JUBILANT FOODWORKS LANKA (PRIVATE) LIMITED

FINANCIAL STATEMENTS TOGETHER WITH AUDITOR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2020

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF JUBILANT FOODWORKS LANKA (PRIVATE) LIMITED

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of Jubilant FoodWorks Lanka (Private) Limited ("the Company"), which comprise the statement of financial position as at 31 March 2020, and the 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 March 2020, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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

Other Information
Management is responsible for the other information. The other information generally comprises the information included in the Directors report, but 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 any 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.

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Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SLAuSs, we exercise professional judgement 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 it appears from our examination, proper accounting records have been kept by the Company.

SJMS ASSOCIATES
Chartered Accountants
Colombo
18 May 2020

SJMS ASSOCIATES
11, Castle Lane,
Colombo - 04.
Tel:0115 444 400
CHARTERED ACCOUNTANTS

Jubilant FoodWorks Lanka (Private) Limited

STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	31.03.2020 Rs.	31.03.2019 Rs.
Assets			
Non current assets			
Property, plant and equipment	9.1	398,198,630	480,769,743
Right-of-use assets	9.2	179,819,677	-
Intangible assets	10	16,866,399	16,533,546
Security deposit	12.1	25,813,779	-
		620,698,484	497,303,289
Current assets			
Inventories	11	40,079,190	69,514,304
Receivables	12	42,510,573	98,026,738
Income tax recoverable		86,862	86,862
Cash and cash equivalents	17	25,590,779	21,712,062
		108,267,405	189,339,966
Total assets		728,965,889	686,643,256
Equity and liabilities			
Capital and reserves			
Stated capital	13	2,176,175,790	2,055,200,750
Accumulated loss		(1,770,234,138)	(1,482,744,114)
Total equity		405,941,652	572,456,636
Non-current liabilities			
Lease liability - long term	14	214,208,148	-
Retirement benefit obligation	15	5,163,366	3,326,850
		219,371,514	3,326,850
Current liabilities			
Lease liability - short term	14	30,859,527	-
Trade and other payables	16	38,560,226	86,302,305
Bank overdraft	17	14,108,945	22,916,295
Amounts due to related parties	20	20,124,025	1,641,170
		103,652,723	110,859,770
Total equity and liabilities		728,965,889	686,643,256

I certify that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

………………………………...……

Manager-Finance & Accounts

The Board of Directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by the following on 18 May 2020.

………………………………...…… Director

…... Director

The accounting policies and notes on pages 7 through 32 form an integral part of the financial statements.

Jubilant FoodWorks Lanka (Private) Limited

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Year ended 31 March 2020

	Notes	2019/2020 Rs.	2018/2019 Rs.
Revenue	3	792,713,131	793,472,282
Cost of sales		(329,398,343)	(314,182,473)
Gross profit		463,314,788	479,289,809
Administrative expenses		(589,948,005)	(607,527,126)
Distribution expenses		(83,552,567)	(106,105,230)
Other income		8,898,338	15,279,952
Finance income	4	4,214,752	1,894,057
Finance expense	5	(30,139,689)	-
Loss before tax	6	(227,212,382)	(217,168,538)
Income tax expense	7.1	(11,244,442)	(262,881)
Loss for the year		(238,456,824)	(217,431,419)
Other comprehensive income			
Items that will not be reclassified subsequently to profit /(loss):			
Re-measurement (loss) / gain on defined benefit plan	15	(1,821,148)	(518,573)
Other comprehensive loss, net of tax		(1,821,148)	(518,573)
Total comprehensive loss for the year		(240,277,972)	(217,949,993)
Earnings per share			
Loss per share - basic	8.2	(1.13)	(1.11)

The accounting policies and notes on pages 7 through 32 form an integral part of the financial statements.

Jubilant FoodWorks Lanka (Private) Limited

STATEMENT OF CHANGES IN EQUITY
Year ended 31 March 2020

	Stated capital Rs.	Accumulated losses Rs.	Total Rs.
Balance as at 01 April 2019	1,819,869,500	(1,264,794,121)	555,485,679
Loss for the year	-	(217,431,419)	(217,431,419)
Other comprehensive loss for the year	-	(518,573)	(518,573)
Total comprehensive loss for the year	-	(217,949,993)	(217,949,993)
Issue of stated capital	235,331,250	-	235,331,250
Balance as at 31 March 2019	**2,055,200,750**	**(1,482,744,114)**	**572,866,936**
Loss for the year		(238,456,824)	(238,456,824)
Effect of change in accounting policy for initial application of SLFRS 16 (Note 24)	-	(47,212,052)	(47,212,052)
Other comprehensive loss for the year	-	(1,821,148)	(1,821,148)
Total comprehensive loss for the year	-	(287,490,024)	(240,277,972)
Issue of stated capital	120,975,040	-	-
Balance as at 31 March 2020	**2,176,175,790**	**(1,770,234,138)**	**332,588,964**

The accounting policies and notes on pages 7 through 32 form an integral part of the financial statements.

Jubilant FoodWorks Lanka (Private) Limited

STATEMENT OF CASH FLOWS
Year ended 31 March 2020

	Notes	2019/2020 Rs.	2018/2019 Rs.
Cash flows from operating activities			
Loss before income tax	6	(227,212,382)	(217,168,538)
Adjustments for:			
Amortisation of intangible assets	10	6,337,487	5,805,636
Depreciation	9.1	113,312,038	116,531,855
Depreciation of right-of-use assets	9.2	33,619,417	-
Finance income	4	(4,214,752)	(1,894,057)
Finance expense	5	30,139,689	
Gratuity provision	15	1,296,000	1,240,574
Loss on disposal of property, plant and equipment		-	1,543,638
Inventory write -off		1,885,278	-
Operating loss before working capital changes		(44,837,225)	(93,940,894)
Changes in working capital			
Increase in inventories		27,549,836	(30,701,685)
Decrease in trade and other receivables		4,218,397	46,059,585
Decrease/ (increase) in trade and other payables		(13,624,335)	(60,507,750)
Increase in amounts due to related parties		18,482,855	13,966,767
Cash used in operating activities		(8,210,472)	(125,123,977)
ESC paid		(4,110,940)	(4,916,198)
Interest received	4	1,858,889	1,894,057
Gratuity paid	15	(1,280,632)	(2,076,682)
Net cash flows generated from operating activities		(11,743,154)	(130,222,800)
Cash flow from investing activities			
Acquisition of property, plant and equipment	9.1	(30,740,925)	(83,412,409)
Acquisition of intangible assets	10.1	(6,670,339)	(7,203,396)
Proceeds from disposal of property, plant and equipment		-	1,638,725
Net cash used in investing activities		(37,411,265)	(88,977,080)
Cash flow from financing activities			
Proceeds on issue of shares	13.1	120,975,040	235,331,250
Lease rental paid	9	(59,134,554)	-
Net cash from financing activities		61,840,486	235,331,250
Net increase in cash and cash equivalents		12,686,067	16,131,370
Cash and cash equivalents at the beginning of the year	17.2	(1,204,233)	(17,335,603)
Cash and cash equivalents at the end of the year	17.2	11,481,834	(1,204,233)

The accounting policies and notes on pages 7 through 32 form an integral part of the financial statements.

1. Corporate information

1.1 General

Jubilant FoodWorks Lanka (Private) 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, Dehiwala, 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 (Private) Limited for the year ended 31 March 2020 were authorised for issue in accordance with a resolution of the board of directors on 8 June 2020.

2. Basis of preparation and summary of significant accounting policies

2.1 Statement of compliance

The Financial Statements of Jubilant FoodWorks Lanka (Private) Limited has been prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka and in compliance with the Companies Act No. 07 of 2007.

2.2 Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the defined benefit plan, which is measured at present value based on actuarial valuation.

All assets and liabilities are classified as current and non-current as per company's normal operating cycle of twelve months which is based on the nature of business of the Company. Current assets do not include elements which are not expected to be realised within one year and current liabilities do not include items which are due after one year, the period of one year being reckoned from the reporting date.

2.3 Going concern

The Company has continuously incurred losses since its inception. The Company's net assets amounting to Rs.405Mn is less than half of the stated capital of the company as at 31 March 2020. However, the financial statements of the Company have been prepared on the basis of accounting principles applicable to going concern. This going concern basis presumes that the company will continue to receive financial support from its parent company. The company making progress in achieving its profitability level through focus on growing revenue by improving operational KPI’s such as faster delivery and more investments on digital sales. At the same time efficient cost controls over food cost, manpower cost, discounts and re-negotiations on fixed cost such as rents focused. In the immediate subsequent months the company has recorded a better financial performance.

2.4 Comparative information

The accounting policies adopted by the Company are consistent with those used in the previous financial year, except as described in note 2.6 in the policies below.

2.5 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the company's functional currency and presentation currency. All financial information presented in Sri Lankan Rupees is rounded to the nearest rupee unless otherwise stated.

2.6 New accounting standards issued and effective

The Institute of Chartered Accountants of Sri Lanka has issued SLFRS 16, Leases which is effective for financial periods beginning on or after 1 January 2019. A number of other standards are also effective from 1 January 2019, but they do not have a material effect on Company's financial statements.

2.6.1 Sri Lanka Accounting Standards (SLFRS 16) - Leases

This standard sets outs the principles for the recognition, measurement, presentation and disclosure of leases and provides a single lessee accounting model requiring lessees to recognise assets and liabilities for all leases other than short term leases (lease term is twelve months or less) and leases for which the underlying asset has a low value, although accounting for lessors remains substantially similar to the current practice. This standard is effective for the annual periods beginning on or after 01 January 2019.

The company adopted SLFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 April 2019. The company also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

The effect of adopting SLFRS 16 is presented in note 24 to the financial statements.

2.7 Summary of significant accounting policies

2.7.1 Income tax

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

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 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 Inland Revenue Act No. 24 of 2017.

b) Deferred taxation

Deferred tax is recognised using the balance sheet liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised.

b) Deferred taxation (Contd…)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the tax rates and tax laws that have been enacted or substantively enacted as at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, only when a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.7.2 Earnings per share

The company presents basic Earnings Per Share (EPS) based on profit or loss attributable to the ordinary shareholders. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

2.7.3 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.

2.7.4 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.

The cost of the inventory comprises of the cost incurred in bringing inventories to its present location and condition.

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

2.7.5 Cash and cash equivalents

Cash and cash equivalents are cash in hand and balances with banks.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash in hand and deposits in saving accounts net of outstanding book overdrafts.

Cash flows are reported using the 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.

2.7.6 Property, plant and equipment

2.7.6.1 Basis of recognition

All property, plant and equipment are initially recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor and any other costs directly attributable to bringing the assets to a working condition for their intended use.

2.7.6.2 Subsequent measurement

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are recognized in profit or loss in the period in which those are incurred.

All classes of assets included under property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2.7.6.3 Depreciation

Depreciation is charged to profit or loss so as to write off the cost of assets less their residual values, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year-end, with the effect of any changes in such estimates accounted for prospectively.

The estimated useful lives of depreciable assets are as follows:

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 % 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	6	16.67%

2.7.6.4 De-recognition

Property, plant and equipment is de-recognised on disposal or when no future economic benefits are expected from their use. Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in profit or loss.

2.7.6.5 Capital work-in-progress

Capital work in progress represents all amounts paid on work undertaken, and still in an unfinished state as at the end of the year and is carried at cost less any recognised impairment. Depreciation on such items commences when the assets are ready for their intended use.

2.7.7 Intangible assets

2.7.7.1 Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably. Intangible assets include cost of computer software and licenses acquired by the Company and is stated at cost less accumulated amortisation and accumulated impairment losses.

2.7.7.2 Subsequent expenditure

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

2.7.7.3 Amortization

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

The estimated useful lives of the company's intangible assets is as follows:

Intangible asset	Estimated useful life (in number of years)	Depreciation rate
Software	5	20%
Store opening fees	5	20%

2.7.7.4 De-recognition

An intangible asset is de-recognised on disposal or when no future economic benefits are expected from it. The gain or loss arising from de-recognition of such disposal is included in profit or loss when the item is derecognised.

2.7.8 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 profit or loss.

2.7.9 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.

2.7.9 Impairment of tangible and intangible assets (Contd…)

The Company bases its impairment calculation on detailed budgets and forecast calculations. 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, if any 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 profit or loss.

2.7.10 Financial assets- recognition and measurement

2.7.10.1 Initial recognition and measurement

All financial assets are initially recognized on the date that the company becomes a party to the contractual provisions of the instrument.

All financial instruments are measured initially at their fair value including transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

2.7.10.2 Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

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

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

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

2.7.10.2 Classification and subsequent measurement

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets - Subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

2.7.10.3 De-recognition of financial assets

The company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognizes its retained interest in the asset and an associated liability for the amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognize the financial asset and also recognizes the collateralized borrowing of the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety, the company allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

2.7.10.4 Identification, measurement and assessment of impairment

In relation to the impairment of financial assets, SLFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under LKAS 39. The expected credit loss model requires the Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, SLFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

- Debt investments measured subsequently at amortised cost;
- Trade receivables and contract assets; and
- Financial guarantee contracts to which the impairment requirements of SLFRS 9 apply.

SLFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company will measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. SLFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

2.7.11 Financial liabilities

2.7.11.1Initial recognition and measurement

The company classifies financial liabilities in to financial liabilities at Fair Value through Profit or Loss (FVTPL) or other financial liabilities.

The company recognizes financial liabilities in the statement of financial position when the company becomes a party to the contractual provisions of the financial liability.

(i) Financial liability at FVTPL

Financial liabilities at FVTPL include financial liabilities held-for-trading or designated as such upon initial recognition. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Upon initial recognition, transaction costs that are directly attributable to the acquisition are recognized in profit or loss as incurred. The criteria for designation of financial liabilities at FVTPL upon initial recognition are the same as those of financial assets at FVTPL.

(ii) Other financial liabilities

Other financial liabilities are initially measured at fair value less transaction cost that are directly attributable to the acquisition and subsequently 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.

2.7.11.2 De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. 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 de-recognition 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.

2.7.12 Provisions

Provisions are recognised when the company has a binding present obligation. This may be either legal because it derives from a contract, legislation or other operation of law, or constructive because the company created valid expectations on the part of third parties by accepting certain responsibilities. To record such an obligation it must be probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made for the amount of the obligation. The amount recognised as a provision and the indicated time range of the outflow of economic benefits are the best estimate (most probable outcome) of the expenditure required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

2.7.13 Employee retirement benefits

a) Short term and other long term employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amounts of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amounts of the benefits to be paid in exchange for the related services.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the company in respect of services provided by the employees up to the reporting date.

b) Defined benefit plan – gratuity

The Defined Benefit Obligation recognized in the statement of financial position represents the present value of the Defined Benefit Obligation at the reporting date estimated using the projected unit credit method. These benefits are not externally funded. Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service. The company's obligations under the said Act is determined based on an actuarial valuation using the projected unit credit method carried out by a professional actuary.

Gains and losses through re-measurements of the defined benefit liability are recognized in other comprehensive income and not reclassified to profit and loss in subsequent periods.

c) Defined contribution plans – Employees' Provident Fund and Employees' Trust Fund

Defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

All employees of the Company are members of the Employees' Provident Fund and the Employees' Trust Fund, to which the Company contributes 12% and 3% respectively of such employees' basic or consolidated wage or salary.

2.7.14 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. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes.

a) Sale of goods

The Company recognizes revenue from sale of food through Company's owned stores located in Sri Lanka and are recognized when the items are delivered to or carried out by customers. Customer's payments are generally due at the time of sale.

b) Other income

Other income mainly consists of interest income which is recognised on an accrual basis using the Effective Interest Rate (EIR) method. Gains and losses on the disposal of property, plant and equipment are recognized in profit or loss, at the point of disposal.

2.7.15 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 benefits is not probable or the amount cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position, but are disclosed.

2.7.16 Significant accounting judgements Commitments and contingencies

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 judgments, 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 judgments and estimates**.**

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

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 are included in the following notes:

- Retirement benefit obligation
- Impairment of inventories and trade and other receivables
- Property plant and equipment and Right- of –use assets
- Deferred tax

	2019/2020 Rs.	2018/2019 Rs.
3. Sales		
Sales - Pizza	744,299,389	745,120,170
Sales - Beverages	33,073,264	33,042,868
Delivery charges	15,340,477	15,309,244
	792,713,131	793,472,282
4. Finance income		
Interest income - Savings Accounts	1,858,889	1,894,057
Interest income on security deposits	2,355,862	-
	4,214,752	1,894,057
5. Finance expenses		
Interest expenses on lease liability	30,139,689	-
	30,139,689	-

6. Loss before taxation

Loss before tax is stated after charging all expenses including the following :

	2019/2020 Rs.	2018/2019 Rs.
Included in administrative expenses		
Employees' benefits including the following:		
Staff salaries and allowances	168,618,486	160,653,756
Defined contribution plan costs - EPF & ETF (included in employee benefits)	15,337,846	13,544,245
Depreciation	113,312,038	116,531,855
Amortisation of intangible assets	21,884,243	6,337,487
Gratuity	1,296,000	1,240,574
Auditors fees and expenses	935,000	952,000

7. Income tax

7.1 The major components of income tax expenses for the year ended 31 March are as follows :

		2019/2020 Rs.	2018/2019 Rs.
Current tax			
Current income tax expenses		-	-
Write-off of ESC receivable		11,244,442	262,881
		11,244,442	262,881
Reconciliation between taxable profit and accounting profit			
Accounting loss before tax		(227,212,382)	(217,168,538)
Aggregate disallowable expenses		94,745,384	120,847,152
Aggregate allowable expenses		(110,308,152)	(101,478,826)
Adjusted profit / (loss)		(242,775,150)	(197,800,212)
Interest income		1,858,889	1,894,057
Less: Brought forward tax losses		(1,858,889)	(1,894,057)
Taxable profit		NIL	NIL
Current tax at 24%	(28% - 2018/19)	-	-
Balance income tax payable		-	-

Applicable rate of income tax

As instructed by the Ministry of Finance on 31 January 2020 and 05 March 2020, a revision of income tax rates through Circular No. PN/IT/2020-03 (Revised) have been proposed to the Inland Revenue Act No. 24 of 2017 (IRA), pending formal amendments being made to the Act and to be implemented with effect from 01 January 2020. Hence, the applicable tax rate for the income tax for the period is 28% based on the substantively enacted rate. However, provision has not been made for income tax due to the tax losses incurred by the company.

	2019/2020 Rs.	2018/2019 Rs.
7.2 Tax losses carried forward		
Tax losses brought forward	1,489,095,515	1,293,189,360
Adjustment for previous year	(4,196,233)	-
Loss incurred during the year (Note 7.1)	242,775,150	197,800,212
Loss set off against interest income	(1,858,889)	(1,894,057)
Tax losses carried forward	1,725,815,543	1,489,095,515

7.3 Deferred tax assets and liabilities relate to the following.

The company has computed deferred tax at the rate of 28% in the current year (2018/19- 28%) based on the substantively enacted rate which is the rate legislated as of the reporting date specified in the Inland Revenue Act No. 24 of 2017 due to the fact that the Inland Revenue Department Circular No. PN/IT/2020-03 (Revised) has not been enacted as of the reporting date.

	Statement of financial position		Statement of profit or loss and OCI	
	31.03.2020 Rs.	31.03.2019 Rs.	2019/2020 Rs.	2018/2019 Rs.
Deferred tax liability				
Property, plant and equipment	45,163,428	54,657,073	(9,493,645)	(11,984,856)
	45,163,428	54,657,073	(9,493,645)	(11,984,856)
Deferred tax assets				
Defined benefit obligation	935,821	786,317	(149,504)	349,639
Re-measurement (loss) / gain on defined benefit plan	509,921	145,201	(364,720)	(260,729)
Tax losses	43,717,686	44,172,586	454,900	11,516,426
Provision for lease equalization	-	9,552,969	9,552,969	379,520
	45,163,428	54,657,073	9,493,645	11,984,856
Deferred tax charge / (reversal)			-	-
Net deferred tax assets / (liability)	-	-		

	31.03.2020 Rs.	31.03.2019 Rs.
Movement in deferred taxes		
Balance as at the beginning of the year	-	-
Deferred income tax charge - Income statement	715,629	11,777,155
Deferred income tax (credit) / charge - statement of other comprehensive income	(260,729)	(260,729)
Deferred tax assets on carried forward tax losses	(454,900)	(11,516,426)
Balance as at the end of the year	-	-

Assumption made in recognition of the deferred tax assets

Deferred tax assets on tax losses is recognised in the financial statements only to the extent to setoff against the net deferred tax liability, since it is not probable that the future taxable profits will be adequate to utilize the available tax losses in the future. The unregonized deferred tax assets on tax losses as at 31 March 2020 amounted to Rs. 439,510,666 (2018/19 - Rs. 416,946,744).

8. Earnings per share

8.1 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.

8.2 The following reflects the profit/(loss) and share data used in the basic earnings/(loss) per share computations.

	2019/2020 Rs.	**2018/2019 Rs.**
Loss attributable to ordinary shareholders for basic earnings per share	(238,456,824)	(217,431,419)

	31.03.2020 Rs.	**31.03.2019 Rs.**
Number of ordinary shares used as the denominator:		
Weighted average number of ordinary shares in issue applicable to basic earnings/(loss) per share	211,639,244	196,504,297
Loss per share	(1.13)	(1.11)

		31.03.2020 Rs.	31.03.2019 Rs.
9.	**Property, plant and equipment**		
	Freehold assets (Note 9.1)	398,198,630	480,769,743
	Right-of-use assets (Note 9.2)	179,819,677	-
		578,018,306	480,769,743

		Balance as at 01.04.2019 Rs.	Additions Rs.	Transfers from/ (to) CWIP Rs.	Disposals/ reversal Rs.	Balance as at 31.03.2020 Rs.
9.1	**Freehold assets**					
9.1.1	**Gross carrying amounts**					
	Leasehold improvements	379,829,836	9,381,121	-	-	389,210,957
	Plant and machinery	409,027,992	16,066,812	-	-	425,094,803
	Furniture and fittings	116,715,611	5,292,993	-	-	122,008,604
	Office equipment	5,624,270	-	-	-	5,624,270
	Motor vehicles	34,482,325	-	-	-	34,482,325
		945,680,034	30,740,925	-	-	976,420,959
	Capital work-in-progress					
	Plant and machinery	17,669,229	-	-	-	17,669,229
	Furniture and fittings	472,577	-	-	-	472,577
	Office equipment	40,392	-	-	-	40,392
		18,182,198	-	-	-	18,182,198
	Total gross carrying amount	963,862,232	30,740,925	-	-	994,603,157

		Balance as at 01.04.2019 Rs.	Charge for the year Rs.	Transfers/ adjustments Rs.	Disposals Rs.	Balance as at 31.03.2020 Rs.
9.1.2	**Depreciation**					
	Leasehold improvements	201,923,726	48,827,869	-	-	250,751,595
	Plant and machinery	197,020,238	42,650,442	-	-	239,670,680
	Furniture and fittings	61,599,122	17,356,497	-	-	78,955,619
	Office equipment	3,898,749	362,921	-	-	4,261,670
	Motor vehicles	18,650,653	4,114,310	-	-	22,764,963
	Total depreciation	483,092,488	113,312,039	-	-	596,404,527

		31.03.2020 Rs.	31.03.2019 Rs.
9.1.3	**Net book value property, plant and equipment**		
	Leasehold improvements	138,459,362	177,906,110
	Plant and machinery	185,424,123	212,007,754
	Furniture and fittings	43,052,986	55,116,490
	Office equipment	1,362,600	1,725,521
	Motor vehicles	11,717,362	15,831,672
		380,016,432	462,587,546
	Capital work-in-progress		
	Plant and machinery	17,669,229	17,669,229
	Furniture and fittings	472,577	472,577
	Office equipment	40,392	40,392
		18,182,198	18,182,198
	Total net book value	398,198,630	480,769,743

Property, plant and equipment consist fully depreciated assests Rs.176,107,498/- as at 31.03.2020 (2019- Rs.102,631,767/-).

9.2	**Right-of-use assets (Buildings - Store outlets)**		
	Cost		
	Recognition as of 01 April 2019	380,208,190	-
	Disposal/ termination	(3,739,723)	-
	Balance as at 31 March 2020	376,468,467	-
	Accumulated depreciation		
	Recognition as of 01 April 2019	163,029,373	-
	Depreciation during the year	33,619,417	-
	Balance as at 31 March 2020	196,648,790	-
	Net book value	179,819,677	-

	Balance as at 31.03.2019 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.03.2020 Rs.
10. Intangible assets				
10.1 Gross carrying amounts				
Software	21,908,936	6,670,339	-	28,579,275
Store opening fee	16,508,853	-	-	16,508,853
	38,417,789	6,670,339	-	45,088,128
10.2 Amortization				
Software	9,456,114	4,806,191	-	14,262,305
Store opening fee	12,428,129	1,531,295	-	13,959,424
	21,884,243	6,337,487	-	28,221,729

	31.03.2020 Rs.	31.03.2019 Rs.
10.3 Net book value		
Software	14,316,970	12,452,822
Store opening fee	2,549,429	4,080,724
	16,866,399	16,533,546

Store opening fee is paid to Domino's Pizza International Franchising Inc. and is amortised over 05 years which is in line with the group policy.

	31.03.2020 Rs.	31.03.2019 Rs.
11. Inventories		
Food stock	31,355,364	55,909,400
Traded items stock	1,032,697	1,226,571
Non food stock	7,691,130	12,378,333
	40,079,191	69,514,305
12. Receivable		
Deposits and prepayments	4,897,634	3,290,492
Security deposit - current	2,355,862	49,322,933
ESC & WHT receivables	9,831,924	16,901,407
Sundry debtors	14,720,976	15,609,516
Capex and opex advances	10,704,176	12,902,390
	42,510,573	98,026,739
12.1 Security Deposit - Non Current		
Security deposit - Non current	25,813,779	-
	25,813,779	-

	2020		2019	
	Number of shares	**Value of shares Rs.**	**Number of shares**	**Value of shares Rs.**
13. Stated capital				
13.1 Issued and fully paid				
At the beginning of the year	205,520,075	2,055,200,750	181,986,950	1,819,869,500
Issued during the year	12,097,504	120,975,040	23,533,125	235,331,250
At the end of the year	217,617,579	2,176,175,790	205,520,075	2,055,200,750

	31.03.2020 Rs.	**31.03.2019 Rs.**
14. Lease liability		
At the beginning of the year	277,802,264	-
Interest expense	30,139,689	-
Rent payments	(59,134,554)	-
Termination of agreement	(3,739,724)	
At the end of the year	245,067,675	-
Non - current	214,208,148	-
Current	30,859,527	-
	245,067,675	-

		31.03.2020 Rs.	31.03.2019 Rs.
15.	**Retirement benefit obligation**		
	Defined benefit obligation		
	At the beginning of the year	3,326,850	3,644,385
	Current service cost	1,001,000	803,247
	Interest cost	295,000	437,326
	Payments during the year	(1,280,632)	(2,076,682)
	Net actuarial loss/ (gain)	1,821,148	518,573
	At the end of the year	5,163,366	3,326,850
15.1	**Expense on defined benefit plan-Gratuity**		
	Current service cost	1,001,000	803,247
	Interest cost	295,000	437,326
	The amount recognized in profit or loss	1,296,000	1,240,574
	Net actuarial loss/ (gain)s recognized in other comprehensive income	1,821,148	518,573
		3,117,148	1,759,147

15.2 An actuarial valuation was carried out by an independent professional valuer, Willis Towers Watson Employee Benefits Actuaries LLP, on 31 March 2020, to ascertain the full provision applicable in terms of the Payment of Gratuity Act No. 12 of 1983, in respect of all employees of the Company as at 31 March 2020, from the commencement of employment.

15.3 The principal assumptions used for this purpose are as follows:

	31.03.2020	31.03.2019
Discount rate	9.40%	11.00%
Salary increment rate	7.00%	7.00%
Staff turnover rates		
Category A	7.00%	7.00%
Category B	40.00%	40.00%
Retirement age	58 years	58 years

15.4 Assumptions regarding the future mortality are based on the rates from the 2000-2002 Sri Lanka Life Table issued by the Department of Census and Statistics of Sri Lanka.

15.5 The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

	Discount rate		Future salary increment rate	
Sensitivity Level	**Increase**	**Decrease**	**Increase**	**Decrease**
	1%	1%	1%	1%
Impact on defined benefit obligation - 31.03.2019	(219,269)	252,618	248,882	(217,063)
Impact on defined benefit obligation - 31.03.2020	(366,000)	422,000	403,000	(353,000)

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

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognized in the statement of financial position.

There was no change in the methods and assumptions used in preparing the sensitivity analysis when compared to the prior year.

	31.03.2020 Rs.	**31.03.2019 Rs.**
16. Trade and other payables		
Trade payables	10,640,530	24,041,722
Sundry creditors including accrued expenses	27,919,696	62,260,584
	38,560,226	86,302,305

		31.03.2020 Rs.	31.03.2019 Rs.
17.	**Cash and cash equivalents in the cash flow statements**		
	Components of cash and cash equivalents		
17.1	**Favourable cash and cash equivalents balance**		
	Bank balances	22,982,753	15,681,030
	Cash in hand	2,608,026	6,031,032
		25,590,779	21,712,062
17.2	**Unfavourable cash and cash equivalents balance**		
	Bank overdraft	(14,108,945)	(22,916,295)
		(14,108,945)	(22,916,295)
	Total cash and cash equivalents	11,481,835	(1,204,233)

18. Commitments and contingents

18.1 Capital commitments

The Company does not have significant capital commitments as at the date of the statement of financial position.

18.2 Contingent liabilities

The Company does not have significant contingencies as at the date of the statement of financial position.

19. Assets pledged

There have been no assets pledged as at the date of Statement of financial position.

20 Related party disclosures

Details of significant related party disclosures are as follows:

	Jubilant FoodWorks Ltd (India)	
	2019/2020 Rs.	**2018/2019 Rs.**
20.1 Transactions with the parent		
Nature of transaction		
Opening balance	(1,641,170)	-
Investment in shares	120,975,040	235,331,250
Payment for investment in shares	(120,975,040)	(235,331,250)
Purchase of raw materials	(54,098,189)	(33,964,637)
Payment for purchase of raw materials	46,532,220	21,406,581
Sales of machineries to parent	-	10,916,886
Cash received for machineries Sales in Last year	(10,916,886)	-
Closing balance	(20,124,025)	(1,641,170)

All outstanding balances are unsecured and repayable on demand. No guarantees have been issued or received in respect of any related party balances.

20.2 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 year ended 31 March 2020 except as discussed below :

	2019/2020 Rs.	**2018/2019 Rs.**
Short-term employee benefits	9,039,997	10,653,186

21. Events occurring after the reporting date

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

22. Going concern

The Company has continuously incurred losses since its inception. The Company's net assets amounting to Rs. 405 Mn is less than half the stated capital of the company as at 31 March 2020. However, the financial statements of the Company has been prepared on the basis of accounting principles applicable to going concern. This going concern basis presumes that the company will continue to receive financial support from its parent company. The company is making progress in achieving its profitability level through focus on growing revenue by improving operational KPI’s such as faster delivery and more investments on digital sales. At the same time efficient cost controls over food cost, manpower cost, discounts and re-negotiations on fixed cost such as rents focussed.

		31.03.2020 Rs.	31.03.2019 Rs.
23.	**Financial instruments**		
23.1	**Categories of financial instruments**		
	Financial assets		
	Cash and bank balances	25,590,779	21,712,062
	Amortised cost (31.3.2019: Loans and receivables)	27,781,015	77,834,840
	Financial liabilities		
	Amortized cost	72,793,196	110,859,770

Carrying values of financial assets and liabilities that have a short term maturity such as receivables, trade and other payables, and cash and cash equivalents are reasonable approximation of their fair value. Therefore, a fair value hierarchy is not applicable.

23.2 Financial risk management objectives and policies

Financial instruments held by the company, principally comprise of cash, short term deposits, receivables, trade and other payables and book overdraft. The main purpose of these financial instruments is to manage the operating, investing and financing activities of the company.

Financial risk management of the company is carried out based on guidelines established by the parent company which comes under the purview of the Board of Directors of the company and group.

The company identifies, evaluates and mitigates financial risk in close co-operation with the Group's senior management. The operating company provides guidelines for overall risk management, as well, covering specific areas such as credit risk, interest rate risk and foreign currency risk.

The company has established guidelines for risk controlling procedures and for the use of financial instruments, including a clear segregation of duties with regard to financial activities, settlement, accounting and related controlling. The guidelines upon which the company's risk management processes are based are designed to identify and analyze these risks throughout the company, to set appropriate risk limits and controls and to monitor the risks by means of reliable and up-to-date administrative and information systems. The guidelines and systems are regularly reviewed and adjusted to changes in markets and products. The company manages and monitors these risks primarily through its operating and financing activities.

23.3 Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The company is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

With respect to credit risk arising from the other financial assets of the company, such as cash and cash equivalents, the company's exposure to credit risk arises from default of the counterparty. The company manages its operations to avoid any excessive concentration of counterparty risk and the company takes all reasonable steps to ensure that the counterparties fulfil their obligations.

23.3 Credit risk (Contd…)

The maximum exposure to credit risk at reporting date

	31.03.2020 Rs.	31.03.2019 Rs.
Cash at bank (Note 15.1)	25,590,779	21,712,062
Other receivables (Note 7)	27,781,015	77,834,840
	53,371,794	99,546,901

23.4 Liquidity risk

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

The company monitors its risk to a shortage of funds using a daily cash management process. This process considers the maturity of both the company's financial investments and financial assets and projected cash flows from operations.

The company's objective is to maintain a balance between continuity of funding and flexibility through the use of multiple sources of funding including bank loans and overdrafts.

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

31 March 2020 — **Contractual maturities of financial liabilities**

	Carrying amount Rs.	Up to 2 Months Rs.	2-3 Months Rs.	3-12 Months Rs.	More than 1 Year Rs.
Trade payables	10,640,530	10,640,530	-	-	-
Other payables	13,203,192	13,203,192	-	-	-
Retention payable	831,451	-	-	-	831,451
	24,675,173	23,843,722	-	-	831,451

31 March 2019 — **Contractual maturities of financial liabilities**

	Carrying amount Rs.	Up to 2 Months Rs.	2-3 Months Rs.	3-12 Months Rs.	More than 1 Year Rs.
Trade payables	24,041,722	24,041,722	-	-	-
Other payables	60,920,071	60,920,071	-	-	-
Retention payable	1,118,222	-	-	-	1,118,222
	86,080,014	84,961,792	-	-	1,118,222

23.5 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 optimizing the return.

a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. This is not applicable to the company as the company is not having any loans and borrowings.

b) Foreign currency risk

The foreign currency risk is the risk that the fair value or future cash flows of a financial instrument fluctuating due to changes in foreign exchange rates. The Company is exposed to foreign currency risk on purchases denominated in currencies other than the functional currency of the Company. The currency giving rise to this risk is primarily US Dollars.

If the USD to LKR exchange rate had appreciated / depreciated by 1% and all other variables were held constant, the profit before tax for the period ended 31 March 2020 would decrease/ increase by Rs. 214,344/-.

24. Initial application of SLFRS 16

24.1 Impact on Adoption of New Standards

SLFRS16 - Leases, has become applicable effective annual reporting period beginning January 01, 2019.

The Company has adopted the standard beginning 01 April 2019, using the modified retrospective approach for transition. Accordingly, the Company has not restated the comparative information, instead the cumulative effect of initially applying the standard has been recognised as an adjustment to the opening balance of retained earnings as on 01 April 2019. This has resulted in recognising (including reclassification from other assets) a "Right of use asset" of LKR 363.25 Mn and a corresponding "Lease liability" of LKR (277.14) Mn by adjusting retained earnings of LKR 47 Mn as at April 01, 2019.

Consequently in the statement of profit and loss for the current year, the nature of expenses in respect of operating leases has changed from "Rent" in the previous period to "Right-of-use assets- depreciation" for the Right of use assets and "Finance cost" for interest accrued on lease liability and "Finance income" for interest income from Security deposit. As a result the "Rent", "Depreciation expense" , "Finance cost" and " Finance income" of the current year is not comparable to the previous year.

The incremental borrowing rate applied to lease liabilities and security deposits recognised in the statement of financial position on 01 April 2019 is 11%.

24.1 Impact on Adoption of New Standards (Cont..)

To the extent the performance of the current year is not comparable with previous year results, the reconciliation of above effect on statement of profit and loss for the year ended March 31, 2020 are as under:

Adjustments to increase/ (decrease) in net profit	Year ended March 31, 2020 comparable basis	Changes due to SLFRS increase/ (decrease)	Year ended March 31, 2020 as reported
Administrative expenses -Rent	71,634,064	(59,819,558)	11,814,506
Depreciation and amortisation expense	119,649,525	33,619,417	153,268,942
Finance cost	-	30,139,689	30,139,689
Finance income	-	(2,355,862)	(2,355,862)
Profit/ (loss) before tax	(228,796,068)	1,583,685	(227,212,382)
Less: Tax expenses	-	-	(11,244,442)
Loss after tax	(240,040,510)	1,583,685	(238,456,824)

24.2 Disclosures required under SLFRS 16

Particulars	Lease of store space	Lease of land	Equipments
	Year ended March 31, 2020	Year ended March 31, 2020	Year ended March 31, 2020
Depreciation charge on Right of Use Assets recognized during the year	33,619,417	NA	NA
Interest expense on lease liability	30,139,689	NA	NA
Expense relating to variable lease payments not included in measurement of lease liability	-	NA	NA
Additions/(deletion) to right of use assets	(11,535,000)	NA	NA
Carrying amount of right of use assets	351,711,891	NA	NA
Total cash outflow for leases	(59,819,558)	NA	NA

25. Impact of COVID-19

The management has assessed the impact to the financial statements due to the COVID-19 pandemic & its consequences as follows. The Company is now more focussed on its main operational KPIs such as fast delivery, which has become a key strength during this period and will continue in the future too. Further, for contactless delivery, more investment on digital will be done with the objective of increasing delivery orders. This will again create a benefit, where customers prefer delivery & takeaway than dine in more.

Additional loss incurred during the year due to COVID 19 Impact are as follow;

Category	Particulars	LKR Mn
Direct expense	Marketing expense	0.04
Direct expense	Restaurants cleaning & other additional costs	0.66
	Total direct	**0.70**
Indirect expense	Raw material wastages- Inventory write -off	1.88
	Total direct	**2.58**

Jubilant FoodWorks Lanka (Private) Limited

DETAILED INCOME STATEMENTS
Year ended 31 March 2020

	Statement	2019/2020 Rs.	2018/2019 Rs.
Turnover		792,713,131	793,472,282
Cost of sales	I	(329,398,343)	(314,182,473)
Gross profit		463,314,788	479,289,809
Finance income		4,214,752	1,894,057
Other income	II	8,898,338	15,279,952
Administrative expenses	II	(589,948,005)	(607,527,126)
Distribution expenses	III	(83,552,567)	(106,105,230)
Loss before tax		(197,072,694)	(217,168,539)

Jubilant FoodWorks Lanka (Private) Limited

DETAILED INCOME STATEMENTS

Year ended 31 March 2020

STATEMENT I

Cost of sale	**2019/2020 Rs.**	**2018/2019 Rs.**
Opening stock	63,071,848	34,801,243
Purchase - raw materials	275,835,641	319,493,314
Purchase - beverages	28,814,791	22,959,764
Closing stock	(38,323,938)	(63,071,848)
	329,398,343	314,182,473

STATEMENT II

Other income	**2019/2020 Rs.**	**2018/2019 Rs.**
Beverages commission income	8,212,710	8,846,876
Other commission income	685,628	2,132,327
Payable write back	-	4,300,749
	8,898,338	15,279,952
	-	-

Jubilant FoodWorks Lanka (Private) Limited

DETAILED INCOME STATEMENTS

Year ended 31 March 2020

STATEMENT III

Administrative expenses	**2019/2020 Rs.**	**2018/2019 Rs.**
Audit fee	935,000	952,000
Asset discard	70,000	1,543,638
Conference expenses	1,759,557	820,123
Contribution to EPF	12,258,573	10,835,479
Contribution to ETF	3,079,273	2,708,766
Courier charges	100,815	81,673
Depreciation	113,312,038	116,531,855
Depreciation of right-of-use assets	33,619,417	-
Diesel expenses	1,471,207	1,956,229
Electricity	62,147,102	62,247,438
Food testing expenses	476,304	477,355
Franchisee expenses	23,782,272	23,804,168
General expenses	890,326	1,382,792
Gratuity	1,296,000	1,240,574
Insurance expenses	2,759,497	5,194,719
Legal advisory fees	10,979,175	7,209,866
LPG cost	14,844,740	14,413,138
Motor vehicle running expenses	4,248,567	9,745,528
Pest control	5,084,812	5,282,509
Printing and stationery	1,677,823	1,385,419
Recruitment expenses	2,773,107	1,343,618
Rent expenses	11,814,506	67,951,300
Repair maintenance	16,591,651	15,889,359
Rewards and recognition expenses	399,030	169,392
Security expenses	5,292,726	5,871,071
Credit card commission	6,443,969	6,929,373
Staff salaries allowances	168,618,486	160,653,756
Staff welfare	17,210,221	15,043,580
Telephone and fax charges	18,229,597	20,028,987
Training and seminar expenses	1,068,765	446,669
Travelling and conveyance	6,976,706	7,453,513
Travelling overseas	2,877,896	6,952,466
Travelling Inland	-	103,581
Uniform expenses	831,798	948,786
House keeping charges	9,030,740	10,296,052
Water charges	1,622,029	1,745,677
Amortization	6,337,487	5,805,636
Exchange fluctuation	2,152,057	(208,003)
Medical expenses	1,359,538	993,269
Connectivity expenses	10,986,399	8,291,564
Allowance for laptops	1,434,698	1,306,045
Bank charges	1,149,120	1,698,168
Money deposit service fee	1,954,980	-
	589,948,005	607,527,126

DETAILED INCOME STATEMENTS
Year ended 31 March 2020

STATEMENT IV

	2019/2020	2018/2019
	Rs.	Rs.
Distribution expenses		
Advertisements	53,746,273	79,612,517
Local store marketing	1,203,905	1,103,111
Consumable items	7,886,942	6,066,271
Vehicle maintenance charges	2,131,510	1,397,587
Freight expenses	13,349,081	13,090,085
Commission expenses - others	3,224,020	3,108,286
Petrol expenses	2,010,836	1,727,373
	83,552,567	106,105,230