

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Financial Statements
For the year ended 31st December, 2021

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAS BRANDS EXPORTS (PRIVATE) LIMITED**

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of MAS Brands Exports (Private) Limited ("the Company") which comprise the statement of financial position as at 31 December 2021, and statement of profit or loss and other comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Other Matter

The financial statements of MAS Brands Exports (Private) Limited for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 15 February 2021.

Other Information

Management is responsible for the other information. The other information does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As management does not present other information and we were not provided with any, we have nothing to report in this regard

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

SJMS ASSOCIATES

Chartered Accountants

Colombo

7 April 2022

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Statement of Profit or Loss & Other Comprehensive Income
For the Year Ended 31 December 2021

	Note	2021 USD	2020 USD
Revenue	5	3,136,134	1,140,821
Cost of sales		<u>(2,961,851)</u>	<u>(1,165,224)</u>
Gross profit/(loss)		174,283	(24,403)
Other income	6	11,299	13,423
Administrative expenses		(591,268)	(477,802)
Distribution expenses	7	(830,194)	(976,059)
Finance cost	8	(1,157)	(84,720)
Finance income	8	<u>963</u>	<u>616</u>
Loss before taxation	9	(1,236,074)	(1,548,945)
Taxation	10	<u>-</u>	<u>-</u>
Loss for the year		(1,236,074)	(1,548,945)
Other comprehensive income, net of income tax			
Items that will not be reclassified to profit or loss:			
Remeasurements of retirement benefit obligations	20	8,434	6,497
Other comprehensive income for the year		<u>8,434</u>	<u>6,497</u>
Total comprehensive loss for the year		<u>(1,227,640)</u>	<u>(1,542,448)</u>
Loss per share - basic	11	(0.01)	(0.01)

The accounting policies and notes from 1 to 29 form an integral part of these financial statements.

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Statement of Financial Position
As At 31 December 2021

	Note	31.12.2021 USD	31.12.2020 USD
Assets			
Non-current assets			
Property and equipment	12	1,719	2,184
Right-of-use assets	13	9,170	19,459
Intangible assets	14	24,102	70,277
Total non-current assets		<u>34,991</u>	<u>91,920</u>
Current assets			
Inventories	15	20,020	68,008
Amounts due from related parties	16	685,446	267,594
Other current assets	17	436,483	865,593
Cash and cash equivalents	18	263,824	259,719
Total current assets		<u>1,405,773</u>	<u>1,460,914</u>
Total assets		<u>1,440,764</u>	<u>1,552,834</u>
Equity			
Capital and reserves			
Stated capital	19	11,609,220	11,309,220
Accumulated loss		(11,410,790)	(10,183,150)
Total equity		<u>198,430</u>	<u>1,126,070</u>
Liabilities			
Non-current liabilities			
Retirement benefit obligations	20	54,685	29,796
Lease liabilities	21	-	13,468
Total non-current liabilities		<u>54,685</u>	<u>43,264</u>
Current liabilities			
Amounts due to related parties	22	907,913	134,357
Trade and other payables	23	270,152	240,372
Lease liabilities	21	9,584	8,771
Total current liabilities		<u>1,187,649</u>	<u>383,500</u>
Total liabilities		<u>1,242,334</u>	<u>426,764</u>
Total equity and liabilities		<u>1,440,764</u>	<u>1,552,834</u>

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

(0.79) (0.13)

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Financial Controller

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and signed for on behalf of the Board on 7 April 2022.

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Director - Mr. Padmal Silva

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Director - Ms. Gayani Gunawardena

The accounting policies and notes from 1 to 29 form an integral part of these financial statements.

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Statement of Changes in Equity
For the Year Ended 31 December 2021

	Stated capital	Advance against share capital	Accumulated losses	Total
Balance as at 1 January 2020	7,092,457	1,325,210	(8,640,702)	(223,035)
Loss for the year	-	-	(1,548,945)	(1,548,945)
Other comprehensive income	-	-	6,497	6,497
Advance received against share capital	-	2,891,553	-	2,891,553
Share issue during the period	<u>4,216,763</u>	<u>(4,216,763)</u>	<u>-</u>	<u>-</u>
Balance as at 31 December 2020	11,309,220	-	(10,183,150)	1,126,070
Loss for the year	-	-	(1,236,074)	(1,236,074)
Other comprehensive income	-	-	8,434	8,434
Share issue during the period	300,000	-	-	300,000
Balance as at 31 December 2021	<u><u>11,609,220</u></u>	<u><u>-</u></u>	<u><u>(11,410,791)</u></u>	<u><u>198,430</u></u>

The accounting policies and notes from 1 to 29 form an integral part of these financial statements.

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Statement of Cash Flows
For the Year Ended 31 December 2021

	Note	2021 USD	2020 USD
Cash flows from operating activities			
Loss before taxation		(1,236,074)	(1,548,945)
Adjustments for:			
Depreciation of property and equipment	12	2,255	5,445
Amortization of intangible assets		56,464	52,453
Allowance for slow-moving inventories		(49,852)	-
Interest expense	8	1,157	84,720
Provision for retirement benefit obligations	20	5,631	8,413
Interest income		(963)	(616)
Net exchange differences		2,615	(788)
Gain on reversal of lease liabilities		-	(7,686)
Cash used in operations before working capital changes		<u>(1,218,767)</u>	<u>(1,407,004)</u>
Changes in working capital			
Decrease in inventories		97,838	399,626
(increase)/decrease in amounts due from related parties		(391,063)	1,297,215
Decrease/(increase) in other current asset		429,110	(4,559)
Increase in amounts due to related parties		773,557	-
Increase/(decrease) in trade and other payables		29,780	(1,074,160)
Cash used in operations		<u>(279,545)</u>	<u>(788,882)</u>
Interest paid	8	(1,157)	(84,720)
Retirement benefit obligations paid	20	(1,011)	-
Net cash used in operating activities		<u>(281,713)</u>	<u>(873,602)</u>
Cash flows from investing activities			
Acquisition of property and equipment	12	(2,490)	-
Proceeds from sales of property and equipment		-	3,354
Interest received	8	963	616
Net cash flows from/(used in) investing activities		<u>(1,527)</u>	<u>3,970</u>
Cash flow from financing activities.			
Advances received against share capital		-	2,891,553
Share issue	19	300,000	-
Payment on lease liability		(12,655)	-
Proceeds from borrowings		-	(2,057,704)
Net cash flows from financing activities		<u>287,345</u>	<u>833,849</u>
Net increase/(decrease) in cash and cash equivalents		4,105	(35,783)
Cash and cash equivalents at the beginning of the year (Note 18)		<u>259,719</u>	<u>295,502</u>
Cash and cash equivalents at the end of the year (Note 18)		<u>263,824</u>	<u>259,719</u>

The accounting policies and notes from 1 to 29 form an integral part of these financial statements.

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Notes to the Financial Statements
For the Year ended 31 December 2021

1. Reporting entity

MAS Brands Exports (Private) Limited was incorporated under the Companies Act, No 07 of 2007 on 22nd November 2016. The registered office of the Company is located at No 231, Nawala Road, Nugegoda, Sri Lanka.

The immediate parent company of the entity is Reliance Retails Ventures Limited, India and Ultimate Controlling Party of the Company is Reliance Group Limited.

1.1 Principal activities and nature of operations

The principal activity of the Company is to operate as an Export Trading House to export garments and undertake front end services relating to the business activities.

2. Basis of preparation

2.1 Statement of compliance

The Financial Statements of the Company, which comprises statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS & LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007.

2.2 Responsibility for financial statements

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Company as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards (SLFRSs and LKASs).

The board of directors acknowledges their responsibility for financial statements by certification on the statement of financial position.

These financial statements include the following components:

- Statement of profit or loss and other comprehensive income providing information on the financial performance of the Company for the year under review.
- Statement of financial position providing information on the financial position of the Company as at the reporting date.
- Statement of changes in equity depicting all changes in shareholders' equity during the year under review of the Company.
- Statement of cash flows providing information to users, on the ability of the Company to generate cash and cash equivalents and utilization of those cash flows.
- Notes to the financial statements comprising accounting policies and other explanatory information.

2.3 Approval of financial statements by the board of directors

The financial statements of the Company for the year ended 31 December 2021 were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 7 April 2022.

2.4 Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being made for inflationary factors affecting the Financial Statements, except liability for retirement benefit obligations and lease liabilities are recognized at the present value of the retirement benefit obligation and lease liability is recognized at the present value of the future payments.

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Notes to the Financial Statements
For the Year ended 31 December 2021

2.5 Functional and presentation currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates. Financial Statements are presented in United States Dollar (USD), which is the Company's functional currency. There was no change in the Company's presentation and functional currency during the year under review.

2.6 Presentation of financial statements

The assets and liabilities of the Company presented in its Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.7 Materiality and aggregation

Each material class of similar items is presented separately in the financial statements. Items which are dissimilar in nature or function are presented separately unless they are immaterial, as permitted by the Sri Lanka Accounting Standard LKAS 1 '*Presentation of Financial Statements*'.

Financial assets and financial liabilities are offset, and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Comprehensive Income unless required or permitted by an Accounting Standard or interpretation, and as specifically disclosed in the Accounting Policies of the Company.

2.8 Comparative information

Comparative information including quantitative, narrative, and descriptive information is disclosed in respect of the previous periods for all the amounts reported in the Financial Statements to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability.

2.9 Statement of cash flows

The Statement of Cash Flows has been prepared using the "Indirect Method" of preparing Cash Flows in accordance with the Sri Lanka Accounting Standards (LKAS) 7 "*Statement of Cash Flows*". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in hand and balance in banks.

2.10 Use of estimates, judgements, and assumptions

The preparation of financial statements requires the application of certain critical accounting assumptions relating to the future. Further, it requires the management of the Company to make judgements, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability in future periods. Hence, actual experience and results may differ from these judgements and estimates.

In the process of applying the Company's accounting policies, management has made the following judgements, estimates and assumptions which have the most significant effect on the amounts recognized in the financial statements.

2.10.1 Going concern

The Company incurred the net loss of USD 1,236,075 and recorded an operating cash outflow of USD 281,714 during the year ended 31 December 2021. The accumulated loss as at the reporting date amounted to USD 11,410,790. As at the reporting date, the Company's net assets were less than half of its stated capital which indicated a serious loss of capital situation as per Section 220 of the Companies Act No. 07 of 2007.

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Notes to the Financial Statements
For the Year ended 31 December 2021

2.10.2 Going concern (Contd ...)

The financial statements have nevertheless been prepared on the basis of the company being a going concern considering that the Company's losses have seen a sharp decline over the past few years and the management expects that the Company will generate sufficient profits in the future after the change in management which took place during November 2021. The new shareholders have also infused USD 300,000 during the year which indicates their commitments towards providing financial support to the company. Further, as at the reporting date the net assets of the Company is positive and the current assets of the company exceeds the current liabilities.

2.10.3 Retirement benefit obligations

The value of the defined benefit obligations is determined using present value of the estimated future cash flows expected to be made by the Company in respect of services provided by the employees up to the reporting date. The calculation involves making assumptions on discount rates, future salary increases and expected staff turnover rates. All assumptions are reviewed at each reporting date. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

2.10.4 Taxation

The Company is subject to income tax and judgement is required to determine the total provision for current, deferred, dividend and other taxes due to the uncertainties that exist with respect to the interpretation of the applicable tax law, at the time of preparation of these financial statements. The Company has adopted the requirement of the Inland Revenue Act No. 24 of 2017.

2.10.5 Useful lifetime of property and equipment and intangible assets

The Company reviews the residual values, useful lives, and methods of depreciation of Property, Plant and Equipment at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence, they are subject to uncertainty.

2.10.6 Commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the relevant notes to the financial statements.

2.10.7 Allowance for slow moving inventories

The company assesses at each reporting date whether there is an indication of objective evidence of impairment of inventories. For the inventories of the company assesses the movement of inventory balances. This requires the judgment of the movement of inventories.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements and have been applied consistently by the Company, unless otherwise stated.

3.1 Right – of – use asset

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.

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Notes to the Financial Statements
For the Year ended 31 December 2021

3.1 Right – of – use asset (Contd ...)

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company 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 Company was granted the right of use the assets owned by MAS Brands Lanka (Private) Limited as per 2 years sub lease agreement entered into MAS Brands Lanka (Private) Limited.

3.2 Property and equipment

Property and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

(a) Basis of recognition

Property and equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.

(b) Measurement

An item of property and equipment that qualifies for recognition as an asset is initially measured at its cost. Cost includes expenditure that is directly attributable to the acquisition of the asset and cost incurred subsequently to add to, replace part of, or service it. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of computer equipment.

(c) Cost Model

The Company applies the cost model to property and equipment records at cost of purchase together with any incidental expenses thereon less accumulated depreciation and any accumulated impairment losses.

(d) Subsequent costs

The subsequent cost of replacing a component of an item of property and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within that part will flow to the Company and its cost can be reliably measured. The costs of day to day servicing of property, and equipment are charged to the statement of profit or loss and other comprehensive income as incurred. Costs incurred in using or redeploying an item are not included under carrying amount of an item.

(e) Repairs and maintenance

Repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related assets.

(f) De recognition

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the de-recognition of an item of property and equipment is included in the statement of profit or loss and other comprehensive income when the item is derecognized. When replacement costs are recognized in the carrying amount of an item of property and equipment, the remaining carrying amount of the replaced part is derecognized. Major inspection costs are capitalized. At each such capitalization, the remaining carrying amount of the previous cost of inspections is derecognized.

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Notes to the Financial Statements
For the Year ended 31 December 2021

(g) Depreciation

The Company provides depreciation from the date the assets are available for use up to the date of disposal, at the following rates on a straight line basis over the periods appropriate to the estimated useful lives based on the pattern in which the asset's future economic benefits are expected to be consumed by the Company of the different types of assets, except for which are disclosed separately. Depreciation of an asset ceases at an earlier date that the asset is classified as held for sale or the date that the asset is derecognized. Depreciation does not cease when the assets become idle or is retired from active use unless the asset is fully depreciated.

Furniture and fittings	05 years
Computer equipment	05 Years

3.3 Financial assets

(a) Classification

The Company classifies its financial assets in the following categories.

- Those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI) or through profit or loss), and
- Those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains or losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investments at fair value through other comprehensive income. (FVTOCI)

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

The Company classifies its financial assets in the following category: debt instrument at amortised cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Debt instrument at amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of reporting period. The Company's loans and receivables comprise 'trade receivables' and 'cash and cash equivalents' in the statement of financial position.

(i) Dues from related parties

Dues from related parties are measured at amortised cost. The Company applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all due from related parties.

To measure the expected credit losses, due from related parties have been grouped based on shared credit risk characteristics and the days past dues.

(ii) Cash and cash equivalents

Cash and cash equivalents include cash in hand and balance with banks. They are brought into account at face value or gross value where appropriate. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash resources are included as a component of cash equivalents for the purpose of the cash flow statements.

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Notes to the Financial Statements
For the Year ended 31 December 2021

(b) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or settle the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(d) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income for these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gain or losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amounts are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains or losses are presented in other gains/(losses) and impairment expenses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured a FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

All of the Company's financial assets are recognised at amortised cost.

(e) Impairment of financial assets

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

3.4 Financial liabilities

Financial liabilities, other than loan commitments and financial guarantees, are classified as,

- a.) *Financial liabilities at Fair Value through Profit or Loss (FVTPL)*
- Financial liabilities for held for trading
 - Financial liabilities designated as fair value through profit or loss

- b.) *Financial liabilities at amortized cost*

The subsequent measurement of financial liabilities depends on their classification.

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Notes to the Financial Statements
For the Year ended 31 December 2021

(a) Financial liabilities at Fair Value through Profit or Loss (FVTPL)

Financial Liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Subsequent to initial recognition, financial liabilities at FVTPL are fair value, and changes therein recognized in statement of profit or loss and other comprehensive income.

(b) Financial liabilities at amortized cost

Financial Instruments issued by the Company that are not designated at fair value through profit or loss, are classified as financial liabilities at amortised cost under 'bank overdraft, 'due to other customers,' and ' borrowings' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial assets for a fixed number of own equity shares at amortised cost using EIR method.

After initial recognition, such financial liabilities are substantially measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR. The EIR amortisation is included in 'interest expenses' in the income statement. Gains and losses are recognized in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

The Company has recorded their borrowing facilities under this category. Borrowings are initially recognised at amortised cost, any difference between the proceeds (net transaction cost) and the redemption value is recognised in the income statement over the period of them borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down in the case, the fee is deferred until the draw-down occurs. To the extend there is no evidence that is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre – payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Company has right to defer the settlement of the liability for at least 12 months after the reporting period.

All of the Company's financial liabilities are recognised at amortised cost.

(c) Reclassifications of financial assets and financial liabilities

The Company does not reclassify its financial assets subsequent to their initial recognition. Financial liabilities are never reclassified.

(d) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or upon expiry.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

3.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

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For the Year ended 31 December 2021

3.6 Inventories

Inventories are valued at cost or net realizable value whichever is lower. The cost of an inventory is the purchase price. Net realizable value is the estimated realizable value less estimated cost necessary to make the sale.

3.7 Stated capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

3.8 Provision for liabilities

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligations at the date.

The expense relating to any provision is presented in the income statement net of any investments.

3.9 Revenue and expenditure

Revenue recognition

Revenue from contracts with customers is recognized on transfer of control of promised goods or services to a customer at an amount that reflects the consideration to which the Company is expected to be entitled to in exchange for those goods or services. Revenue towards satisfaction of a performance obligation is measured at the amount of transaction price (net of variable consideration) allocated to that performance obligation. The transaction price of goods sold and services rendered includes variable consideration on account of various discounts and schemes offered by the Company as part of the contract. This variable consideration is estimated based on the expected value of outflow. Revenue (net of variable consideration) is recognized only to the extent that it is highly probable that the amount will not be subject to significant reversal when uncertainty relating to its recognition is resolved.

(a) Sales of goods

Revenue from sale of products is recognized when the control on the goods have been transferred to the customer. The performance obligation in case of sale of product is satisfied at a point in time i.e., when the material is dispatched to the customer.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) Other income

Other income is recognized on an accrual basis.

3.10 Expenditure

The expenses are recognised on an accrual basis. All expenses incurred in the ordinary course of business and in maintaining property, plant and equipment in a state of efficiency are charged against income in arriving at the profit/(loss) per the year.

For the purpose of presentation of the income statement information, nature of expense method is used to classify expense.

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3.11 Personnel expenses

Short term employee benefit obligations are measured on a discontinued basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay all employee benefits relating to employee services in the current and prior periods and the obligation can be estimated reliable.

3.12 Taxes

Tax is the aggregated amount included in determination of profit or loss for the period in respect of current and deferred taxation. Income tax expense is recognized in the income statement, except to the extent it relates to the item recognized directly in equity or other comprehensive income which case it is recognized in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted on the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Provision for taxation is based on the profit for the year adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No 24 of 2017.

However, the above requirement is applicable only for the non-business profit since the Company is exempted from corporate income tax for a period of twenty five years commencing from the first year in the Company make taxable profit or two years after commencement of commercial operations, whichever falls first.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of the assets and liabilities for financial reporting purposes and the amount attributed to such assets and liabilities for tax purposes. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized to the extent it is probable that future taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated using the tax rates that have been enacted or substantially enacted at the date of the statement of financial position that are expected to apply in the period in which the assets will be realized or liabilities settled.

The net increase/decrease in the carrying amount of the deferred tax liability net of deferred tax asset is recognized as deferred tax expense and conversely any net decrease is recognized as reversal to deferred tax expense in the statement of profit or loss and other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

As per Inland Revenue Act No.24 of 2017, which will become effective from 01st April 2018, capital assets will attract tax at applicable tax rates on the gains at the time of disposal.

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Notes to the Financial Statements
For the Year ended 31 December 2021

3.13 Employee benefits

Defined benefit plans – Retiring gratuity

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 – Employee Benefits. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The liability recognized in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. As required by LKAS 19 the Company applies the actuarial valuation method to determine the liability in respect of retirement gratuity. Resulting actuarial gains and losses are recognised in other comprehensive income.

The liability is not externally funded.

Defined contribution plan

(i) Employees' Provident Fund

The Company and employees contribute 15% and 10% respectively on the salary of each employee to the approved Employee Provident Fund.

(ii) Employees' Trust Fund

The Company contribute 3% of the salary of each employee to the Employees' Trust Fund.

3.14 Offsetting of income and expenses

Income and expenses are not offset unless required or permitted by accounting standards.

3.15 Earnings per Share (EPS)

The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares

3.16 Maturity analysis

The Company has disclosed an analysis of assets and liabilities into relevant maturity baskets based on the remaining period as at the reporting date to the contractual maturity date.

4.1 Commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. The contingencies and capital commitments for which the Company is liable severally or otherwise is also included with appropriate disclosures.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the statement of financial position but are disclosed unless they are remote.

Contingent assets are possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent assets are not recognized in the statement of financial position but are disclosed in the financial statement.

4.2 Events after the reporting period

All material events which occur between the reporting date and the date on which the financial statements are authorized for issue, and the financial impact on the condition of the assets and liabilities are disclosed in the financial statements.

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Notes to the Financial Statements
For the Year Ended 31 December 2021

	2021 USD	2020 USD
5. Revenue		
Sales of goods - exports	3,027,009	1,013,686
Sales of goods - local	44,005	127,135
Sales of services	65,120	-
	<u>3,136,134</u>	<u>1,140,821</u>
6. Other income		
Miscellaneous income	387	1,093
Gain on reversal of lease liability	-	7,686
Net foreign exchange translation and transaction gains	9,686	4,644
Write back of long outstanding payable	1,226	-
	<u>11,299</u>	<u>13,423</u>
7. Distribution expenses		
Distribution expenses	7,835	18,794
Advertising and sales promotion	822,359	957,265
	<u>830,194</u>	<u>976,059</u>
8. Finance cost and income		
Finance cost		
Interest expense for lease liability	1,126	441
Interest expense on loans	31	84,279
	<u>1,157</u>	<u>84,720</u>
Finance income		
Interest income	(963)	(616)
	<u>(963)</u>	<u>(616)</u>
Net finance cost	<u>194</u>	<u>84,104</u>
9. Loss before taxation		
The loss before taxation has been arrived after deducting all expenses including the following :		
Staff cost	309,961	189,938
Auditor's remuneration	4,100	2,523
Depreciation of property and equipment	2,255	5,445
Amortization of intangible assets	46,174	49,673
Depreciation charge of right-of-use assets	10,289	2,780

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Notes to the Financial Statements
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	2021 USD	2020 USD
10. Income tax expense		
10.1 Current tax expense		
Current tax on profits for the year	-	-
Total tax expense	<u>-</u>	<u>-</u>
10.2 Reconciliation of accounting profit to income tax expense		
Loss before taxation	(1,236,074)	(1,548,945)
Aggregate allowable expenses	(107,012)	(50,357)
Aggregate disallowable expenses	367,661	100,561
	<u>(975,425)</u>	<u>(1,498,741)</u>
Income from other sources	-	-
Tax loss claimed during the period	-	-
Total statutory loss	<u>(975,425)</u>	<u>(1,498,741)</u>
Income tax charged at 28%	<u>-</u>	<u>-</u>
10.3 Tax losses		
Tax loss brought forward	9,382,485	7,883,743
Tax loss for the year	975,426	1,498,742
Tax loss carried forward	<u>10,357,911</u>	<u>9,382,485</u>
<p>Deferred tax assets have not been recognised in respect of carried tax losses at the year end. Since it is not probable that future taxable profit will be adequate to utilize the available tax losses fully in the foreseeable future. Therefore no deferred tax asset has been recognised as at 31 December 2021.</p>		
11. Basic loss per share		
<p>The calculation of the basic loss per ordinary share is based on the loss attributable to the ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year.</p>		
Amount used as the numerator		
Loss for the year - USD	(1,236,074)	(1,548,945)
Amount used as the denominator		
Weighted average number of ordinary shares	199,123,498	198,380,773
Basic loss per share - USD	<u>(0.01)</u>	<u>(0.01)</u>

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12. Property and equipment

	Computer equipment	Furniture and fittings	Total
	USD	USD	USD
Cost			
Balance as at 1 January 2020	13,743	9,859	23,602
Disposals during the year	-	(9,859)	(9,859)
Balance as at 31 December 2020	<u>13,743</u>	<u>-</u>	<u>13,743</u>
Additions during the year	<u>2,490</u>	<u>-</u>	<u>2,490</u>
Balance as at 31 December 2021	<u>15,533</u>	<u>-</u>	<u>15,533</u>
Accumulated depreciation			
Balance as at 1 January 2020	8,210	4,409	12,619
Charge for the year	3,349	2,096	5,445
Disposals during the year	-	(6,505)	(6,505)
Balance as at 31 December 2020	<u>11,559</u>	<u>-</u>	<u>11,559</u>
Charge for the year	<u>2,255</u>	<u>-</u>	<u>2,255</u>
Balance as at 31 December 2021	<u>13,814</u>	<u>-</u>	<u>13,814</u>
Carrying value as of 31 December 2021	<u>1,719</u>	<u>-</u>	<u>1,719</u>
Carrying value as of 31 December 2020	<u>2,184</u>	<u>-</u>	<u>2,184</u>

Property and equipment includes fully depreciated assets, the cost of which as at 31 December 2021 amounted to USD 12,580. (2020 - USD NIL)

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Notes to the Financial Statements
For the Year Ended 31 December 2021

	31.12.2021	31.12.2020
	USD	USD
13. Right-of-use assets		
Cost	19,459	70,580
Additions during the year	-	22,239
Disposals during the year		(70,580)
Amortization for the year	(10,289)	(2,780)
Net book value	<u>9,170</u>	<u>19,459</u>

The right-of-use of assets has been recognised against the agreement between MAS Brands Lanka (Private) limited and the Company for the sublease agreement for office premises for two years.

	Computer Software	Patents, trademarks and other rights	Total
	USD	USD	USD
Cost			
Balance as at 1 January 2020	64,439	134,643	199,082
Additions during the year	-	-	-
Balance as at 31 December 2020	<u>64,439</u>	<u>134,643</u>	<u>199,082</u>
Additions during the year	-	-	-
Balance as at 31 December 2021	<u>64,439</u>	<u>134,643</u>	<u>199,082</u>
Accumulated amortization			
Balance as at 1 January 2020	34,252	44,881	79,133
Amortization charge for the year	16,012	33,660	49,672
Balance as at 31 December 2020	<u>50,264</u>	<u>78,541</u>	<u>128,805</u>
Amortization charge for the year	12,514	33,661	46,175
Balance as at 31 December 2021	<u>62,778</u>	<u>112,202</u>	<u>174,980</u>
Carrying value as of 31 December 2021	<u>1,661</u>	<u>22,441</u>	<u>24,102</u>
Carrying value as of 31 December 2020	<u>14,175</u>	<u>56,102</u>	<u>70,277</u>

MAS BRANDS EXPORTS (PRIVATE) LIMITED
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For the Year Ended 31 December 2021

	31.12.2021 USD	31.12.2020 USD
15. Inventories		
Finished goods	34,956	132,796
Allowance for slow-moving inventories (<i>Note 15.1</i>)	(14,936)	(64,788)
	<u>20,020</u>	<u>68,008</u>
15.1 Allowance for slow-moving inventories		
Allowance for slow-moving inventories as at the beginning of the year	64,788	30,980
(Reversal)/provision during the period	(49,852)	33,808
Allowance for slow-moving inventories as at the end of the year	<u>14,936</u>	<u>64,788</u>
16. Amounts due from related parties		
MAS Brands Lanka (Private) Limited	26,168	17,776
MAS Brands Holding (Private) Limited	-	22
MAS Brands India (Private) Limited	659,278	246,482
Amaliya (Private) Limited	-	2,106
MAS Holdings (Private) Limited	-	1,208
	<u>685,446</u>	<u>267,594</u>
Amounts due from related parties are unsecured and receivable on demand.		
17. Other current assets		
Prepayments and other receivables	436,483	865,593
	<u>436,483</u>	<u>865,593</u>
18. Cash and cash equivalents		
Cash at bank	260,976	257,609
Cash in hand (<i>Note 18.1</i>)	2,848	2,110
	<u>263,824</u>	<u>259,719</u>
18.1 Cash in hand		
Petty cash	48	70
Foreign currency	2,800	2,040
	<u>2,848</u>	<u>2,110</u>

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Notes to the Financial Statements
For the Year Ended 31 December 2021

	31.12.2021 USD	31.12.2020 USD
19. Stated capital		
Ordinary shares - fully paid		
Number of shares as at beginning of the year	198,380,773	121,730,299
Share issued during the period	5,941,800	76,650,474
Number of shares as at end of the year	<u>204,322,573</u>	<u>198,380,773</u>
Issued share capital		
Share capital as at beginning of the year	11,309,220	7,092,457
Share issued during the period	300,000	4,216,763
Share capital as at end of the year	<u>11,609,220</u>	<u>11,309,220</u>
20. Retirement benefit obligations		
The movement in the defined benefit obligations over the year is as follows :		
At the beginning of the year	29,796	28,667
Current service cost	3,727	7,282
Interest cost	1,904	1,132
Gain arising from changes in the assumptions	(8,434)	(6,497)
Payment made during the year	(1,011)	-
Net gratuity payments made/received for those transferred	31,318	-
Exchange rate difference	(2,615)	(788)
At the end of year	<u>54,685</u>	<u>29,796</u>
The amounts recognised in the income statement are as follows :		
Current service cost	3,727	7,282
Interest cost	1,904	1,131
Recognised in income statement	<u>5,631</u>	<u>8,413</u>
Gain from remeasurement of retirement benefit obligation is as follows:		
Gain from change in financial assumptions	(8,434)	(6,497)
Recognised in other comprehensive statement	<u>(8,434)</u>	<u>(6,497)</u>

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Notes to the Financial Statements
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20. Retirement benefit obligations (Contd ...)

This obligation which is not externally funded. The retirement benefit obligation for the year ended 2020 has been calculated based on gratuity formula method as specified by the Institute of Chartered Accounts of Sri Lanka and Messers Actuarial and Management Consultants (Pvt) Limited carried out an actuarial valuation of the retirement benefit calculation for the year ended 31 December 2021. The principal assumptions used for this purpose are as follows:

	31.12.2021	31.12.2020
Discount rate per annum	11%	7%
Annual salary increment rate	8%	8%
Retirement age	60 years	55 years
Staff turnover ratio	14%	14%

Sensitivity of assumptions used in the valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions used with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the statement of profit or loss and other comprehensive income and statement of financial position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the period.

	31.12.2021 USD	31.12.2020 USD
(Decrease) of liability due to the discount rate increased by 1%	(53,289)	(2,636)
Increase of liability due to the discount rate decreased by 1%	58,848	2,952
Increase of liability due to the salary escalation rate increased by 1%	(59,030)	2,889
(Decrease) of liability due to the salary escalation rate decreased by 1%	53,081	(2,631)

Sensitivity analysis is an analysis which will give the movement in liability if the assumption were not proved to be true on different count. This only signifies the change in the liability if the difference between assumed.

	31.12.2021 USD	31.12.2020 USD
21. Lease liability		
Balance as at beginning of the period	22,239	78,266
Addition during the year	-	22,239
Disposal during the year	-	(78,266)
Interest expense	1,126	441
Payment of lease liability	(13,781)	(441)
Balance as at end of the period	<u>9,584</u>	<u>22,239</u>
Amount payable within one year	<u>9,584</u>	<u>8,771</u>
Amount payable after one year	<u>-</u>	<u>13,468</u>

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Notes to the Financial Statements
For the Year Ended 31 December 2021

	31.12.2021	31.12.2020
	USD	USD
22. Amounts due to related parties		
MAS Active (Private) Limited	-	92
MAS Brands Lanka (Private) Limited	3,707	10,868
MAS Brands India (Private) Limited	904,206	95,626
MAS Capital (Private) Limited	-	1,139
Silueta (Private) Limited	-	16,113
Aqua Trading Global (Private) Limited	-	2,220
MAS Business Protection Unit (Private) Limited	-	8,299
	<u>907,913</u>	<u>134,357</u>

Amounts due to related parties are unsecured and payable on demand.

23. Trade and other payables		
Trade payables	158,621	163,271
Advance received from customers	1,336	-
Payroll tax and other statutory liabilities	11,030	9,952
Accrued expenses	67,853	59,413
Other payables	31,312	7,736
	<u>270,152</u>	<u>240,372</u>

Trade payables are unsecured and are usually paid within the credit period or less than 12 months.

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Notes to the Financial Statements
For the Year Ended 31 December 2021

24 Related party transactions

24.1 Parent entity

The Company has changed its shareholders on 11 November 2021. The current shareholding structure of the Company is as follows.

Name	Relationship	Place of incorporation	Ownership interest as at 31 December 2021
Reliance Retail Ventures Limited	Parent entity	India	100%

The shareholder structure of the Company before shareholder changed, is as follows.

Name	Relationship	Place of incorporation	Ownership interest before 11 November 2021
MAS Holding (Private) Limited	Ultimate parent entity	India	100%
MAS Brands Holdings (Private) Limited	Immediate parent entity	India	100%

The Company has assessed the status of the Company's related parties prior and before shareholder change and below disclosures are accordance with the said assessment.

24.2 Transactions with key management personnel

Related parties include key managerial personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company and its related Companies. Such key managerial persons include the Board of Directors of the Company.

There are no transactions with the key management personnel during the period.

24.3 Transactions with related parties

Related party	Relationship	Nature of the transactions	Transaction value in 2021 USD
MAS Brands Lanka (Private) Limited	Affiliate	Purchase of goods	7,491
		Sale of goods	44,005
		Services provided	65,120
		Expense reimbursement	35,769
		Expense reimbursement	1,078
MAS Brands India (Private) Limited	Affiliate	Purchase of goods	69,819
		Sale of goods	2,925,451
		Expense reimbursement	753,066

MAS BRANDS EXPORTS (PRIVATE) LIMITED
Notes to the Financial Statements
For the Year Ended 31 December 2021

24.3 Transactions with related parties (Contd...)

Transactions with related parties before shareholder change

Related party	Relationship	Nature of the transactions	Transaction value in 2021 USD
MAS Brands Holding (Private) Limited	Affiliate	Expense reimbursement	1,290
MAS Active (Private) Limited	Affiliate	Expense reimbursement	92
MAS Capital (Private) Limited	Affiliate	Expense reimbursement	3,079
		Service charges	40,162
Silueta (Private) Limited	Affiliate	Purchases	93,958
Unichela (Private) Limited	Affiliate	Raw material liability	521,662
MAS Intimates (Private) Limited	Affiliate	Expense reimbursement	3,570
		Expense reimbursement	23,154
Hellmann MAS Supply Chain (Private) Limited	Affiliate	Service received	2,402
MAS Investments (Private) Limited	Affiliate	Expense reimbursement	50,430
MAS Fabric Park (Pvt) Ltd	Affiliate	Expense reimbursement	10,293
MAS Holdings (Pvt) Ltd	Affiliate	Expense reimbursements	38
		Service charge	140
MAS Intimates Bangladesh (Pvt) Ltd	Affiliate	Expense reimbursements	15,045
Linea Aqua (Private) Limited	Affiliate	Purchases	114,622

Related party	Relationship	Nature of the transactions	Transaction value in 2020 USD
MAS Brands Lanka (Private) Limited	Affiliate	Supply chain services	95,229
		Expenses reimbursement / service obtained	36,013
MAS Brands Holding (Private) Limited	Parent	Expenses reimbursement / service obtained	22
		Intercompany short term loan payment	2,057,704
MAS Brands India (Private) Limited	Affiliate	Supply chain services	984,612
		Expense reimbursements / service obtained	1,105,887
Amaliya (Private) Limited	Affiliate	Expense reimbursements / service obtained	2,436
MAS Holdings (Private) Limited	Ultimate parent	Expenses reimbursement / service obtained	624
MAS Active (Private) Limited	Affiliate	Expense reimbursements / service obtained	92

MAS BRANDS EXPORTS (PRIVATE) LIMITED**Notes to the Financial Statements****For the Year Ended 31 December 2021****24.3 Transactions with related parties (Contd...)**

Related party	Relationship	Nature of the transactions	Transaction value in 2020 USD
MAS Capita (Private) Limited	Affiliate	Expense reimbursement / service obtained	41,265
Silueta (Private) Limited	Affiliate	Supply chain services	70,967
MAS Business Protection Unit (Private) Limited	Affiliate	Supply chain services	7,899
		Expense reimbursements / service obtained	400
Unichela (Private) Limited	Affiliate	Supply chain services	2,248
MAS Intimates (Private) Limited	Affiliate	Expense reimbursements / service obtained	286,451
Hellmann MAS Supply Chain (Private) Limited	Affiliate	Expense reimbursements / service obtained	11,353
Aqua Trading Global (Private) Limited	Affiliate	Expense reimbursements / service obtained	2,220
MAS Investments (Private) Limited	Ultimate parent	Expense reimbursements / service obtained	50,430

These outstanding amounts are unsecured and will be settled by cash on demand. No guarantees being given or received. No expense has been recognized as bad or doubtful on any amounts owed by related parties during the period.

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25. Maturity analysis

An analysis of the financial assets employed and financial liabilities as at the reporting date, based on the remaining period at the statement of financial position date to the respective contractual maturity dates is given below.

31 December 2021

	Up to 3 months USD	3 to 12 months USD	1 to 3 years USD	More than 3 years USD	Total USD
Amounts due from related parties	-	685,446	-	-	685,446
Cash and cash equivalents	-	263,824	-	-	263,824
	<u>-</u>	<u>949,270</u>	<u>-</u>	<u>-</u>	<u>949,270</u>
Amounts due to related parties	-	907,913	-	-	907,913
Lease liabilities	-	9,584	-	-	9,584
Trade and other payables	-	270,152	-	-	270,152
	<u>-</u>	<u>1,187,649</u>	<u>-</u>	<u>-</u>	<u>1,187,649</u>

31 December 2020

	Up to 3 months USD	3 to 12 months USD	1 to 3 years USD	More than 3 years USD	Total USD
Amounts due from related parties	-	267,594	-	-	267,594
Cash and cash equivalents	-	259,719	-	-	259,719
	<u>-</u>	<u>527,313</u>	<u>-</u>	<u>-</u>	<u>527,313</u>
Amounts due to related parties	-	134,357	-	-	134,357
Lease liabilities	-	8,771	13,468	-	22,239
Trade and other payables	-	240,372	-	-	240,372
	<u>-</u>	<u>383,500</u>	<u>13,468</u>	<u>-</u>	<u>396,968</u>

26. Financial risk management

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk (including currency risk and interest rate risk)

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26.1 Financial risk management

a) Exposure to credit risk

Credit risk is the risk of financial loss to the company if a customer or Counter party to a financial instrument fails to meet its contractual obligation and arises principally from the company's receivables from customers, investment and forward contracts. The gross exposure and net exposure of the balances are same.

	31.12.2021	31.12.2020
	USD	USD
Amounts due from related parties	685,446	22,239
Cash and cash equivalents	263,824	240,372
	<u>949,270</u>	<u>262,611</u>

b) Impairment losses

The aging of trade receivables at the reporting date were:

	31.12.2021		31.12.2021	
	Gross	Impairment	Gross	Impairment
	receivable	provisions	receivable	provisions
	USD	USD	USD	USD
1 - 3 months	507,043	-	-	-
3 to 12 months	42	-	-	-
1 to 3 years	164,404	-	-	-
More than 3 years	13,957	-	-	-
	<u>685,446</u>	<u>-</u>	<u>-</u>	<u>-</u>

The above trade receivable is belongs to related parties of the Company. The amounts outstanding are unsecured and will be settled in cash on demand.

c) Cash equivalents

The company held cash at bank of USD 263,823 as at 31 December 2021 (31 December 2020 - USD 259,719) which represent its maximum credit exposure on these assets. The cash equivalents are held with bank and financial institutions counterparties, which have better rankings.

26.2 Liquidity risk

Liquidity risk is the risk that the company will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The company's policy is to hold cash and undrawn committed facilities at a level sufficient to ensure that the company has available funds to meet its medium term capital and funding obligations and to meet any unforeseen obligations. The company holds cash and undrawn committed facilities to enable the company to manage its liquidity risk.

The company monitors its risk to a shortage of funds using a weekly cash management process. This process considers the maturity of both the company's financial investments and financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

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26.2 Liquidity risk (Contd ...)

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding through inter company transactions.

The following are the contractual maturities of the financial liabilities (excluding amounts due to related parties) at its carrying value:

	Carrying amount USD	Contractual cash flows USD	6 months or less USD
As at 31 December 2021			
Trade and other payables	270,152	270,152	-
Lease liabilities	9,584	9,584	-
	<u>279,736</u>	<u>279,736</u>	<u>-</u>
As at 31 December 2020			
Trade and other payables	240,372	240,372	-
Lease liabilities	22,239	22,239	-
	<u>262,611</u>	<u>262,611</u>	<u>-</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at a significantly different amount.

26.3 Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to the changes in market prices. Mainly the changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return.

26.3.1 Foreign currency risk

The Company is exposed to foreign exchange risk arising from various currency exposures.

Foreign currency risk is managed by the finance function. It's objective is to minimise losses arising from the Company's exposure to currencies by attempting to match foreign currency denominated current liabilities against current assets of similar currencies to the extent possible.

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26.3.1 Foreign currency risk (Contd ...)

Exposure to currency risk

The company's exposure to foreign currency risk was as follows based on notional amount.

	31.12.2021	31.12.2020
	USD	USD
Assets		
Cash and cash equivalents	263,824	259,719
	<u>263,824</u>	<u>259,719</u>
Liabilities		
Trade and other payables	270,152	240,372
	<u>270,152</u>	<u>240,372</u>

The following significant exchange rates were applicable during the year.

	31.12.2021	31.12.2020
Sri Lankan Rupee	201.75	185.85

26.3.2 Interest rate risk

Interest rate risk mainly arises as a result of the company having interest sensitive assets and liabilities which are directly impacted by changes in the interest rates. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The management monitors the sensitivities on regular basis and ensures that such risks are managed on a timely manner.

27. Commitments and contingencies

27.1 Capital commitments

There were no significant capital commitments as at reporting date.

27.2 Contingencies

There were no contingent liabilities and assets at the end of the reporting period.

28. Events after the reporting period

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

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29. Impact on Covid 19 assessment

The COVID-19 pandemic has had a direct impact on economic activities both locally and globally, while pandemic-related uncertainties have affected the overall business landscape of the country.

The wider economic impacts of these events include:

- Disruption to business operations and economic activity in Sri Lanka, with a cascading impact on both upstream and downstream supply chains;
- Significant disruption to businesses in a number of sectors, both within Sri Lanka and in the rest of the world.
- Significant decrease in demand for non-essential goods and services;
- An increase in economic uncertainty, reflected in more volatile asset prices and currency exchange rates.

Sri Lanka's efforts to gradually revive its economic activities subsequent to the countrywide lock-down, have been once again impeded by the emergence of the second wave of the pandemic; which has forced lock-downs in selected areas and provinces with mobility restrictions being imposed to control a possible community spread. These lockdowns were lifted in the month of October 2021 and no further lockdowns

Subsequent to the COVID-19 outbreak in Sri Lanka, the Company had adhered to the guidelines and directions issued by the Government when conducting its business operations.

The management has assessed that the impact may not severely affect the business of the company. However, due to the uncertainty of the pandemic-ridden business environment, the impact on the financial position and the expected results of the Company for the future periods may differ since it is not possible to reliably estimate the duration and severity of the effect of this pandemic in the future periods.

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	2021	2020
	USD	USD
1. Cost of sales		
Cost of goods sold	2,706,373	1,157,325
Raw material liability	255,478	7,899
	<u>2,961,851</u>	<u>1,165,224</u>
2. Administrative expenses		
Auditor's remuneration	4,100	2,523
Staff cost (Note 2.1)	309,961	189,938
Software maintenance	11,936	30,985
Depreciation (Note 12)	2,255	5,445
Amortization charge	46,174	49,673
Parking fee	-	3,384
Utilities expenses	6,937	22,582
Fee and charges	130,742	135,431
Rent	(8,077)	6,196
Depreciation charge of right-of-use assets	10,289	2,780
Other administrative costs	76,951	28,865
	<u>591,268</u>	<u>477,802</u>
2.1 Staff cost		
Salaries and wages	156,604	120,715
Defined contribution plans	23,968	18,097
Defined benefit obligations (Note 20)	5,631	8,413
Provision for bonus	73,551	4,278
Vehicle allowance	36,950	28,934
Fuel reimbursements	4,980	5,332
Other benefits	8,277	4,169
	<u>309,961</u>	<u>189,938</u>

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	31.12.2021	31.12.2020
	USD	USD
3. Prepayments and other receivables		
Advance paid to suppliers (<i>Note 3.1</i>)	149,225	552,912
Employee advance	212	(5)
Value added tax receivable (<i>Note 3.2</i>)	286,303	310,654
Insurance	618	618
Prepaid expenses	125	1,414
	<u>436,483</u>	<u>865,593</u>
3.1 Advance paid to suppliers		
Advance paid to suppliers	412,601	816,288
Provision for impairment	<u>(263,376)</u>	<u>(263,376)</u>
	<u>149,225</u>	<u>552,912</u>
3.2 Value added tax receivable		
Value added tax receivable	311,427	310,654
Provision for impairment	<u>(25,124)</u>	<u>-</u>
	<u>286,303</u>	<u>310,654</u>
4. Trade payables		
Sanaska Intimates (Private) Limited	50,064	163,271
Bratex (Private) Limited	<u>43,627</u>	<u>-</u>
	<u>93,691</u>	<u>163,271</u>
5. Payroll, tax and other statutory liabilities		
Employees' provident fund	4,901	4,662
Employees' trust fund	583	548
Stamp duty	9	7
Pay As You Earn tax	(501)	(769)
Income tax	-	81
Economic service charges	-	1,118
Withholding tax	-	27
Provision for bonuses and incentives	<u>6,038</u>	<u>4,278</u>
	<u>11,030</u>	<u>9,952</u>

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	31.12.2021	31.12.2020
	USD	USD
6. Accrued expenses and other payables		
Production - general	1,161	1,161
Audit fees	5,911	3,904
Clearing and forwarding	7,855	1,988
Fees and charges	9,351	6,007
Fees and charges - central charges	9,783	1,409
Foreign travel	998	-
Fuel reimbursement	1,089	1,106
Insurance - property	489	-
Insurance - medical	2,070	7,161
Information technology related expenses	11,112	14,124
Local travel	625	-
Other	705	-
Office maintenance	3,417	4,453
Range and design developments	416	511
Rent	222	8,279
Telecommunications & IT charges	9,015	6,469
Warehouse related expenses	3,634	2,841
	<u>67,853</u>	<u>59,413</u>