,107</u>

Unsecured loans amounting to Rs1.5 million for the Group (2018: Rs1.5 million) are due to related companies, bear interest at 6.5% (2018: 6.5%) p.a. and are repayable on demand.

The bank loans and import loans are secured by floating charges on the property, plant and equipment of the Group and the Company and bear interest at rates which are disclosed in note 28. The current weighted average effective interest rate on the bank loans is 4.6% p.a. (2018: 6.0%).

Prior to 2019, the Group had entered into an agreement with a factoring company to finance the trade receivables with recourse to the Group in the event the debts are not recovered within 90 days. The Group was charged a commission of 0.25% on invoices transferred to the factoring company and interest at the rate of PLR + 0.25% p.a.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's and the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows from financing activities.

THE GROUP 2019	1 January 2019 Rs	Financing cash flows Rs	Non-cash changes		31 December 2019 Rs
			New finance leases Rs	Exchange difference Rs	
Bank loans	352,041,554	(18,729,333)	-	918,134	334,230,355
Loans from related parties	1,500,000	-	-	-	1,500,000
Lease liabilities (Note 15)	38,559,294	(27,286,471)	32,244,768	-	43,517,591
	<u>392,100,848</u>	<u>(46,015,804)</u>	<u>32,244,768</u>	<u>918,134</u>	<u>379,247,946</u>

2018	1 January 2018 Rs	Financing cash flows Rs	Non-cash changes		31 December 2018 Rs
			Exchange difference Rs	New finance leases Rs	
Bank loans	397,659,724	(47,229,860)	1,611,690	-	352,041,554
Loans from related parties	2,000,000	(500,000)	-	-	1,500,000
Lease liabilities (Note 15)	61,216,830	(26,907,566)	-	4,250,030	38,559,294
	<u>460,876,554</u>	<u>(74,637,426)</u>	<u>1,611,690</u>	<u>4,250,030</u>	<u>392,100,848</u>

THE COMPANY 2019	1 January 2019 Rs	Financing cash flows Rs	Non-cash changes			31 December 2019 Rs
			Amalgamation adjustment Rs	New finance leases Rs	Exchange difference Rs	
Bank loans	314,408,107	6,130,457	12,773,657	-	918,134	334,230,355
Lease liabilities (Note 15)	20,172,423	(17,662,626)	9,549,529	15,612,711	-	27,672,037
	<u>334,580,530</u>	<u>(11,532,169)</u>	<u>22,323,186</u>	<u>15,612,711</u>	<u>918,134</u>	<u>361,902,392</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

14. LOANS (CONT'D)

Reconciliation of liabilities arising from financing activities (Cont'd)

THE COMPANY 2018	1 January 2018 Rs	Financing cash flows Rs	Non-cash changes	
			Exchange difference Rs	31 December 2018 Rs
Bank loans	355,158,140	(42,361,723)	1,611,690	314,408,107
Lease liabilities (Note 15)	37,871,012	(17,698,589)	-	20,172,423
	<u>393,029,152</u>	<u>(60,060,312)</u>	<u>1,611,690</u>	<u>334,580,530</u>

15. LEASE LIABILITIES

	THE GROUP			THE COMPANY	
	2019	2018 (Restated)	1 January 2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs	Rs
Current					
Lease liabilities*	19,318,720	-	-	13,401,140	-
Obligation under finance leases**	-	20,553,664	25,927,066	-	13,443,574
	<u>19,318,720</u>	<u>20,553,664</u>	<u>25,927,066</u>	<u>13,401,140</u>	<u>13,443,574</u>
Non-current					
Lease liabilities	24,198,871	-	-	14,270,897	-
Obligation under finance leases	-	18,005,630	35,289,764	-	6,728,849
	<u>24,198,871</u>	<u>18,005,630</u>	<u>35,289,764</u>	<u>14,270,897</u>	<u>6,728,849</u>
Total borrowings	<u>43,517,591</u>	<u>38,559,294</u>	<u>61,216,830</u>	<u>27,672,037</u>	<u>20,172,423</u>

* The line indicated is in respect of the application of IFRS 16 in the current year only.

** The line indicated is in respect of the IAS 17 comparatives only.

Disclosure required by IFRS 16

Maturity analysis:

Year 1
Year 2
Year 3
Year 4
Year 5
Onwards

	GROUP 2019 Rs	COMPANY 2019 Rs
Year 1	21,604,483	14,815,843
Year 2	13,111,100	6,270,380
Year 3	8,357,437	5,053,865
Year 4	3,266,435	3,039,599
Year 5	1,160,468	1,160,468
Onwards	-	-
	<u>47,499,923</u>	<u>30,340,155</u>

The Group and the Company do not face significant liquidity risk with regards to its lease liabilities. All the lease obligations are denominated in Mauritian Rupees.

Disclosure required by IAS 17

Leasing arrangements

Finance leases relate to manufacturing, selling equipment and motor vehicles with lease terms of 5 years. The Group and the Company have options to purchase the assets for a nominal amount at the conclusion of the lease agreements. The Group's and the Company's obligation under finance leases are secured by the lessors' title to the leased assets.

Fair value

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

15. LEASE LIABILITIES (CONT'D)

Disclosure required by IAS 17 (Cont'd)

Finance lease liabilities

Minimum lease payment		Present value of minimum lease payment	
GROUP	COMPANY	GROUP	COMPANY
2018	2018	2018	2018
(Restated)		(Restated)	
Rs	Rs	Rs	Rs
22,602,598	14,470,466	20,553,664	13,443,574
19,178,228	6,983,568	18,005,630	6,728,849
41,780,826	21,454,034	38,559,294	20,172,423
(3,221,532)	(1,281,611)	-	-
38,559,294	20,172,423	38,559,294	20,172,423

Amounts payable under finance leases:

Within one year
Between two to five years

Less: Future finance charges

Present value of minimum lease payments

16. TAXATION

(a) Income tax liability

THE GROUP AND THE COMPANY

Income tax is calculated at the rate of 15% (2018: 15%) for the Group and the Company on the profit for the year as adjusted for income tax purposes.

The Group and the Company are required to set up a Corporate Social Responsibility ("CSR") fund equivalent to 2% of its chargeable income of the preceding year to implement a CSR programme in accordance with its own CSR framework. Where the amount paid out of the CSR fund is less than the amount provided under the fund, the difference shall be remitted to the Director-General at the time of submission of the income tax return of the year under review.

THE GROUP		THE COMPANY	
2019	2018	2019	2018
Rs	Rs	Rs	Rs
At 1 January			
- As previously reported	532,152	-	-
- Prior year adjustments (Note 35)	1,892,931	1,201,760	-
- As restated	2,425,083	1,201,760	532,152
Payment during the year	(3,014,598)	(1,201,760)	(837,790)
Underprovision in income tax in previous year (Note 16(a))	589,515	-	305,638
Provision for the year	10,355,830	5,799,040	6,700,741
Amalgamation adjustment (Note 34)	-	-	1,340,225
Tax paid under APS	(3,987,714)	(3,688,552)	(1,452,477)
CSR payable	463,024	314,595	84,360
6,831,140	2,425,083	6,672,849	532,152

(b) Tax charge

THE GROUP		THE COMPANY	
2019	2018	2019	2018
Rs	(Restated)	Rs	Rs
Income tax provision	10,355,830	5,799,040	6,700,741
Under provision in income tax in previous year (Note 16(a))	589,515	-	305,638
(Over)/under provision in deferred tax in previous years (Note 16(d))	(538,431)	11,527	(434,240)
Deferred tax movement (Note 16(d))	(1,903,379)	1,696,244	(2,666,895)
CSR expense	814,731	314,595	112,480
Tax charge	9,318,266	7,821,406	4,017,724

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

16. TAXATION (CONT'D)

(c) Tax reconciliation

Profit before tax

Taxed at 17%

Effect of:

Expenses not deductible for tax purposes

Items not subject to tax

Depreciation on assets not eligible for capital allowances

Adjustment on asset written off

Underprovision in income tax in previous year

(Over)/under provision in deferred tax in previous years

CSR adjustment

Consolidation adjustment

Tax charge

THE GROUP		THE COMPANY	
2019	2018	2019	2018
Rs	(Restated)	Rs	Rs
44,288,805	43,918,654	23,168,158	16,693,312
7,529,097	7,466,171	3,938,587	2,837,863
1,948,191	968,318	1,119,533	134,150
(140,638)	(68,805)	(137,933)	-
7,091	7,091	7,091	7,091
1,034,751	-	-	-
589,515	-	305,638	-
(538,431)	11,527	(434,240)	11,527
(581,858)	(458,610)	(780,952)	(70,954)
(529,452)	(104,286)	-	-
9,318,266	7,821,406	4,017,724	2,919,677

(d) Deferred tax

Deferred tax is calculated on all temporary differences under the liability method at the rate of 17% (2018: 17%).

At 1 January

- As previously reported

- Prior year adjustments (Note 35)

- As restated

Amalgamation adjustments (Note 34)

Transfer from subsidiary

Movement in profit or loss:

(Over)/under provision in deferred tax in previous year (Note 16(c))

Movement for the year (Note 16(b))

Movement in other comprehensive income:

Deferred tax on revaluation of buildings

Deferred tax on remeasurement of retirement benefit plans

At 31 December

Analysed as follows:

- Deferred tax liabilities

- Deferred tax assets

THE GROUP		THE COMPANY	
2019	2018	2019	2018
Rs	(Restated)	Rs	Rs
52,485,156	45,206,526	56,312,441	49,766,995
14,774,075	14,317,584	-	-
67,259,231	59,524,110	56,312,441	49,766,995
-	-	9,011,605	-
-	-	250,070	-
(538,431)	11,527	(434,240)	11,527
(1,903,379)	1,696,244	(2,666,895)	2,375,998
1,955,423	-	1,415,246	-
(6,933,450)	6,027,350	(2,943,004)	4,157,921
59,839,394	67,259,231	60,945,223	56,312,441
61,837,578	71,086,516	60,945,223	56,312,441
(1,998,184)	(3,827,285)	-	-
59,839,394	67,259,231	60,945,223	56,312,441

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

16. TAXATION (CONT'D)

(d) Deferred tax (Cont'd)

Deferred tax liabilities/(assets) arise from the following:

THE GROUP

	(Restated) At 1 January 2018 Rs	Charge/(credit) to profit or loss Rs	Charge/ (credit) to other comprehensive income Rs	At 31 December 2018 Rs	Charge/(credit) to profit or loss Rs	Charge/ (credit) to other comprehensive income Rs	At 31 December 2019 Rs
Deferred tax liabilities							
Accelerated capital allowances	64,975,847	(4,242,019)	-	60,733,828	(2,742,372)	-	57,991,456
Retirement benefit assets	7,258,831	(802,570)	3,606,210	10,062,471	(461,380)	(3,469,190)	6,131,901
Revaluation of properties	36,944,738	-	-	36,944,738	-	1,955,423	38,900,161
	109,179,416	(5,044,589)	3,606,210	107,741,037	(3,203,752)	(1,513,767)	103,023,518
Deferred tax assets							
Retirement benefit obligations	(39,965,435)	(1,041,115)	2,421,140	(38,585,410)	(276,070)	(3,464,260)	(42,325,740)
Provision for doubtful debts	(1,645,588)	755,455	-	(890,133)	31,749	-	(858,384)
Tax losses	(8,044,283)	7,038,020	-	(1,006,263)	1,006,263	-	-
	(49,655,306)	6,752,360	2,421,140	(40,481,806)	761,942	(3,464,260)	(43,184,124)
Net deferred tax liabilities	59,524,110	1,707,771	6,027,350	67,259,231	(2,441,810)	(4,978,027)	59,839,394

THE COMPANY

	At 1 January 2018 Rs	Charge/(credit) to profit or loss Rs	Charge/ (credit) to other comprehensive income Rs	At 31 December 2018 Rs	Transfer / amalgamation adjustments Rs	Charge/(credit) to profit or loss Rs	Charge/ (credit) to other comprehensive income Rs	At 31 December 2019 Rs
Deferred tax liabilities								
Accelerated capital allowances	53,545,243	(3,440,261)	-	50,104,982	9,658,458	(2,696,075)	-	57,067,365
Retirement benefit assets	2,958,680	(570,860)	2,285,990	4,673,810	1,830,560	(402,900)	(741,370)	5,360,100
Revaluation of properties	31,390,249	-	-	31,390,249	6,094,666	-	1,415,246	38,900,161
	87,894,172	(4,011,121)	2,285,990	86,169,041	17,583,684	(3,098,975)	673,876	101,327,626
Deferred tax assets								
Retirement benefit obligations	(30,305,270)	(642,050)	1,871,931	(29,075,389)	(8,306,035)	(208,025)	(2,201,634)	(39,791,083)
Provision for doubtful debts	(1,630,996)	849,785	-	(781,211)	(15,974)	205,865	-	(591,320)
Tax losses	(6,190,911)	6,190,911	-	-	-	-	-	-
	(38,127,177)	6,398,646	1,871,931	(29,856,600)	(8,322,009)	(2,160)	(2,201,634)	(40,382,403)
Net deferred tax liabilities	49,766,995	2,387,525	4,157,921	56,312,441	9,261,675	(3,101,135)	(1,527,758)	60,945,223

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

17. TRADE AND OTHER PAYABLES

Current

Trade payables
Deposits refundable
Foreign currency forward contracts
Other payables and accruals
Grants
Amount due to subsidiaries and fellow subsidiaries
Amount due to related companies

Trade and other payables include the following:

Amount due to fellow subsidiaries
Amount due to related companies

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period on purchases is 45 days. The Group and the Company have financial risk management policies to ensure that all payables are paid within the credit timeframe.

Non current

Other payables amounting to Rs732,778 (2018: Rs898,632) relates to a severance allowance payable over 20 years. The current portion is included in other payables and accruals.

18. REVENUE

The Group and the Company derive their revenue at a point in time from sale of beverages and provision of advertising services in the following divisions. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 Operating Segments (See note 29).

Manufacturing and trading
Advertising

19. INVESTMENT INCOME

Interest income

	THE GROUP			THE COMPANY	
	2019	2018 (Restated)	1 January 2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs	Rs
Trade payables	149,185,815	147,336,879	178,114,307	142,598,670	109,284,569
Deposits refundable	7,800,039	7,049,932	5,817,611	7,800,039	7,049,932
Foreign currency forward contracts	166,750	-	333,220	166,750	-
Other payables and accruals	92,575,371	118,979,893	101,404,462	86,994,698	85,726,278
Grants	2,752,832	2,999,355	3,245,877	2,752,832	2,999,355
Amount due to subsidiaries and fellow subsidiaries	-	31,625	1,518	17,272,695	1,607,378
Amount due to related companies	31,221,119	31,896,892	18,144,758	-	-
	283,701,926	308,294,576	307,061,753	257,585,684	206,667,512
Amount due to fellow subsidiaries	110,184	64,762	71,124	867,695	444,824
Amount due to related companies	1,334,237	1,768,786	1,761,537	1,334,237	1,768,786
	1,444,421	1,833,548	1,832,661	2,201,932	2,213,610

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
Manufacturing and trading	1,567,878,419	1,580,869,619	1,004,592,597	877,485,204
Advertising	17,711,709	21,936,330	-	-
	1,585,590,128	1,602,805,949	1,004,592,597	877,485,204

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
Interest income	8,988	39,193	372,243	473,758

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

20. OTHER INCOME

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
Refund from insurance	410,399	2,022,869	410,399	2,022,869
Amortisation of grants	246,523	246,522	246,523	246,522
Income from fontaines	218,639	1,084,854	218,639	1,084,854
Lease income from unipoles	-	-	1,375,608	1,219,008
Servicing and repairs of coolers and dispensers	26,927	41,925	26,927	41,925
Income from garage segment	752,517	891,449	752,517	891,449
Sundry receipts	3,253,754	4,369,871	1,772,316	1,146,266
Profit/(loss) on disposal of property, plant and equipment	566,142	212,383	566,142	(193,138)
Excess of liability on deposit written back	1,321,327	-	1,321,327	-
Rent receivable	-	-	290,352	252,480
	6,796,228	8,869,873	6,980,750	6,712,235

21. FINANCE COSTS

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
Interest on:				
- Bank loans and factoring facility	17,206,470	20,506,421	16,063,527	18,233,148
- Bank overdrafts	1,778,830	2,671,886	865,652	920,936
- Lease liabilities	3,647,820	3,846,315	1,923,060	2,240,721
- Amount due to related parties	97,500	172,917	-	-
	22,730,620	27,197,539	18,852,239	21,394,805

22. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
Loss/(gain) on exchange	1,164,009	2,057,271	1,449,371	2,517,566
Cost of inventories recognised as an expense	798,723,080	804,212,159	336,728,357	281,820,808
Staff costs	327,419,818	330,280,832	263,441,825	252,373,140
Depreciation of property, plant and equipment	79,924,692	92,412,349	69,396,076	72,638,551
Depreciation of right-of-use assets	17,847,380	-	10,273,733	-
Amortisation of intangible assets	2,042,006	1,473,304	1,743,588	1,260,282
Assets written off	-	2,801,827	-	2,801,827
Bad debts written off	-	36,490	-	36,490
Impairment losses recognised on trade receivables	2,081,855	1,967,225	2,101,626	1,420,559
Bad debts and VAT recovered	(1,145,589)	(1,719,187)	(740,388)	(1,719,187)
<i>Staff costs are analysed as follows:</i>				
Salaries and allowances	268,561,053	273,445,120	209,055,328	201,871,167
Defined benefit plans	26,711,000	26,670,000	22,238,732	20,336,261
Other employee benefits	32,147,765	30,165,712	32,147,765	30,165,712
	327,419,818	330,280,832	263,441,825	252,373,140

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

23. EARNINGS PER SHARE

THE GROUP	2019	2018 (Restated)
	Rs	Rs
Earnings per share	0.95	0.98

The earnings and weighted average number of ordinary shares used in the calculation of earnings per share are as follows:

	2019	2018
Earnings for the year attributable to owners of the Company used in calculation of earnings per share (Rs)	34,970,539	36,097,248
Number of ordinary shares	36,768,812	36,768,812

The shares issued following amalgamation have been considered for the purpose of calculating the earnings per share for 2018.

24. CASH AND CASH EQUIVALENTS

	THE GROUP			THE COMPANY	
	2019	2018 (Restated)	1 January 2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs	Rs
Cash in hand and at bank	55,262,045	51,730,377	52,364,503	40,234,338	43,019,464
Bank overdrafts	(45,550,860)	(28,609,384)	(40,242,084)	(45,471,193)	(7,747,033)
	9,711,185	23,120,993	12,122,419	(5,236,855)	35,272,431

The bank overdrafts are secured by floating charges over the property, plant and equipment of the Group and the Company.

25. LOAN TO SUBSIDIARY

The Company converted part of the amount due from its subsidiary, Creative Advertising Bureau Ltd (CAB), into a loan at 31 December 2013. The Company further converted an additional amount of Rs7,140,397 into shareholder's loan at 31 December 2015. The loan to CAB, bearing interest at 8.9% p.a., was unsecured and was repayable in annual instalments of Rs3 million over a period of five years. The loan was fully repaid at 31 December 2019. The loan amounting to Rs5m at 31 December 2019 is due by Central Distributors Co. Ltd, is unsecured, bears interest rate at 6.5% p.a. and repayable on demand.

26. RELATED PARTY TRANSACTIONS

The Group and the Company are making the following disclosures in respect of related party transactions and balances.

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
(i) Sales of goods and services				
<i>Sales of goods:</i>				
- Subsidiaries and fellow subsidiaries	1,348,136	1,093,826	655,022	701,057
- Other related parties	2,493,650	2,544,814	1,884,206	2,325,811
- Key management personnel	388,753	358,461	388,753	358,461
	4,230,539	3,997,101	2,927,981	3,385,329
<i>Sales of services:</i>				
- Subsidiaries and fellow subsidiaries	92,200	107,200	7,442,169	8,693,594
- Other related parties	10,330,327	11,298,475	97,459	81,510
	10,422,527	11,405,675	7,539,628	8,775,104

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

26. RELATED PARTY TRANSACTIONS (CONT'D)

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
(ii) <u>Purchase of goods and services</u>				
<i>Purchase of goods:</i>				
- Subsidiaries and fellow subsidiaries	341,330	328,738	32,089,568	3,399,574
- Other related parties	257,632,167	297,594,259	-	-
	<u>257,973,497</u>	<u>297,922,997</u>	<u>32,089,568</u>	<u>3,399,574</u>
<i>Purchase of services:</i>				
- Subsidiaries and fellow subsidiaries	-	-	19,383,486	12,861,963
- Other related parties	16,785,732	14,123,371	13,533,069	10,331,003
	<u>16,785,732</u>	<u>14,123,371</u>	<u>32,916,555</u>	<u>23,192,966</u>
<i>Purchase of selling equipment:</i>				
- Subsidiary	-	-	330,700	72,000
(iii) <u>Interest expense</u>				
- Other related parties	97,500	172,916	-	-
(iv) <u>Interest income</u>				
- Subsidiaries	-	-	372,243	473,758
(v) <u>Rental income</u>				
- Subsidiary	-	-	1,693,461	1,471,488
- Other related parties	382,910	378,109	382,910	378,109
	<u>382,910</u>	<u>378,109</u>	<u>2,076,371</u>	<u>1,849,597</u>
(vi) <u>Rental expense</u>				
- Other related party	1,964,100	1,403,010	1,964,100	1,403,010
(vii) <u>Outstanding balances</u>				
<i>Receivable from:</i>				
- Subsidiaries and fellow subsidiaries	294,927	235,260	108,505	3,675,473
- Other related parties	3,134,626	3,698,627	795,725	230,446
- Key management personnel	119,590	58,697	119,590	58,697
	<u>3,549,143</u>	<u>3,992,584</u>	<u>1,023,820</u>	<u>3,964,616</u>
<i>Loan receivable:</i>				
- Subsidiaries	-	-	5,000,000	3,731,337
<i>Loans payable:</i>				
- Other related parties	1,500,000	1,500,000	-	-
<i>Payables to:</i>				
- Subsidiaries and fellow subsidiaries	110,184	96,387	18,140,390	2,052,202
- Key management personnel	13,613	246,167	13,613	246,167
- Other related parties	32,541,743	33,419,511	1,320,624	1,522,619
	<u>32,665,540</u>	<u>33,762,065</u>	<u>19,474,627</u>	<u>3,820,988</u>

The amounts due by and to related companies are unsecured, interest free and repayable on demand. The Group and the Company has applied the ECL rate on trade receivables. The terms and conditions with respect to the loans have been disclosed in notes 14 and 25.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

26. RELATED PARTY TRANSACTIONS (CONT'D)

(viii) Retirement benefit - group plan

Retirement benefit cost

Retirement benefit cost allocated to fellow subsidiaries

Retirement benefit liability

Retirement benefit liability allocated to subsidiary

Retirement benefit liability allocated to fellow subsidiaries

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
Retirement benefit cost allocated to fellow subsidiaries	-	-	5,915,478	879,100
Retirement benefit liability allocated to subsidiary	-	-	9,975,808	9,975,808
Retirement benefit liability allocated to fellow subsidiaries	-	-	-	45,075,498
	<u>-</u>	<u>-</u>	<u>9,975,808</u>	<u>55,051,306</u>

(ix) Compensation paid to key management personnel

The remuneration of key management personnel during the year was as follows:

Short term benefits

Post employment benefits

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
Short term benefits	15,602,532	18,534,855	14,861,112	17,819,825
Post employment benefits	10,767,280	10,352,497	10,767,280	10,352,497
	<u>26,369,812</u>	<u>28,887,392</u>	<u>25,628,392</u>	<u>28,172,322</u>

The Company has paid post employment benefits of Rs10.6M to previous directors of the Company during the year under review. They are the founders of the Group but are no longer directors or form part of the key management personnel in 2019.

27. CONTINGENT LIABILITIES

THE GROUP AND THE COMPANY

Bank guarantees and performance bonds to third parties

Corporate guarantee to subsidiaries for banking facilities

	2019	2018
	Rs	Rs
Bank guarantees and performance bonds to third parties	21,126,000	19,953,067
Corporate guarantee to subsidiaries for banking facilities	13,000,000	3,000,000

The directors consider that no liabilities will arise as the probability for default in respect of the guarantees is remote.

28. FINANCIAL INSTRUMENTS

In its ordinary operations, the Group and the Company are exposed to various risks such as capital risk, foreign currency risks, interest rate risks, credit risks and liquidity risks. The Group and the Company have devised on a central basis a set of specific policies for managing these exposures.

Capital risk management

The Group and the Company manage their capital to ensure that entities in the Group and the Company will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's and the Company's overall strategy remains unchanged from 2018.

The capital structure of the Group and the Company consists of debt, which includes the borrowings disclosed in notes 14, 15 and 24, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings as disclosed in the statements of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

28. FINANCIAL INSTRUMENTS (CONT'D)

Capital risk management (Cont'd)

Gearing Ratio

The gearing ratio at the year end was as follows:

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
Debt (i)	424,798,806	420,710,232	407,373,585	342,327,563
Cash and bank balances	(55,262,045)	(51,730,377)	(40,234,338)	(43,019,464)
Net Debt	369,536,761	368,979,855	367,139,247	299,308,099
Equity (ii)	538,819,526	545,130,847	540,061,103	346,239,293
Net debt to equity ratio	69%	68%	68%	86%

(i) Debt is defined as long and short term borrowings and bank overdrafts.

(ii) Equity includes all capital and reserves of the Group and the Company.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability and equity instruments are disclosed in note 3 to the financial statements.

Fair values

Except where stated elsewhere, the carrying amounts of the Group's and the Company's financial assets and financial liabilities approximate their fair values due to the short-term nature of the balances involved.

With respect to long term loans and leases, the directors consider the carrying value of these financial liabilities to approximate their fair values. These financial liabilities are categorised under Level 3 in the fair value hierarchy.

Categories of financial instruments

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
<i>Financial assets</i>				
Investment designated at FVTOCI	2,586,068	2,208,139	2,586,068	2,208,139
Foreign currency forward contracts - at FVTPL	106,500	57,536	106,500	11,456
<i>At amortised cost:</i>				
Trade and other receivables	259,715,959	278,734,594	245,423,001	189,999,309
Cash and bank balances	55,262,045	51,730,377	40,234,338	43,019,464
	317,670,572	332,730,646	288,349,907	235,238,368
<i>Financial liabilities</i>				
Foreign currency forward contracts - at FVTPL	166,750	-	166,750	-
<i>At amortised cost:</i>				
Loans	335,730,355	353,541,554	334,230,355	314,408,107
Lease liabilities	43,517,591	38,559,294	27,672,037	20,172,423
Trade and other payables	256,039,526	272,801,444	229,981,700	172,138,896
Dividend payable	33,091,931	17,885,872	33,091,931	17,885,872
Bank overdrafts	45,550,860	28,609,384	45,471,193	7,747,033
	714,097,013	711,397,548	670,613,966	532,352,331

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

28. FINANCIAL INSTRUMENTS (CONT'D)

Forward foreign exchange contract

It is the policy of the Company to enter into forward foreign exchange contracts to cover future foreign currency payments and receipts. The fair value of the forward contracts is classified as Level 2 in the fair value hierarchy.

	Contracted Exchange rates	Foreign currency	Notional value	Fair value (loss)/gain
	Rs		Rs	Rs
2019				
<i>Buy USD</i>				
Less than 1 month	36.575 - 36.72	250,000	9,164,250	(76,750)
Between 1 and 2 months	36.85	100,000	3,685,000	(50,000)
<i>Buy Euro</i>				
Less than 2 months	40.83	50,000	2,041,500	(9,500)
Between 3 to 6 months	40.80 - 41.09	100,000	4,094,500	(30,500)
Total				(166,750)
<i>Buy Euro</i>				
Between 3 to 6 months	39.93	150,000	5,989,500	106,500
2018				
<i>Buy USD</i>				
Less than 1 month	34.11	40,000	1,364,544	11,456
<i>Buy Euro</i>				
Between 3 to 6 months	39.08 - 39.20	287,000	11,233,020	46,080
Total				57,536

Foreign currency risk management

The Group and the Company are exposed to the risk that the exchange rate of the Mauritian rupee relative to the currencies listed below may change in a manner which has a material effect on the reported values of the Group's and the Company's assets and liabilities.

Currency profile

The currency profile of the Group's and the Company's financial assets and financial liabilities are summarised as follows:

	THE GROUP		THE COMPANY	
	2019	2018 (Restated)	2019	2018
	Rs	Rs	Rs	Rs
<i>Financial assets</i>				
Mauritian Rupees	307,208,676	320,294,976	279,207,376	232,821,912
United States Dollars	3,558,994	4,873,093	3,059,319	1,615,443
Euro	6,297,088	6,502,232	5,833,743	797,854
South African Rand	605,814	1,060,345	249,469	3,159
	317,670,572	332,730,646	288,349,907	235,238,368
<i>Financial liabilities</i>				
Mauritian Rupees	580,231,964	635,889,090	546,454,188	486,598,206
United States dollars	40,541,207	36,493,221	40,534,517	31,080,618
Euro	90,393,341	37,649,367	80,694,760	14,237,209
South African Rand	1,092,138	1,044,333	1,092,138	114,761
Great Britain Pounds	1,838,363	321,537	1,838,363	321,537
	714,097,013	711,397,548	670,613,966	532,352,331

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

28. FINANCIAL INSTRUMENTS (CONT'D)

Foreign currency sensitivity analysis

The Group and the Company are mainly exposed to the United States Dollar, the Euro, the South African Rand and the Great Britain Pound.

The following table details the Group's and the Company's sensitivity to a 10% increase and decrease in the Mauritian Rupee against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit where the Mauritian Rupee strengthens 10% against the relevant currency. For a 10% weakening of the Mauritian against the relevant currency, there would be an equal and opposite impact on the profit.

Impact of a 10% appreciation of the Mauritian Rupee:-

	THE GROUP		THE COMPANY	
	2019	2018	2019	2018
	Rs	Rs	Rs	Rs
United States Dollar impact				
Profit or loss	3,698,221	3,162,013	3,747,520	2,946,518
Euro impact				
Profit or loss	8,409,625	3,114,714	7,486,102	1,343,936
South African Rand impact				
Profit or loss	48,632	(1,601)	84,267	11,160
GBP				
Profit or loss	183,836	32,154	183,836	32,154

The profit or loss is mainly attributable to the exposure outstanding on USD and EURO receivables and payables at year end in the Group and the Company.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties, as a means of mitigating the risk of financial loss from defaults. The Group and the Company has policies in place to assess the potential customer's credit quality and define credit limits by customer which are reviewed on a regular basis by management. At the level of operations, outstanding debts are continuously monitored and relevant diminution in value is recognised as and when they become apparent. The Group and the Company do not have significant concentration of risk on the trade receivables due to their large number of customers, spread across diverse industries and geographical areas.

The Group and the Company's credit risk are primarily attributable to trade receivables, other receivables, amount due from related companies and cash and cash equivalents. The carrying amount of trade receivables presented in the statement of financial position are net of allowances for doubtful receivables, estimated by management as disclosed in note 12 and represents the Group's and the Company's maximum exposure to credit risk. The other receivables and amount due from related companies are assessed to have credit risk other than low and are recoverable within 12 months. All bank balances are assessed to have low credit risk at reporting date since they are held with reputable banking institutions. The identified impairment loss on these balances was immaterial.

Other price risk

The Group and the Company are exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group and the Company do not actively trade these investments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

28. FINANCIAL INSTRUMENTS (CONT'D)

Interest rate risk

The Group and the Company are exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The Group and the Company managed the risk by maintaining an appropriate mix between fixed and floating rate borrowings.

The interest rate profile of the financial assets and financial liabilities of the Group and the Company as at 31 December were as follows:

Financial liabilities	Currency		Interest rate p.a.	
			2019	2018
Bank overdrafts	MUR	Floating	3% - 7.6%	3% - 7.85%
Bank factoring	MUR	Floating	PLR + 0.25%	PLR+0.25%, PLR-1.35%
Bank loans	MUR	Floating	PLR-1.85%, PLR+1%	PLR+1.75%
Lease liabilities	MUR	Fixed	5.75% - 7.75%	6.35% - 9.40%
Loans due to related companies	MUR	Fixed	6.50%	6.50%

Interest rate sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for the non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's and the Company's profit for the year ended 31 December 2019 would decrease/increase by Rs1,684,335 and Rs 1,683,937 (2018: decrease/increase by Rs1,638,414 and Rs1,345,935) respectively. This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable rate borrowings.

Liquidity risk management

The Group and the Company manage liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The maturity profile of the financial liabilities is summarised as follows:

THE GROUP

2019	At call	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
	Rs	Rs	Rs	Rs	Rs	Rs
Loans	51,500,000	6,107,071	50,261,490	38,151,005	189,710,789	335,730,355
Lease liabilities	-	1,729,492	3,403,834	14,185,394	24,198,871	43,517,591
Trade and other payables	7,800,039	58,139,234	69,755,747	119,778,478	732,778	256,206,276
Dividend payable	-	33,091,931	-	-	-	33,091,931
Bank overdrafts	45,550,860	-	-	-	-	45,550,860
	104,850,899	99,067,728	123,421,071	172,114,877	214,642,438	714,097,013

2018 (Restated)

2018 (Restated)	At call	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	Total
	Rs	Rs	Rs	Rs	Rs	Rs
Loans	41,500,000	55,625,283	46,752,009	49,895,145	159,769,117	353,541,554
Lease liabilities	-	1,989,410	3,875,029	14,689,225	18,005,630	38,559,294
Trade and other payables	7,049,932	98,195,782	92,155,351	74,501,747	898,632	272,801,444
Dividend payable	-	17,885,872	-	-	-	17,885,872
Bank overdrafts	28,609,384	-	-	-	-	28,609,384
	77,159,316	173,696,347	142,782,389	139,086,117	178,673,379	711,397,548

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

28. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk management (Cont'd)

THE COMPANY

2019	At call	Less than 1	1-3 months	3 months to 1	1-5 years	Total
	Rs	month	Rs	year	Rs	Rs
Loans	50,000,000	6,107,071	50,261,489	38,151,006	189,710,789	334,230,355
Lease liabilities	-	1,227,544	2,476,888	9,696,708	14,270,897	27,672,037
Trade and other payables	25,072,735	34,932,656	54,406,249	115,004,032	732,778	230,148,450
Dividend payable	-	33,091,931	-	-	-	33,091,931
Bank overdrafts	45,471,193	-	-	-	-	45,471,193
	<u>120,543,928</u>	<u>75,359,202</u>	<u>107,144,626</u>	<u>162,851,746</u>	<u>204,714,464</u>	<u>670,613,966</u>

2018	At call	Less than 1	1-3 months	3 months to 1	1-5 years	Total
	Rs	month	Rs	year	Rs	Rs
Loans	40,000,000	26,444,894	45,342,768	43,851,290	158,769,155	314,408,107
Lease liabilities	-	1,314,562	2,500,838	9,628,174	6,728,849	20,172,423
Trade and other payables	7,049,932	30,395,846	63,933,757	69,860,729	898,632	172,138,896
Dividend payable	-	17,885,872	-	-	-	17,885,872
Bank overdrafts	7,747,033	-	-	-	-	7,747,033
	<u>54,796,965</u>	<u>76,041,174</u>	<u>111,777,363</u>	<u>123,340,193</u>	<u>166,396,636</u>	<u>532,352,331</u>

29. SEGMENT INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

Products and services from which reportable segments derive their revenues

The information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is focussed on the operating divisions which are manufacturing and trading and advertising. The principal products and services of each of these divisions are as follows:

Manufacturing and trading - manufacturing and distribution of beverages, margarine related products and trading of food products and their consumables.

Advertising - manufacturing and supply of advertising materials including luminous signs, kiosks and banners. Advertising services include rental of signs and media.

Segment revenue and segment results

	Segment revenue		Segment result	
	2019	2018	2019	2018
	Rs	(Restated)	Rs	(Restated)
Manufacturing and trading	1,753,467,853	1,812,089,215	38,920,925	38,973,190
Advertising	39,952,755	43,153,486	5,367,880	4,945,464
Total of all segments	1,793,420,608	1,855,242,701	44,288,805	43,918,654
Eliminations	(207,830,480)	(252,436,752)	-	-
	<u>1,585,590,128</u>	<u>1,602,805,949</u>	<u>44,288,805</u>	<u>43,918,654</u>
Profit before tax			44,288,805	43,918,654
Taxation			(9,318,266)	(7,821,406)
Profit for the year			<u>34,970,539</u>	<u>36,097,248</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

29. SEGMENT INFORMATION (CONT'D)

Other segment information

	2019	2018
	Rs	(Restated)
Finance costs - Manufacturing and Trading	(22,590,156)	(27,021,398)
Finance costs - Advertising	(140,464)	(176,141)
	<u>(22,730,620)</u>	<u>(27,197,539)</u>

Intersegment sales amounted to Rs 207,830,480 for the year ended 31 December 2019 (2018: Rs 252,436,752).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of investment revenue, finance costs and income taxes. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

Segment assets and liabilities

	Assets		Liabilities	
	2019	2018	2019	2018
	Rs	(Restated)	Rs	(Restated)
Manufacturing and trading	1,586,385,133	1,581,647,788	1,046,555,978	1,036,702,112
Advertising	9,182,552	11,756,970	10,192,181	11,571,799
Consolidated assets and liabilities	<u>1,595,567,685</u>	<u>1,593,404,758</u>	<u>1,056,748,159</u>	<u>1,048,273,911</u>

Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2019	2018	2019	2018
	Rs	(Restated)	Rs	(Restated)
Manufacturing and trading	98,777,431	93,496,522	74,710,702	59,312,368
Advertising	1,036,647	389,131	185,700	-
	<u>99,814,078</u>	<u>93,885,653</u>	<u>74,896,402</u>	<u>59,312,368</u>

Revenue from major products and services

	2019	2018
	Rs	(Restated)
Manufacturing and trading	1,567,878,419	1,580,869,618
Advertising	17,711,709	21,936,331
	<u>1,585,590,128</u>	<u>1,602,805,949</u>

Information about major customers

There are no customers that individually represent more than 10% of the Group revenues.

Geographical segments

The Group's operations are mainly located in Mauritius.

30. DIVIDEND

With respect to the year ended 31 December 2019, the Directors proposed that a dividend of Rs0.90 (2018: Rs0.80) per share be paid to the shareholders. The Board of Directors approved the dividend on 06 December 2019 and it was paid on 17 January 2020. Total dividend payable is Rs33,091,931 (2018: Dividend proposed of Rs17,885,872 and paid in January 2019).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

31. OPERATING LEASE ARRANGEMENTS

The Company as lessor

Operating leases in which the Company is the lessor, relate to rental of office space and equipment to its subsidiary with lease term of 1 year and the renewal option which shall be mutually agreed by both parties. The Company also leases part of its rooftop space to a related company for a lease term of 10 years with renewal option to be mutually agreed by both parties. The lessees do not have an option to purchase the assets at expiry of the leases.

Maturity analysis of operating lease payments:	2019
	Rs
Year 1	<u>287,182</u>
Amount reported in profit or loss:	2019
	Rs
Lease income on operating leases	<u>2,048,870</u>

The Group and the Company as lessee

Disclosure required by IAS 17

Operating leases relate to rental of land and motor vehicles with lease terms of 5 to 10 years. All operating lease contracts contain market review clauses in the event the Company exercises its option to renew. The Company does not have an option to purchase the leased assets at the expiry of the lease period.

	GROUP	COMPANY
	2018	2018
	Rs	Rs
Payment recognised as an expense		
Minimum lease payments	<u>6,590,501</u>	<u>2,721,864</u>
Non-cancellable operating lease commitments		
Within 1 year	7,760,839	4,564,748
Between 1 and 5 years	24,815,326	13,120,412
	<u>32,576,165</u>	<u>17,685,160</u>

32. CAPITAL COMMITMENTS

THE GROUP AND THE COMPANY

Authorised by the Board of Directors but not contracted for:

Commitments for the acquisition of property, plant and equipment

	2019	2018
	Rs	Rs
	<u>236,921,000</u>	<u>71,302,000</u>

33. ULTIMATE HOLDING AND HOLDING COMPANY

The Company considers Currimjee Industries Limited, a company incorporated in Mauritius, as the holding company and Currimjee Limited (formerly known as Fakhary Limited), a company incorporated in Mauritius, as the ultimate holding company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

34. AMALGAMATION

Effective as of 1 October 2019, Margarine Industries Limited(MIL) was amalgamated with and into the Company by way of a share for share exchange. The shareholders of MIL have received 48 shares of the Company for each share held in MIL. Following the amalgamation, the Company has issued 14,411,472 shares of Rs10 each amounting to Rs144,114,720.

The carrying values of the assets and liabilities of QBL and MIL are carried forward at their pre-combination carrying values presented in their separate financial statements as of the date of the legal merger, i.e. 1 October 2019 in the standalone financial statements of the amalgamated company. Any difference between the carrying amount of the assets and liabilities assumed and the consideration is recognised in equity. Retained earnings and reserves are aggregated line by line in the statement of financial position.

The 2018 comparatives and current year financial information up to the date of the amalgamation presented in the separate financial statements for Company represent the QBL financial information on a standalone basis to reflect the transactions entered into as a separate company in accordance with the requirements of the Companies Act 2001. Accordingly, the separate financial statements of the Company does not include the results of Margarine Industries Ltd up to the date of the amalgamation and hence the results for 2018 are not comparable. The 2018 comparatives have been restated in the consolidated financial statements.

Details of the assets and liabilities of MIL amalgamated at 1 October 2019 are as follows:

	Rs
ASSETS	
Non-current assets	
Property, plant and equipment	189,022,733
Right-of-use assets	16,007,290
Intangible assets	3,155,665
Investment in subsidiary	4,043,600
Retirement benefit assets	<u>286,000</u>
	212,515,288
Current assets	
Inventories	54,084,381
Trade and other receivables	58,274,830
Cash in hand and at bank	<u>5,775,022</u>
	118,134,233
TOTAL ASSETS	<u>330,649,521</u>
EQUITY AND LIABILITIES	
Capital and reserves	
Stated capital	30,023,900
Revaluation reserves	116,249,542
Retained earnings	<u>63,295,362</u>
Total equity attributable to owners of the company	209,568,804
Non-current liabilities	
Loans	-
Retirement benefit obligations	39,848,029
Deferred tax liabilities	9,011,605
Lease liabilities	<u>5,608,038</u>
	54,467,672
Current liabilities	
Loans	12,773,657
Lease liabilities	3,941,491
Tax liabilities	1,340,225
Trade and other payables	36,177,139
Bank overdrafts	<u>12,380,533</u>
	66,613,045
TOTAL LIABILITIES	121,080,717
TOTAL EQUITY AND LIABILITIES	<u>330,649,521</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

34. AMALGAMATION (CONT'D)

Details of the results of MIL for the nine months ended 1 October 2019 are as follows:

	Rs
Revenue	157,163,253
Cost of sales	<u>(113,686,813)</u>
Gross profit	43,476,440
Other income	6,422,021
Selling, distribution and marketing expenses	(3,978,611)
Administrative expenses	(36,396,448)
Finance costs	<u>(1,886,406)</u>
Profit before taxation	7,636,996
Taxation	<u>(2,130,191)</u>
Profit for the period	5,506,805
Other comprehensive income	<u>(2,463,512)</u>
Total comprehensive income for the period	<u>3,043,293</u>
<i>Net cash flow</i>	Rs
Consideration paid in cash	-
Less cash and cash equivalents received on amalgamation	<u>(6,605,511)</u>
Net cash outflow on amalgamation	<u>(6,605,511)</u>
<i>Impact of the amalgamation on the Company's financial statements:</i>	
<u>Consideration</u>	Rs
Issue of shares	144,114,720
Shares cancelled on amalgamation	<u>(30,023,900)</u>
Amalgamation reserves	<u>114,090,820</u>

35. PRIOR YEAR ADJUSTMENTS

Both MIL and the Company are controlled by Currimjee Industries Limited and following the amalgamation described in note 34, there is no change in the holding structure of the Company. As a result, the Company has applied the pooling of interest method in the consolidated financial statements which assumes that the entities have always been combined. This has required the restatement of the opening balance of each component of equity for the earliest prior period presented (i.e. 1 January 2018) and the comparative figures disclosed for year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

35. PRIOR YEAR ADJUSTMENTS (CONT'D)

Impact of the restatements on the consolidated statements of financial position is as follows:

	At 1 January 2018			At 31 December 2018		
	As previously reported	Effect of amalgamation	As restated	As previously reported	Effect of amalgamation	As restated
	Rs	Rs	Rs	Rs	Rs	Rs
Non-current assets						
Property, plant and equipment	709,745,679	226,496,109	936,241,788	681,570,641	216,952,878	898,523,519
Intangible assets	2,810,578	1,206,666	4,017,244	2,666,866	2,655,601	5,322,467
Investment property	5,100,000	-	5,100,000	5,100,000	-	5,100,000
Investments	1,885,749	-	1,885,749	2,208,139	-	2,208,139
Loan to subsidiary	-	-	-	-	-	-
Deferred tax assets	4,560,469	-	4,560,469	3,827,285	-	3,827,285
Retirement benefit asset	17,404,000	25,295,000	42,699,000	27,493,000	31,698,000	59,191,000
Retirement benefit obligations allocated to related parties	46,077,897	(46,077,897)	-	45,075,497	(45,075,497)	-
	<u>787,584,372</u>	<u>206,919,878</u>	<u>994,504,250</u>	<u>767,941,428</u>	<u>206,230,982</u>	<u>974,172,410</u>
Current assets						
Inventories	196,097,390	104,330,989	300,428,379	178,786,435	104,129,228	282,915,663
Current tax asset	-	230,642	230,642	-	-	-
Trade and other receivables	185,757,524	88,734,717	274,492,241	198,307,771	86,278,537	284,586,308
Cash in hand and at bank	26,393,416	25,971,087	52,364,503	43,020,826	8,709,551	51,730,377
	<u>408,248,330</u>	<u>219,267,435</u>	<u>627,515,765</u>	<u>420,115,032</u>	<u>199,117,316</u>	<u>619,232,348</u>
Total assets	<u>1,195,832,702</u>	<u>426,187,313</u>	<u>1,622,020,015</u>	<u>1,188,056,460</u>	<u>405,348,298</u>	<u>1,593,404,758</u>
Capital and reserves						
Stated capital	219,394,947	-	219,394,947	219,394,947	-	219,394,947
Revaluation and other reserves	97,620,038	133,976,389	231,596,427	95,201,659	133,563,797	228,765,456
Retained earnings	(10,440,254)	71,630,261	61,190,007	12,787,356	84,183,088	96,970,444
Total equity	<u>306,574,731</u>	<u>205,606,650</u>	<u>512,181,381</u>	<u>327,383,962</u>	<u>217,746,885</u>	<u>545,130,847</u>
Non-current liabilities						
Loans	161,218,038	9,155,024	170,373,062	158,769,155	999,962	159,769,117
Retirement benefit obligations	235,091,000	-	235,091,000	226,973,000	-	226,973,000
Lease liabilities	20,268,127	15,021,637	35,289,764	6,728,849	11,276,781	18,005,630
Deferred tax liabilities	49,766,995	14,317,584	64,084,579	56,312,441	14,774,075	71,086,516
Other payables	1,050,262	-	1,050,262	898,632	-	898,632
	<u>467,394,422</u>	<u>38,494,245</u>	<u>505,888,667</u>	<u>449,682,077</u>	<u>27,050,818</u>	<u>476,732,895</u>
Current liabilities						
Loans	195,440,102	33,846,560	229,286,662	157,138,952	36,633,485	193,772,437
Lease liabilities	17,602,885	8,324,181	25,927,066	13,443,574	7,110,090	20,553,664
Taxation	-	1,432,402	1,432,402	532,152	1,892,931	2,425,083
Trade and other payables	203,253,613	103,808,140	307,061,753	213,759,682	94,534,894	308,294,576
Dividends	-	-	-	17,885,872	-	17,885,872
Bank overdrafts	5,566,949	34,675,135	40,242,084	8,230,189	20,379,195	28,609,384
	<u>421,863,549</u>	<u>182,086,418</u>	<u>603,949,967</u>	<u>410,990,421</u>	<u>160,550,595</u>	<u>571,541,016</u>
Total equity and liabilities	<u>1,195,832,702</u>	<u>426,187,313</u>	<u>1,622,020,015</u>	<u>1,188,056,460</u>	<u>405,348,298</u>	<u>1,593,404,758</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

35. PRIOR YEAR ADJUSTMENTS (CONT'D)

Impact of the restatements on the consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2018 is as follows:

	As previously reported Rs	Effect of amalgamation Rs	As restated Rs
Revenue	908,048,531	694,757,418	1,602,805,949
Cost of sales	(504,966,688)	(543,435,474)	(1,048,402,162)
Gross profit	403,081,843	151,321,945	554,403,787
Investment income	-	39,193	39,193
Other income	5,241,747	3,628,126	8,869,873
Selling, distribution and marketing expenses	(197,882,047)	(65,978,360)	(263,860,407)
Administrative expenses	(167,129,463)	(61,206,790)	(228,336,253)
Finance costs	(21,570,946)	(5,626,593)	(27,197,539)
Profit before taxation	21,741,134	22,177,522	43,918,654
Taxation	(3,655,581)	(4,165,825)	(7,821,406)
Profit for the year	18,085,553	18,011,697	36,097,248
<u>Other comprehensive income</u>			
Fair value gain on available-for-sale investments	322,390	-	322,390
Remeasurement of retirement benefits	24,442,361	11,012,639	35,455,000
Deferred tax on remeasurement of retirement benefits	(4,155,201)	(1,872,149)	(6,027,350)
Total comprehensive income for the year	38,695,103	27,152,187	65,847,288
Earnings per share	0.81	0.17	0.98

36. SUBSEQUENT EVENT

Subsequent to 31 December 2019, the recent global outbreak of Coronavirus ("COVID-19") has caused significant volatility within the economic markets, for which the duration and spread of the outbreak, and the resultant economic impact is uncertain and cannot be predicted. This may directly or indirectly impact the Group's and the Company's activities in material respects by interrupting and disrupting business and transactional activities. The effect of the impact of COVID-19 has not been reflected in these financial statements; such impact may affect the future results and affairs of the Group and the Company.

