

JUBILANT FOODWORKS LANKA (PVT) LIMITED

FINANCIAL STATEMENTS

31 MARCH 2014

APAG/PKN/KAS

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF JUBILANT FOODWORKS LANKA (PVT) LIMITED**

Report on the Financial Statements

We have audited the accompanying financial statements of Jubilant FoodWorks Lanka (Pvt) Limited which comprise the Statement of Financial Position as at 31 March 2014, and the Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year ended 31 March 2014, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

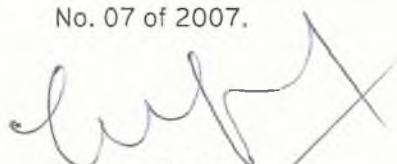
We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2014 and its performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.



16 May 2014
Colombo

Jubilant FoodWorks Lanka (Pvt) Limited

STATEMENT OF FINANCIAL POSITION

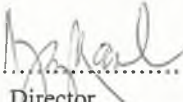
As at 31 March 2014

ASSETS	Note	2014 Rs.	2013 Rs.
Non Current Assets			
Property, Plant and Equipment	4	408,231,152	323,616,780
Intangible Assets	5	5,304,349	3,364,337
		<u>413,535,501</u>	<u>326,981,118</u>
Current Assets			
Inventories	6	14,345,548	13,527,855
Trade and Other Receivables	7	80,907,697	67,488,749
Income Tax Recoverable		86,862	-
Cash and Bank Balances	16	31,585,155	9,819,836
		<u>126,925,262</u>	<u>90,836,441</u>
TOTAL ASSETS		<u>540,460,764</u>	<u>417,817,560</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Stated Capital	8	789,224,500	497,344,500
Retained Earnings/(Loss)		(321,472,458)	(158,146,502)
Total Equity		<u>467,752,042</u>	<u>339,197,998</u>
Non Current Liabilities			
Deferred Tax Liabilities	14	8,379,542	6,352,920
Retirement Benefit Liabilities	9	969,005	549,184
		<u>9,348,547</u>	<u>6,902,104</u>
Current Liabilities			
Interest Bearing Loans and Borrowings	10	3,769,893	4,823,049
Trade and Other Payables	11	59,590,282	66,791,405
Income Tax Payable		-	103,004
		<u>63,360,175</u>	<u>71,717,458</u>
Total Equity and Liabilities		<u>540,460,764</u>	<u>417,817,560</u>

I certify that the financial statements comply with the requirements of the Company Act. No. 7 of 2007.


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Financial Controller

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


.....
Director


.....
Director

The accounting policies and notes on pages 6 through 19 form an integral part of the financial statements.

16 May 2014
Colombo



Jubilant FoodWorks Lanka (Pvt) Limited
STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 March 2014

	Note	2014 Rs.	2013 Rs.
Turnover	3	276,924,341	161,328,497
Cost of Sales		(101,305,820)	(69,874,654)
Gross Profit		<u>175,618,521</u>	<u>91,453,843</u>
Administration Expenses		(279,443,499)	(154,571,425)
Distribution Expenses		(58,737,824)	(23,903,396)
Finance Expenses	12	(373,036)	(308,080)
Finance Income	12	1,358,901	2,398,204
Loss Before Tax	13	<u>(161,576,937)</u>	<u>(84,930,854)</u>
Income Tax (Expenses) / Reversal	14	(1,822,892)	(11,111,857)
Loss for the Year		<u><u>(163,399,829)</u></u>	<u><u>(96,042,711)</u></u>
Other Comprehensive Income			
Actuarial Gain / (Loss) on Obligation		87,737	(27,791)
Deferred Taxation Attributable to Actuarial Loss		(13,863)	(3,335)
Other Comprehensive Income, Net of Tax		<u>73,874</u>	<u>(31,126)</u>
Total Other Comprehensive Income, Net of Tax		<u><u>(163,325,956)</u></u>	<u><u>(96,073,837)</u></u>
Earnings/(Loss) Per Share			
- Basic	15	(2.51)	(1.93)

The accounting policies and notes on pages 6 through 19 form an integral part of the financial statements.



Jubilant FoodWorks Lanka (Pvt) Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2014

	Stated Capital Rs.	Retained Earnings Rs.	Total Rs.
Balance As at 1 April 2012	255,509,500	(62,072,665)	193,436,835
Loss for the Year	-	(96,042,711)	(96,042,711)
Other Comprehensive Income	-	(31,126)	(31,126)
Total Comprehensive Income		(96,073,837)	(96,073,837)
Shares Issued During the Period for Cash	241,835,000	-	241,835,000
Balance As at 31 March 2013	497,344,500	(158,146,502)	339,197,998
Loss for the Year	-	(163,399,829)	(163,399,829)
Other Comprehensive Income	-	73,874	73,874
Total Comprehensive Income		(163,325,956)	(163,325,956)
Shares Issued During the Period for Cash	291,880,000	-	291,880,000
Balance As at 31 March 2014	789,224,500	(321,472,458)	467,752,042

The accounting policies and notes on pages 6 through 19 form an integral part of the financial statements.



Jubilant FoodWorks Lanka (Pvt) Limited

STATEMENT OF CASH FLOWS

Year ended 31 March 2014

	Note	2014 Rs.	2013 Rs.
Cash Flows From / (Used in) Operating Activities			
Net Profit Before Income Tax Expense and Extraordinary Items		(161,576,937)	(84,930,854)
Adjustments for			
Amortisation of Intangible Assets		1,296,233	419,587
Depreciation	4	43,762,281	21,394,795
Finance Income		(1,358,901)	(2,398,204)
Finance Costs	12	373,036	308,080
Gratuity Provision	9	507,558	198,893
Operating Profit/(Loss) before Working Capital Changes		<u>(116,996,730)</u>	<u>(65,007,703)</u>
Changes in Working Capital Changes			
(Increase)/Decrease in Inventories		(817,693)	(6,286,477)
(Increase)/Decrease in Trade and Other Receivables		(13,418,948)	(33,404,406)
Increase/(Decrease) in Trade and Other Payables		<u>(7,201,123)</u>	<u>61,567,852</u>
		<u>(21,437,764)</u>	<u>21,876,968</u>
Cash Generated from Operations		(138,434,494)	(43,130,735)
Less: Finance Cost	12	(373,036)	(308,080)
Income Tax Payment		<u>(4,407,754)</u>	<u>(190,432)</u>
		<u>(143,215,284)</u>	<u>(43,629,247)</u>
Cash Flows from (Used in) Investing Activities			
Acquisition of Property, Plant and Equipment	4	(123,968,897)	(252,239,136)
Acquisition of Intangible Assets	5	(3,236,245)	(2,574,549)
Interest Received		1,358,901	2,398,204
Disposal of Property, Plant and Equipment		-	44,068,917
		<u>(125,846,241)</u>	<u>(208,346,564)</u>
Cash Flows from (Used in) Financing Activities			
Funds from equity collaborators	8	<u>291,880,000</u>	<u>241,835,000</u>
Net Cash in Financing Activities		<u>291,880,000</u>	<u>241,835,000</u>
Net Increase/(Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents at the Beginning of the year	16	<u>4,996,787</u>	<u>15,137,600</u>
Cash and Cash Equivalents at the End of the Year	16	<u><u>27,815,262</u></u>	<u><u>4,996,787</u></u>

The accounting policies and notes on pages 6 through 19 form an integral part of the financial statements.



1. CORPORATE INFORMATION

1.1 General

Jubilant FoodWorks Lanka (Pvt) Limited, is a limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 164, Galle Road, Dehiwela, Sri Lanka.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were to establish, carry on, manage, operate and franchise the business of manufacturing, selling, marketing and distributing fast food products and beverages.

1.3 Parent Entity and Ultimate Parent Entity

The Company's parent undertaking is Jubilant FoodWorks Limited. In the opinion of Directors, the Company's ultimate parent undertaking and controlling party is Jubilant Bhartia Group, which is incorporated in India.

1.4 Date of Authorisation for issue

The Financial Statements of Jubilant FoodWorks Lanka (Pvt) Limited for the year ended 31 March 2014 were authorised for issue in accordance with a resolution of the board of directors on 16 May 2014.



2. BASIS OF PREPARATION

The Financial Statements have been prepared on a historical cost basis, The Financial Statements are presented in Sri Lankan Rupees. The preparation and presentation of these financial statements is in compliance with the Companies Act No. 07 of 2007.

2.1.1 Statement of Compliance

The Financial Statements of Jubilant FoodWorks Lanka (Pvt) Limited has been prepared in accordance with Sri Lanka Accounting Standards.

2.1.2 Comparative Information

The accounting policies adapted by the Company are consistent with those used in the previous financial year except for the policy on retirement Defined Benefit Plans – Gratuity.

The Company applied revised Sri Lanka Accounting Standards (LKAS19) on Employee Benefits.

As per previous policy, actuarial gain/loss was recognized in the Income Statement. As per revised LKAS 19, actuarial gain/loss is recognized in full in Other Comprehensive Income (OCI).

Accordingly, the Company changed its policy for recognizing actuarial gain/loss in OCI.

2.2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.2.1 Basis of Accounting

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards. The Company has prepared these financial statements to comply in all material respects with the Companies Act No. 07 of 2007. The financial statements have been prepared under the historical cost convention on an accrual basis.

2.2.2 Foreign Currency Translation

a) Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency on the date of the transaction.

b) Conversion

Foreign currency monetary items are reported using the closing rate. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction.

c) Exchange Differences

Exchange differences arising on the settlement of monetary items, or on reporting such monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.



2.2.3 Income Tax

Tax expense comprises of current and deferred tax.

a) Current Taxes

Current income tax assets and liabilities for the current periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

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

b) Deferred Taxation

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. If the Company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that such deferred tax assets can be realized against future taxable profits.

2.2.4 Earnings per Share

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

2.2.5 Sales Tax

Revenues, expenses and assets are recognised net of the amount of sales tax except where the sales tax incurred on a purchase of assets or a service is not recoverable from the taxation authorities in which case the sales tax is recognised as a part of the cost of the asset or part of the expense items as applicable and receivable and payable is stated with the amount of sales tax included. The amount of sales tax recoverable and payable in respect of taxation authorities is included as a part of receivables and payables in the Statement of Financial Position.

2.2.6 Borrowing Costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs that are attributable to the acquisition or construction of qualifying assets are capitalized as part of the cost of such assets. A qualifying asset is one that necessarily takes substantial period of time to get ready for intended use. All other borrowing costs are expensed in the period they occur.



2.2.7 Trade and Other Receivables

Trade receivables are stated at the amounts they are estimated to realize net of allowances for bad and doubtful receivables.

2.2.8 Inventories

Raw Materials, Stores Spares and Packing Materials, Goods Purchased for Resale and Material in Process valued at the lower of cost and net realizable value. The cost for this purpose has been computed on FIFO basis.

Material in process valued at lower of cost and net realizable value. Cost includes direct materials and labour and a proportion of manufacturing overheads, if any.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and to make the sale.

2.2.9 Cash and Cash Equivalents

Cash and cash equivalents are cash in hand, demand deposits and short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and deposits in banks net of outstanding book overdrafts. Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

Cash flows are reported using indirect method, whereby profit or loss before tax is adjusted for the effects transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, financing and investing activities of the Company are segregated. Cash and cash equivalents in the cash flow comprise cash at bank, cash/cheques in hand and short-term investments with an original maturity of three months or less.

2.2.10 Investments

Investments which are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties.

Current Investments are stated at the Cost or if the investment is traded at the market then at Market Value. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

2.2.11 Property, Plant and Equipment

Fixed assets are stated at cost, less accumulated depreciation and impairment losses, if any. The cost comprises purchase price, borrowing cost if capitalization criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.



Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

Gains or losses arising from derecognition of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Depreciation

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at Jubilant FoodWorks Limited Group policy based on the useful lives estimated by the management.

Fixed Asset	Estimated Useful Life (in number of years)	Depreciation Rate
Leasehold Improvements	9 years or actual lease period, whichever is lower	11.66% or age based on actual lease period, whichever is lower
Plant and Machinery	5 to 20	5% to 20%
Office Equipment	2 to 10	10% to 50%
Furniture and Fixtures	5 to 10	10% to 20%
Motor Vehicles	5	20%

Fixed Assets costing below Rs. 5,000 are depreciated @ 100% p.a.

2.2.12 Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets are amortized on a straight line basis over the estimated useful economic life.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

A summary of amortization policies applied to the company's intangible assets is as below:

Intangible Asset	Estimated Useful Life (in number of years)	Depreciation Rate
Software	5	20%
Store Opening Fees	5	20%

2.2.13 Expenditure during Construction Period

Expenditure directly relating to construction activity of Outlets is capitalized (net of income, if any). Indirect expenditure incurred during construction period is capitalized as part of the indirect construction cost to the extent to which the expenditure is indirectly related to construction or is incidental thereto. Other indirect expenditure incurred during the construction period which is not related to construction activity nor is incidental thereto is charged to the Statement of Comprehensive Income.



Finance Lease, which effectively transfer to the Company substantially all the risks and benefits incidental to the ownership of the leased items, are capitalized at the inception of the lease term at the lower of fair value of the leased item and the present value of minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in the statement of profit and loss. Lease management fees, legal charges and other initial direct costs of lease are capitalized.

A leased asset is depreciated on a straight-line basis over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the term of hire, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset.

Leases, where the lessor effectively retains substantially all risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss on a straight line basis over the lease term.

2.2.14 Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

The Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long term growth rate is calculated and applied to project future cash flows after the fifth year.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Statement of Comprehensive Income.

2.2.15 Operating Leases

Leases where the lessor effectively retains substantially all the risks and benefits over the leased term are classified as operating leases.

Rentals paid under operating leases are recognized as an expense in the Statement of Comprehensive Income on a straight line basis over the leases. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period which termination takes place.



2.2.16 Leases - Company as a lessee

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged reflected in profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. The depreciation policy for depreciable leased assets is consistent with that for depreciable assets that are owned.

2.2.17 Provisions

A provision is recognized when an enterprise has a present obligation as a result of past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best management estimate required to settle the obligation at the balance sheet date. These are reviewed at each reporting date and adjusted to reflect the current best management estimates.

2.2.18 Retirement Benefit Obligations

a) Defined Benefit Plan – Gratuity

Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The liability so provided is unfunded.

Actuarial gains/losses are immediately taken to Other Comprehensive Income and are not deferred.

b) Defined Contribution Plans – Employees’ Provident Fund and Employees’ Trust Fund

Employees are eligible for Employees’ Provident Fund Contributions and Employees’ Trust Fund Contributions in line with the respective statutes and regulations. The Company contributes 12 % and 3% of gross emoluments of employees to Employees’ Provident Fund and Employees’ Trust Fund respectively.

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation carried by an actuary as at the end of the year.

2.2.19 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

a) Sale of Goods

Revenue from the sale of goods is recognized upon passage of title to the customers which coincides with their delivery.

b) Interest

Revenue is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.



2.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future financial statements.

(i) SLFRS 9 -Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This standard will be effective for the financial periods beginning on or after 01 January 2015.

(ii) SLFRS 13 -Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 provides guidance on all fair value measurements under SLFRS.

This standard was originally effective for the financial period beginning on or after 01 January 2014 and early application was allowed. However effective date has been deferred subsequently.

In addition to the above, following standards were also issued with an original effective date of 01 January 2014, which were also deferred subsequently.

SLFRS 10 -Consolidated Financial Statements
SLFRS 11 – Joint Arrangements
SLFRS 12 -Disclosure of Interests in Other Entities

The above parcel of three Standards will impact the recognition, measurement and disclosures aspects currently contained in LKAS 27 - Consolidated and Separate Financial Statements, LKAS 28 - Investments in Associates, LKAS 31 - Interest in Joint Ventures and SIC - 12 and SIC 13 which are on consolidation of Special Purpose Entities (SPEs) and jointly controlled entities respectively.

Establishing a single control model that applies to all entities including SPEs and removal of option to proportionate consolidation of jointly controlled entities are the significant changes introduced under SLFRS 10 and SLFRS 11 respectively.

SLFRS 12 - establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as the ones previously captured in earlier versions of LKAS 27, LKAS 28 and LKAS 31.

The company will adopt these standards when they become effective. Pending a detailed review, the financial impact is not reasonably estimable as at the date of publication of these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

3. SALES			2014 Rs.	2013 Rs.
Sale - Pizza			265,600,257	154,540,724
Sale - Beverage			11,324,084	6,787,773
			<u>276,924,341</u>	<u>161,328,497</u>
4. PROPERTY, PLANT AND EQUIPMENT	Balance	Additions/	Disposals/	Balance
	As at	Adjustment/	Adjustment/	As at
4.1 Gross Carrying Amounts	01.04.2013	Transfers	Transfers	31.03.2014
	Rs.	Rs.	Rs.	Rs.
Leasehold Improvements	153,054,667	61,621,717	(13,973,844)	200,702,540
Plant and Machinery	119,063,361	55,928,215	7,999,455	182,991,031
Furniture and Fittings	22,371,317	19,206,372	(993,005)	40,584,684
Office Equipment	3,763,868	556,450	322,757	4,643,075
Motor Vehicles	10,262,437	7,541,987	1,356,561	19,160,985
	<u>308,515,650</u>	<u>144,854,741</u>	<u>(5,288,076)</u>	<u>448,082,315</u>
Capital Work In Progress				
Leasehold Improvements	10,242,611	-	(10,242,611)	-
Plant and Machinery	21,902,947	22,208,614	(21,902,947)	22,208,614
Furniture and Fittings	2,028,341	643,021	(2,028,341)	643,021
Motor Vehicles	6,267,387	5,844,929	(6,267,387)	5,844,929
	<u>40,441,286</u>	<u>28,696,564</u>	<u>(40,441,286)</u>	<u>28,696,564</u>
Total Gross Carrying Amount	<u>348,956,936</u>	<u>173,551,305</u>	<u>(45,729,362)</u>	<u>476,778,879</u>
4.2 Depreciation	Balance	Charge	Disposals/	Balance
	As at	for the	Transfers/	As at
	01.04.2013	Year	Adjustments	31.03.2014
	Rs.	Rs.	Rs.	Rs.
At Cost				
Leasehold Improvements	12,637,868	19,317,753	(1,781,695)	30,173,926
Plant and Machinery	7,457,717	14,870,934	361,139	22,689,790
Furniture and Fittings	3,196,390	5,824,703	391,483	9,412,576
Office Equipment	568,008	489,358	(55,967)	1,001,399
Motor Vehicles	1,480,172	3,259,533	530,330	5,270,035
Total Depreciation	<u>25,340,155</u>	<u>43,762,281</u>	<u>(554,710)</u>	<u>68,547,726</u>
4.3 Net Book Value			2014	2013
			Rs.	Rs.
At Cost				
Leasehold Improvements			170,528,614	140,416,799
Plant and Machinery			160,301,241	111,605,643
Furniture and Fittings			31,172,107	19,174,927
Office Equipment			3,641,676	3,195,860
Motor Vehicles			13,890,950	8,782,265
			<u>379,534,588</u>	<u>283,175,494</u>
Capital Work In Progress				
Leasehold Improvements			-	10,242,611
Plant and Machinery			22,208,614	21,902,947
Furniture and Fittings			643,021	2,028,341
Motor Vehicles			5,844,929	6,267,387
			<u>28,696,564</u>	<u>40,441,286</u>
Total Net Book Value			<u>408,231,152</u>	<u>323,616,780</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

5. INTANGIBLE ASSETS

	2014 Rs.	2013 Rs.
5.1 Gross Carrying Amounts		
At Cost		
As at the Beginning of the Year	3,864,549	1,290,000
Acquired During the Year	3,236,245	2,574,549
As at the End of the Year	<u>7,100,794</u>	<u>3,864,549</u>
5.2 Amortization		
As at the Beginning of the Year	500,212	80,621
Amortisation for the Year	1,296,233	419,538
As at the End of the Year	<u>1,796,445</u>	<u>500,212</u>
5.2 Net Book Value		
As at the End of the Year	<u>5,304,349</u>	<u>3,364,337</u>

Store Opening fee is paid to Domino's Pizza International Franchising Inc and amortised over 05 years inline with group policy

6. INVENTORIES

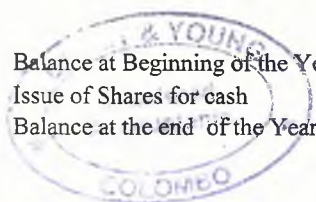
	2014 Rs.	2013 Rs.
Closing Food Stock	7,472,244	7,866,400
Closing Traded Item	624,441	352,537
Closing Non Food Stock	6,248,863	5,308,911
	<u>14,345,548</u>	<u>13,527,858</u>

7. TRADE AND OTHER RECEIVABLES

	2014 Rs.	2013 Rs.
Trade Debtors - Outlets	3,859,387	1,888,499
Deposits and Prepayments	65,457,904	53,689,377
Sundry Debtors and Advances	11,590,406	11,910,888
	<u>80,907,697</u>	<u>67,488,774</u>

8. STATED CAPITAL

	2014		2013	
	Number of shares	Value of shares Rs.	Number of shares	Value of shares Rs.
8.1 Issued and Fully Paid				
At the Beginning of the Period	49,734,450	497,344,500	25,550,950	255,509,500
Issued during the Period	29,188,000	291,880,000	24,183,500	241,835,000
At the End of the Period	<u>78,922,450</u>	<u>789,224,500</u>	<u>49,734,450</u>	<u>497,344,500</u>
8.2 Fully Paid Ordinary Shares				
Balance at Beginning of the Year	49,734,450	497,344,500	25,550,950	255,509,500
Issue of Shares for cash	29,188,000	291,880,000	24,183,500	241,835,000
Balance at the end of the Year	<u>78,922,450</u>	<u>789,224,500</u>	<u>49,734,450</u>	<u>497,344,500</u>



Jubilant FoodWorks Lanka (Pvt) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2014

9. EMPLOYEE RETIREMENT BENEFIT LIABILITY	2014	2013
	Rs.	Rs.
Defined Benefit Obligation		
At the Beginning of the Year	549,184	322,500
Current Service Cost	449,894	179,757
Interest Cost	57,664	19,136
Net Actuarial (Gain)/Loss	(87,737)	27,791
At the end of the Year	<u>969,005</u>	<u>549,184</u>

9.1 Expense on Defined Benefit Plan-Gratuity	2014	2013
	Rs.	Rs.
Current Service Cost	449,894	179,757
Interest Cost on Benefit Obligation	57,664	19,136
The amount recognized in the statement of Comprehensive Income	<u>507,558</u>	<u>198,893</u>
Net Actuarial (Gain)/Loss recognized in other comprehensive income	(87,737)	27,791
The amount recognized in Other Comprehensive Income	<u>(87,737)</u>	<u>27,791</u>
	<u>419,821</u>	<u>226,684</u>

9.2 The Gratuity benefit Liability is valued by M/Actuarial and Management Consultant (Pvt) Ltd.

9.3 Principle Assumptions		
The principle assumptions underlying the valuation are as follows:	2014	2013
Discount Rate	10.50%	10.50%
Salary Increment Rate	10%	12%
Staff Turnover Factory	11%	11%
Retirement Age	58 years.	58 years.

9.4 A quantitative sensitivity analysis for significant assumptions as at 31 March 2014 is shown below:

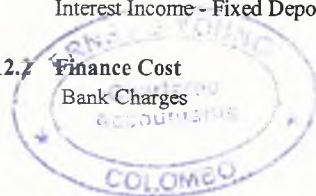
Sensitivity level	Discount Rate		Future salary increment rate	
	Increase	Decrease	Increase	Decrease
	1.0%	1.0%	1.0%	1.0%
Impact on defined benefit obligation	891,381	1,058,306	1,050,303	897,498

10. INTEREST BEARING LOANS AND BORROWINGS

	2014			2013		
	Amount Repayable Within 1 year Rs.	Amount Repayable After 1 year Rs.	Total Rs.	Amount Repayable Within 1 year Rs.	Amount Repayable After 1 year Rs.	Total Rs.
Book Overdrafts (Note 16.2)	3,769,893	-	3,769,893	4,823,049	-	4,823,049
	<u>3,769,893</u>	<u>-</u>	<u>3,769,893</u>	<u>4,823,049</u>	<u>-</u>	<u>4,823,049</u>

11. TRADE AND OTHER PAYABLES	2014	2013
	Rs.	Rs.
Trade Payables	42,770,423	49,617,643
Sundry Creditors Including Accrued Expenses	16,819,859	17,173,762
	<u>59,590,282</u>	<u>66,791,405</u>

12. FINANCE INCOME AND COST	2014	2013
	Rs.	Rs.
12.1 Finance Income		
Interest Income - Fixed Deposit	1,358,901	2,398,204
	<u>1,358,901</u>	<u>2,398,204</u>
12.2 Finance Cost		
Bank Charges	373,036	308,080
	<u>373,036</u>	<u>308,080</u>



Jubilant FoodWorks Lanka (Pvt) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2014

13. OPERATING LOSS BEFORE TAXATION

Is stated after Charging/(Crediting)	2014	2013
	Rs.	Rs.
Included in Administrative Expenses		
Employees Benefits including the following		
- Defined Contribution Plan Costs - EPF&ETF (included in Employee Benefits)	80,773,666	56,704,608
Depreciation	43,207,571	21,394,795
Amortisation	1,296,233	419,587
Gratuity	507,558	226,684
Auditors Fees and Expenses	<u>773,900</u>	<u>670,000</u>

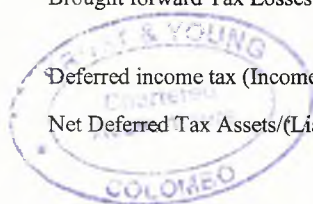
14. INCOME TAX

The Major Components of Income Tax Expense for the year ended 31 March are as follows :

Current Income Tax	2014	2013
	Rs.	Rs.
Current Income Tax charge	-	189,866
Income Tax under/(over) Provision	<u>(189,866)</u>	<u>-</u>
	<u>(189,866)</u>	<u>189,866</u>
Deferred Income Tax		
Deferred Taxation Charge/(Reversal) (14.1)	<u>2,012,758</u>	<u>10,921,991</u>
	<u>1,822,892</u>	<u>11,111,857</u>
Deferred Income Tax		
Net Actuarial Gain/Loss on Post Employment Benefit	<u>13,863</u>	<u>3,335</u>
Income Tax Expenses Reported in Other Comprehensive Income Statement	<u>13,863</u>	<u>3,335</u>
Total Income Tax Expenses Reported in the Statement of Comprehensive Income Statement	<u>1,836,756</u>	<u>11,115,192</u>
A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :		
Accounting Profit/(Loss) Before Tax	(161,576,937)	(84,958,645)
Aggregate Disallowed Items	76,813,483	84,958,645
Aggregate Allowed Items	<u>(78,808,309)</u>	<u>-</u>
Adjusted Profit/(Loss)	<u>(163,571,763)</u>	<u>-</u>
Interest Income	1,358,901	2,398,204
Less: Royalty Paid	<u>(1,358,901)</u>	<u>-</u>
Taxable Profit/(loss)	-	2,398,204
Less: Trade Loss Set Off	<u>-</u>	<u>(839,371)</u>
	<u>-</u>	<u>1,558,833</u>
Statutory Tax Rate		
Concessionary Tax Rate of 12% (2013 - 12%)	-	189,866
Current Income Tax	<u>-</u>	<u>189,866</u>

14.1 Deferred Tax Assets, Liabilities and Income Tax relates to the followings

	Statement of Financial Position		Statement of Comprehensive Income	
	2014	2013	2014	2013
	Rs.	Rs.	Rs.	Rs.
Deferred Tax Liability				
Capital allowances for tax purposes	<u>8,495,822</u>	<u>6,628,822</u>	<u>1,867,000</u>	<u>4,009,735</u>
	<u>8,495,822</u>	<u>6,628,822</u>	<u>1,867,000</u>	<u>4,009,735</u>
Deferred Tax Assets				
Defined Benefit Plans	126,809	62,567	(64,242)	(30,537)
Differed Taxation Attributable to Actuarial gain/Loss	(10,528)	3,335	13,863	3,335
Bad Debtor General Provision	-	210,000	210,000	(210,000)
Brought forward Tax Losses	-	-	-	7,152,793
	<u>116,281</u>	<u>275,902</u>	<u>159,621</u>	<u>6,915,591</u>
Deferred income tax (Income)/Expense			<u>2,026,622</u>	<u>10,925,326</u>
Net Deferred Tax Assets/(Liability)	<u>(8,379,542)</u>	<u>(6,352,920)</u>		



14. INCOME TAX (Contd...)

	2014 Rs.	2013 Rs.
14.2 Deferred Tax Assets and Liabilities		
Balance as at the beginning of the year	(6,352,920)	4,572,406
Deferred Income Tax Credit/Charge - Income Statement	(2,012,758)	(10,921,991)
Deferred Income Tax Credit/Charge - Statement of Other Comprehensive Income	(13,863)	(3,335)
Balance as at the end of the year	<u>(8,379,542)</u>	<u>(6,352,920)</u>

During the year deferred tax assets have not been recognised on carried forward tax losses to the extent that it is not probable that taxable profits will be available against which deductible expenses.

15. EARNINGS PER SHARE

15.1 Basic Earnings/(Loss) Per Share is calculated by dividing the net Profit/(Loss) for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. The weighted average number of ordinary shares outstanding during the year and the previous year are adjusted for events that have changed the number of ordinary shares outstanding, without a corresponding change in the resources such as a bonus issue.

15.2 The following reflects the Profit/(Loss) and share data used in the Basic Earnings/(Loss) Per Share computations.

	2014 Rs.	2013 Rs.
Attributable to ordinary shareholders for Basic Earnings Per Share	<u>(163,399,829)</u>	<u>(96,042,711)</u>
Number of Ordinary Shares used as the denominator:		
	2014 Number	2013 Number
Weighted Average Number of ordinary shares in issue applicable to Basic Earnings/(Loss) per share	<u>65,199,219</u>	<u>49,734,450</u>
Earnings/(Loss) per share	<u>(2.51)</u>	<u>(1.93)</u>

16. CASH AND CASH EQUIVALENT IN THE CASH FLOW STATEMENT
Components of Cash and Cash Equivalents

	2014 Rs.	2013 Rs.
16.1 Favourable Cash And Cash Equivalents Balance		
Cash and Bank Balances	4,085,155	2,319,836
Fixed Deposits (Short Term)	27,500,000	7,500,000
	<u>31,585,155</u>	<u>9,819,836</u>
16.2 Un Favourable Cash And Cash Equivalents Balance		
Book Over Drafts	(3,769,893)	(4,823,049)
Total Cash and Cash Equivalents	<u>27,815,262</u>	<u>4,996,787</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2014

14. INCOME TAX (Contd...)

	2014 Rs.	2013 Rs.
Balance as at the beginning of the year	(6,352,920)	4,572,406
Deferred Income Tax Credit/Charge - Income Statement	(2,012,758)	(10,921,991)
Deferred Income Tax Credit/Charge - Statement of Other Comprehensive Income	(13,863)	(3,335)
Balance as at the end of the year	<u>(8,379,542)</u>	<u>(6,352,920)</u>

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Attributable to ordinary shareholders for Basic Earnings Per Share	<u>(163,399,829)</u>	<u>(96,042,711)</u>
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Book Over Drafts	(3,769,893)	(4,823,049)
Total Cash and Cash Equivalents	<u>27,815,262</u>	<u>4,996,787</u>



Jubilant FoodWorks Lanka (Pvt) Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2014

17. COMMITMENTS AND CONTINGENCIES

17.1 Capital Expenditure Commitments

The Company does not have significant capital commitments as at the date of Statement of Financial Position.

17.2 Contingent Liabilities

The Company does not have significant contingencies as at the date of Statement of Financial Position.

18. ASSETS PLEDGED

There have been no assets pledged as at the date of Statement of Financial Position.

19. RELATED PARTY DISCLOSURES

Details of significant related party disclosures are as follows:

19.1 Transaction with the parent

Nature of Transaction	Jubilant Foodworks Ltd (India)	
	2014 Rs.	2013 Rs.
Purchase of Shares	291,880,000	241,835,000
Cash Received	(291,880,000)	(241,835,000)
As at 31 March	-	-

19.2 Transactions with Key Management Personnel of the Company or its parent

The Key Management Personnel of the Company are the members of its Board of Directors.

There have been no transactions with Key Management Personnel of the Company for the period ended 31 March 2014.

20. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the date of reporting that require adjustments to or disclosure in the financial statements.



JUBILANT FOODWORKS LANKA (PVT) LIMITED

**DETAILED INCOME STATEMENT
YEAR ENDED 31 MARCH 2014**

Jubilant FoodWorks Lanka (Pvt) Limited

DETAILED INCOME STATEMENTS

Year ended 31 March 2014

	Statement	2014 Rs.	2013 Rs.
Turnover		276,924,341	161,328,497
Cost of Sales	I	<u>(101,305,820)</u>	<u>(69,874,654)</u>
Gross Profit		175,618,521	91,453,843
Finance Income		1,358,901	2,398,204
Administrative Expenses	II	(279,443,499)	(154,571,425)
Distribution Expenses	III	(58,737,824)	(23,903,396)
Finance Cost		(373,036)	(308,080)
Loss Before Tax		<u><u>(161,576,937)</u></u>	<u><u>(84,930,854)</u></u>



Jubilant FoodWorks Lanka (Pvt) Limited

DETAILED INCOME STATEMENTS

Year ended 31 March 2014

STATEMENT I

	2014	2013
	Rs.	Rs.
COST OF SALES		
Opening Stock	8,218,943	7,241,378
Purchase-Raw Material	11,489,920	19,468,397
Purchase-Dough Ingredient	11,484,993	5,069,154
Purchase-Milk Product	41,959,915	22,615,699
Purchase-Non Veg Items	23,547,260	15,606,341
Purchase-Beverages	11,287,749	6,143,680
Purchase-DR/Cr Integration	1,361,529	1,948,948
Closing Stock	(8,044,489)	(8,218,943)
	<u>101,305,820</u>	<u>69,874,654</u>



DETAILED INCOME STATEMENTS

Year ended 31 March 2014

STATEMENT II

	2014	2013
	Rs.	Rs.
ADMINISTRATION EXPENSES		
Attendance Allowance	7,524,060	4,502,037
Audit Fees	773,900	670,000
Brokerage and Commission	35,000	83,000
Conference Expenses	345,729	274,716
Contribution to EPF	5,183,195	3,224,357
Contribution to ETF	1,290,959	804,772
Courier Charges	45,635	87,847
Depreciation	43,207,571	21,394,795
Diesel Expenses	744,646	776,879
Electricity	35,920,821	16,336,232
Entertainment Allowance	5,365,918	3,750,276
Food Testing Expenses	485,660	113,856
Franchisee Fess	8,307,729	4,839,758
General Expenses	921,128	1,186,078
Gratuity	507,558	198,893
Insurance Expenses	2,784,984	2,002,329
Legal Advisory Fees	4,733,587	3,427,739
LPG Cost	10,330,354	4,717,829
Motor Vehicle Running Expenses	2,257,387	1,956,000
Pest control	683,816	108,489
Printing and Stationery	842,697	705,648
Opening Stock (Printing and Stationary)	68,165	-
Purchase-Printing and Stationary	516,130	94,462
Closing Stock (Printing and Stationary)	(189,891)	(68,165)
Recruitment Expenses	497,897	372,164
Rent Expenses	34,819,363	16,172,536
Repair and Maintenance	1,877,735	600,015
Reward and Recognition Expenses	90,868	20,138
Security Expenses	4,315,008	1,963,923
Service Charges for sodexo	2,453,168	941,886
Staff Salaries	53,850,757	32,714,262
Staff Welfare	2,956,110	2,115,616
Telephone and Fax Charges	6,193,884	1,466,357
Training and Seminar Expenses	293,135	52,655
Transport Allowance	13,247,798	7,323,320
Travelling and Conveyance	3,543,270	2,136,244
Travelling Foreign	4,418,658	4,377,291
Travelling Inland	47,020	63,540
Uniform Expenses	14,000	21,045
Vehicle Rent Charges	3,922,129	3,468,000
House Keeping Charges	3,592,145	2,450,450
Opening Stock (Cleaning)	169,636	-
Purchase-Cleaning and Hygiene	3,813,737	1,463,297
Closing Stock (Cleaning)	(261,955)	(169,636)
Water Charges	1,223,512	946,623
Amortisation	1,296,233	419,587
Software Expenses	-	1,555,721
Exchange Loss	98,244	18,889
Medical Expenses	180,019	241,175
Connectivity Expense	4,104,390	2,648,500
	<u>279,443,499</u>	<u>154,571,425</u>

STATEMENT III

	2014	2013
	Rs.	Rs.
DISTRIBUTION EXPENSES		
Advertisement	29,947,051	8,892,221
Local Store Marketing	1,038,902	824,224
Opening Stock (Consumable)	2,349,904	-
Purchase-Consumable	3,383,714	3,491,696
Closing Stock (Consumables)	(1,690,654)	(2,349,904)
Opening Stock (Packing)	2,057,097	-
Purchase-Packing Material	17,202,322	8,793,392
Closing Stock (Packing)	(3,946,981)	(2,057,097)
Petrol Expenses	2,840,186	1,856,727
Vehicle Maintenance Charges	1,332,935	528,380
Opening Stock (Uniform)	664,110	-
Purchase-Uniform	857,599	1,402,042
Closing Stock (Uniform)	(211,578)	(664,110)
Freight Expenses	2,913,217	1,435,825
Provision for Doubtful Debts	-	1,750,000
	<u>58,737,824</u>	<u>23,903,396</u>

