

VARUN BEVERAGES LIMITED

ANNUAL REPORT FOR THE YEAR ENDED ON 31ST DECEMBER 2015

BOARD OF DIRECTORS

Mr. Ravi Kant Jaipuria
Mr. Varun Jaipuria
Ms. Devyani Jaipuria
Mr. Ravindra Dhariwal
Dr. Girish Ahuja
Dr. Naresh Kumar Trehan
Mr. Raj P. Gandhi
Mr. Kapil Agarwal
Mr. Christopher White
Mr. Kamlesh Kumar Jain
Mr. Udai Dhawan
Mr. Parth Dashrathlal Gandhi

COMPANY SECRETARY

Mr. Mahavir Prasad Garg

JOINT AUDITORS

M/s. O. P. Bagla & Co.,
Chartered Accountants, New Delhi

M/s Walker Chandio & Associates
Chartered Accountants, New Delhi

REGISTERED OFFICE

F-2/7, Okhla Industrial Area, Phase-I
New Delhi - 110 020

HEAD OFFICE

RJ Corp House, Plot No. - 31,
Institutional Area, Sector - 44,
Gurgaon - 122 002 (Haryana)

BANKERS

HDFC Bank Ltd. Axis Bank Ltd. Standard Chartered Bank ICICI Bank Ltd.
Yes Bank Ltd. The RBL Bank Ltd. Kotak Mahindra Bank Ltd.
IndusInd Bank Ltd. DBS Bank Ltd. IDBI Bank Ltd.

CONTENTS :	PAGE NO.
Consolidated Financial Statements	1
Notice	A-1
Directors' Report	A-5
Standalone Financial Statements	A-16
Attachments of Financial Statements	
- Financial Statements of Varun Beverages (Nepal) Private Limited	B-1
- Financial Statements of Varun Beverages Morocco SA	C-1
- Financial Statements of Varun Beverages Lanka (Private) Limited	D-1
- Financial Statements of Ole Springs Bottlers (Private) Limited	E-1

WORKS :

- i) Plot No. 2, Surajpur Bypass, Greater Noida - 201 306 (U.P).
- ii) Khasra No. 282, Balmukandpura, Ajmer Road, Tehsil Sanganer, Jaipur, Rajasthan.
- iii) Plot No. 477 to 479, Village Dautana, 107, Kilometer Distance Stone, Agra - Delhi Highway, N.H. No. II, Near Kosi Kalan, Distt. Mathura - 282 401 (U.P.).
- iv) 2E, Udyog Kendra, Ecotech - III, Greater Noida.
- v) Plot No. Special 159, RIICO Indl. Area, Ph - III, Boranada, Jodhpur - 342 001.
- vi) Plot No. SP 290-292, RIICO Industrial Area, Phase - VII, Chopanki, Bhiwadi, Distt. Alwar.
- vii) Plot No. SP-646 & F-647-653, Approach Road No. 2 (Near Engg. College), Matsya Industrial Area Extn. (North), RIICO Indl. Estate, Alwar - 301 030.
- viii) Plot No. JL-47, Barhans, Farhabad, 24, Charaktala, Sonarpur, Kolkata - 700 084 (West Bengal).
- ix) Village Tajpur, Tehsil Nuh, District Mewat, Haryana.
- x) Arlem, Raia, Salcete, Goa - 403 720.
- xi) Rani (Patgaon), Guwahati - 781 017, Assam (Unit-I & Unit-II).
- xii) Plot No. A-2, UPSIDC Industrial Area, Site - II, Bazpur Distt., Udham Singh Nagar, Uttrakhand- 262 401.
- xiii) Plot No. A-2, UPSIDC Industrial Area, Jainpur, Distt. Kanpur Dehat - 209 311, Uttar Pradesh.
- xiv) Village Ali Asgarpur, PO Ganjbar, GT Road, Panipat - 132103, Haryana.
- xv) Plot No. A-36, Satharia Industrial Area, Tehsil Machhali Shahar, District Jaunpur - 222 202, Uttar Pradesh.

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Independent Auditors' Report

To the Members of
VARUN BEVERAGES LIMITED
NEW DELHI

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Varun Beverages Limited, ("the Holding Company") and its subsidiaries (the Holding Company and its subsidiaries together referred to as "the Group") and its associates, which comprise the Consolidated Balance Sheet as at 31 December 2015, the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

2. The Holding Company's Board of Directors is responsible for the preparation of these consolidated financial statements in terms of the requirements of the Companies Act, 2013 ("the Act") that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Group and its associates, in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). The Holding Company's Board of Directors, and the respective Board of Directors/management of the subsidiaries included in the Group, and of its associates are responsible for the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error. Further, in terms with the provisions of the Act, the respective Board of Directors of the Holding Company and its subsidiaries and associates, which are incorporated in India are responsible for maintenance of adequate accounting records; safeguarding the assets; preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
4. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the auditors' report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the

VARUN BEVERAGES LIMITED (CONSOLIDATED)

assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Holding Company's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Holding Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Holding Company's Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

7. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 9(a) of the Other Matter paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and associate, the aforesaid consolidated financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group and its associates as at 31 December 2015, and their consolidated profit and their consolidated cash flows for the year ended on that date.

Other Matter

9. (a) We did not audit the financial statements of four subsidiaries, included in the consolidated financial statements, whose financial statements reflect total assets (after eliminating intra-group transactions) of ₹ 8,597.39 millions as at 31 December 2015, total revenues (after eliminating intra-group transactions) of ₹ 5,528.49 millions and net cash flows amounting to ₹ 34.34 millions for the year ended on that date. The consolidated financial statements also include the Group's share of net profit of ₹ 12.90 millions for the year ended 31 December 2015, as considered in the consolidated financial statements, in respect of an associate, whose financial statements have not been audited by us. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and associate, and our report in terms of sub-Sections (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries and associate, is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done by and the reports of the other auditors.

Report on Other Legal and Regulatory Requirements

10. As required by the Companies (Auditor's Report) Order, 2015 ("the Order"), issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order, as applicable to such companies.
11. As required by Section 143(3) of the Act, and based on the auditor's reports of the associate Company incorporated in India, we report, to the extent applicable, that:

VARUN BEVERAGES LIMITED (CONSOLIDATED)

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements;
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors;
- c) The reports on the accounts of the associate Company incorporated in India, audited by the other auditor, and have been properly dealt with in preparing this report;
- d) The consolidated financial statements dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
- e) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014(as amended);
- f) On the basis of the written representations received from the Directors of the Holding Company as on 31 December 2015 taken on record by the Board of Directors of the Holding Company and the reports of the other statutory auditor of its associate Company incorporated in India, none of the Directors of the Holding Company and its associate Company, incorporated in India is disqualified as on 31 December 2015 from being appointed as a Director in terms of Section 164 (2) of the Act.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - (i) As detailed in Note 34, the consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Holding Company and its associate Company incorporated in India.
 - (ii) The Holding Company and its associate Company incorporated in India did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - (iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company and its associate Company incorporated in India.

For Walker Chandiok & Associates
Chartered Accountants
Firm Registration No.: 001329N

For O.P. Bagla & Co.
Chartered Accountants
Firm Registration No.: 000018N

per Nitin Toshniwal
Partner
Membership No.: 507568

per Kripa Shankar Shukla
Partner
Membership No.: 515763

Place : Gurgaon
Date : 28 March 2016

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Annexure to the Independent Auditors Report of even date to the members of Varun Beverages Limited, on the consolidated financial statements for the year ended 31 December 2015

Based on the audit procedures performed for the purpose of reporting a true and fair view on the consolidated financial statements of the Holding Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Holding Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets, other than refrigerators (visi coolers) and containers lying with third parties, have been physically verified by the management of the Holding Company during the year and no material discrepancies were noticed on such verification. The Holding Company has a regular program of physical verification of the refrigerators (visi coolers) under which such fixed assets are verified in a phased manner over a period of three years and no material discrepancies were noticed on such verification. According to the information and explanations given to us, the existence of containers lying with active third parties is considered on the basis of the confirmations obtained from such third parties. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Holding Company and the nature of its assets.
- (ii) (a) The management of the Holding Company has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit and stocks lying with third parties. For stocks lying with third parties at the year-end, written confirmations have been obtained by the management of the Holding Company.
 - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Holding Company and the nature of its business.
 - (c) The Holding Company is maintaining proper records of inventory and no material discrepancies between physical inventory and book records were noticed on physical verification.
- (iii) The Holding Company has granted unsecured loan to one party covered in the register maintained under Section 189 of the Act; and with respect to the same:
 - (a) the principal amount is not due for repayment currently however, the receipt of interest is regular; and
 - (b) there is no overdue amount in respect of loans granted to such party.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Holding Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) The Holding Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Holding Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-Section (1) of Section 148 of the Act in respect of Holding Company's products and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.

VARUN BEVERAGES LIMITED (CONSOLIDATED)

- (vii) (a) In case of Holding Company undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.
- (b) In case of Holding Company the dues outstanding in respect of income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹ millions)	Amount paid under protest (₹ millions)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Central excise	207.47	0.19	2005-2006, February,2009-December,2013	CESTAT, New Delhi
Central Excise Act, 1944	Central excise	2.10	0.73	January 2008 - February 2012	Additional Commissioner Appeals, Jaipur
Central Excise Act, 1944	Central excise	2.62	0.06	February 2013-April 2015	Assistant Commissioner, Bhiwadi
Central Excise Act, 1944	Central excise	1.27	-	2014-2015	Additional Commissioner Appeals, Agra
Central Excise Act, 1944	Central excise	2.54	2.54	July 2014	Assistant Commissioner, Noida
Central Excise Act, 1944	Central excise	0.18	-	May 2009 to March 2010	Commissioner appeals, Kolkata
Central Excise Act, 1944	Central excise	0.37	-	April 2013 to March 2015	Deputy Commissioner, Kolkata
Central Excise Act, 1944	Central excise	1.76	-	July 2014 to August 2014	Additional Commissioner, Kolkata
Finance Act, 1944	Service tax	2.72	-	April 2010- March 2012	Commissioner Appeals, Jaipur
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	1.61	0.11	2001-2002 to 2003-2005	Honorable Supreme Court
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	1.76	1.76	2008-2009, 2013-2014, 2014-2015, 2015-2016	Assessing Officer, Ghaziabad

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Name of the statute	Nature of dues	Amount (₹ millions)	Amount paid under protest (₹ millions)	Period to which the amount relates	Forum where dispute is pending
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	17.07	2.88	January 2008 to March 2010, 2011-2012	Additional Commissioner, Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	0.68	0.68	2009-2010	Uttar Pradesh Commercial tax Tribunal
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	7.09	7.09	2010-2012	Joint Commissioner, Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	0.10	0.10	2010-2011	Joint Commissioner, Kanpur
Rajasthan Value Added Tax Act, 2003	Value added tax	0.14	0.10	2013-2014	Deputy Commissioner, Appeals Jaipur
Uttar Pradesh Tax on Entry of Goods into Local Areas Act, 2007	Entry tax	10.04	4.64	2003-2011	Honorable Supreme Court
Rajasthan Tax of Entry of Goods into Local Areas Act, 1999	Entry tax	62.16	31.08	2012-2015	Honorable High Court, Jaipur
West Bengal Tax on Entry of Goods into Local Areas Act, 2012	Entry tax	29.86	-	2013-2016	Honorable High Court, Kolkata
Madhya Pradesh Value Added Tax Act, 2002	Value added tax	0.30	0.06	2013-2014	Commissioner, Bhopal
Madhya Pradesh Value Added Tax Act, 2002	Entry tax	0.05	0.01	2013-2014	Commissioner, Bhopal
Punjab Value Added Tax Act, 2005	Value added tax	0.18	-	2015-2016	Assessing Officer, Mohali

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Name of the statute	Nature of dues	Amount (₹ millions)	Amount paid under protest (₹ millions)	Period to which the amount relates	Forum where dispute is pending
Punjab Value Added Tax Act, 2005	Value added tax	0.33	-	2015-2016	Value added tax Tribunal, Punjab and Chandigarh
Rajasthan Value Added Tax Act, 2003	Value added tax	0.04	0.04	April 2009-March 2010	Tax Law Board, Ajmer
Rajasthan Value Added Tax Act, 2003	Value added tax	0.04	0.04	January 2013-December 2013	Joint Commissioner, Jaipur
Rajasthan Value Added Tax Act, 2003	Value added tax	0.08	0.08	2013-14	Jodhpur Taxation Tribunal
Rajasthan Value Added Tax Act, 2003	Value added tax	0.12	0.12	May 2015	Deputy Commissioner, Jaipur
Goa Non-Biodegradable Garbage (Control) Act, 1996 (Act 5 of 1997)	Cess	13.57	-	April 2014 to December 2015	Honorable High court of Bombay, Panji
The Goa Value Added Tax Act, 2005	Value added tax	1.87	-	2005-2006	Commissioner appeals, Margao
West Bengal Value Added Tax Act, 2003	Value added tax	1.21	0.51	July 2012, September 2013, January 2015 and September 15	West Bengal Taxation Tribunal
Income-Tax Act, 1961	Income tax	0.34	-	AY 2006-2007, 2007-2008	Income Tax Appellate Tribunal, New Delhi
Income-Tax Act, 1961	Income tax	2.79	-	AY 2014-2015, 2015-2016	Commissioner of Income Tax (Appeals), New Delhi

(c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Holding Company in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder. Accordingly, the provisions of clause 3(vii)(c) of the Order are not applicable.

(viii) In our opinion, the Holding Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.

(ix) In our opinion, the Holding Company has not defaulted in repayment of dues to any financial institution or

VARUN BEVERAGES LIMITED (CONSOLIDATED)

banks or to debenture-holders during the year.

- (x) In our opinion, the terms and conditions on which the Holding Company has given guarantee for loans taken by others from banks or financial institutions are not, prima facie, prejudicial to the interest of the Holding Company.
- (xi) In our opinion, the Holding Company has applied the term loans for the purpose for which these loans were obtained.
- (xii) No fraud on or by the Holding Company has been noticed or reported during the period covered by our audit.

For Walker Chandiok & Associates
Chartered Accountants
Firm Registration No.: 001329N

For O.P. Bagla & Co.
Chartered Accountants
Firm Registration No.: 000018N

per Nitin Toshniwal
Partner
Membership No.: 507568

per Kripa Shankar Shukla
Partner
Membership No.: 515763

Place : Gurgaon
Date : 28 March 2016

VARUN BEVERAGES LIMITED (CONSOLIDATED)

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2015

(₹ in millions, except as stated otherwise)

	Note	As At 31 December 2015	As At 31 December 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	5,837.66	3,337.66
Reserves and surplus	4	905.11	(131.03)
		<u>6,742.77</u>	<u>3,206.63</u>
Non-current liabilities			
Long-term borrowings	5	15,803.24	16,230.10
Deferred tax liabilities (net)	6	1,481.82	809.10
Other long-term liabilities	7	6,362.84	11.35
Long-term provisions	8	443.13	261.74
		<u>24,091.03</u>	<u>17,312.29</u>
Current liabilities			
Short-term borrowings	9	2,524.12	5,085.17
Trade payables	10	1,845.55	1,833.05
Other current liabilities	11	8,789.87	4,919.56
Short-term provisions	12	372.06	150.85
		<u>13,531.60</u>	<u>11,988.63</u>
		<u>44,365.40</u>	<u>32,507.55</u>
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	13	31,116.76	21,753.31
Intangible assets	14	3,838.91	1,320.36
Capital work-in-progress		379.12	247.52
Non-current investments	15	32.73	19.83
Deferred tax assets (net)	6	52.97	58.92
Long-term loans and advances	16	1,190.43	450.99
Other non-current assets	17	50.12	67.69
		<u>36,661.04</u>	<u>23,918.62</u>
Current assets			
Current investments	18	0.01	3,019.80
Inventories	19	4,246.61	2,892.50
Trade receivables	20	979.10	972.88
Cash and bank balances	21	580.73	344.09
Short-term loans and advances	22	1,803.75	1,251.31

VARUN BEVERAGES LIMITED (CONSOLIDATED)

(₹ in millions, except as stated otherwise)

	Note	As At 31 December 2015	As At 31 December 2014
Other current assets	23	<u>94.16</u>	<u>108.35</u>
		<u>7,704.36</u>	<u>8,588.93</u>
		<u>44,365.40</u>	<u>32,507.55</u>
Significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

This is the Consolidated Balance Sheet referred to in our report of even date.

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No.: 001329N

For **O.P. Bagla & Co.**
Chartered Accountants
Firm Registration No.: 000018N

For and on behalf of the Board of Directors of
Varun Beverages Limited

per **Nitin Toshniwal**
Partner
Membership No.: 507568

per **Kripa Shankar Shukla**
Partner
Membership No.: 515763

Varun Jaipuria
Whole-time Director
DIN : 02465412

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Kamlesh Kumar Jain
Chief Financial Officer

Mahavir P. Garg
Company Secretary
Membership No. F3490

Place : Gurgaon
Date : 28 March 2016

VARUN BEVERAGES LIMITED (CONSOLIDATED)

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2015 (₹ in millions, except as stated otherwise)

	Note	Year Ended 31 December 2015	Year Ended 31 December 2014
REVENUE			
Revenue from operations (gross)	24	39,058.94	28,096.93
Less: Excise duty		(5,117.45)	(3,086.67)
Revenue from operations (net)		33,941.49	25,010.26
Other income	25	142.81	167.28
Total Revenue		34,084.30	25,177.54
EXPENSES			
Cost of materials consumed	26	14,253.08	13,166.45
Purchases of traded goods	27	3,201.51	597.00
Changes in inventories of finished goods, work-in-progress and traded goods	28	(289.85)	2.07
Employee benefits expense	29	3,237.51	2,167.99
Finance costs	30	1,687.91	1,906.18
Depreciation and amortisation expense	31	3,174.09	2,142.21
Other expenses	32	7,168.48	5,303.08
Total expenses		32,432.73	25,284.98
Profit /(Loss) for the year before tax		1,651.57	(107.44)
Prior period items	33	254.52	(5.20)
Profit /(Loss) before tax after prior period items		1,906.09	(112.64)
Tax expense:			
Current tax		528.25	153.71
Minimum alternate tax credit entitlement		(472.50)	(101.30)
Tax expense earlier years (net)		56.49	76.12
Deferred tax expense	7	676.33	47.30
		788.57	175.83
Profit /(Loss) after tax		1,117.52	(288.47)
Add: Share of profits in associate		12.90	19.48
Profit /(Loss) for the year		1,130.42	(268.99)
Earnings /(Loss) per equity share of face value of ₹10 each	38		
Basic (in ₹)		8.45	(2.01)
Diluted (in ₹)		8.39	(2.01)

Significant accounting policies 2.1

The accompanying notes are an integral part of the financial statements.

This is the Consolidated Statement of Profit and Loss referred to in our report of even date

For **Walker Chandiook & Associates**
Chartered Accountants
Firm Registration No.: 001329N

For **O.P. Bagla & Co.**
Chartered Accountants
Firm Registration No.: 000018N

For and on behalf of the Board of Directors of
Varun Beverages Limited

per **Nitin Toshniwal**
Partner
Membership No.: 507568

per **Kripa Shankar Shukla**
Partner
Membership No.: 515763

Varun Jaipuria
Whole-time Director
DIN : 02465412

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Kamlesh Kumar Jain
Chief Financial Officer

Mahavir P. Garg
Company Secretary
Membership No. F3490

Place : Gurgaon
Date : 28 March 2016

VARUN BEVERAGES LIMITED (CONSOLIDATED)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

(₹ in millions, except as stated otherwise)

	31 December 2015	31 December 2014
A Cash flows from operating activities		
Profit/(loss) before tax after prior period items	1,906.09	(112.64)
Non-cash adjustments:		
Depreciation and amortisation expense (including prior period of ₹ 192.25 million (Previous year Nil))	2,981.85	2,142.21
Provisions written back (including prior period of ₹ 26.94 million (Previous year Nil))	(31.37)	(34.76)
Provision for VAT and Excise demand earlier years (including prior period of ₹ 77.18 million (Previous year ₹ 9.16 million))	77.18	9.16
Exchange fluctuation	11.50	1.55
Provision for bad and doubtful debts	20.26	42.66
Interest expense (including prior period of ₹ 105.81 million (Previous year Nil))	1,486.31	1,867.22
Interest income	(61.93)	(69.10)
Loss/(gain) on sale of fixed assets (net) (including prior period of ₹ 13.64 million (Previous year Nil))	33.60	(0.38)
Profit on sale of investments	(52.86)	-
Dividend income	-	(19.79)
Bad debts written off	4.46	14.79
Fixed assets written off	74.53	47.06
Operating profit before working capital changes	6,449.62	3,887.98
Changes in working capital		
Increase in inventories	(1,354.11)	(424.09)
Decrease/(increase) in trade receivables	0.37	(378.26)
(Increase)/ decrease in loans and advances	(596.53)	422.37
Increase in trade payable, other liabilities and provisions	1,492.66	941.22
Cash generated from operations	5,992.01	4,449.22
Direct taxes paid	(483.03)	(147.17)
Net cash generated from operating activities	5,508.98	4,302.05
B Cash flows from investing activities		
Purchase of fixed assets and capital work in progress	(2,690.24)	(2,148.74)
Purchase of business for consolidated consideration	(3,450.00)	-
Proceeds from sale of fixed assets	44.84	80.88
Purchase of current investments	(2,050.00)	(3,019.79)
Dividend received	-	19.79
Proceeds from sale of current investments	5,122.65	-
Interest received	64.97	117.25
Net cash used in investing activities	(2,957.78)	(4,950.61)

VARUN BEVERAGES LIMITED (CONSOLIDATED)

(₹ in millions, except as stated otherwise)

	31 December 2015	31 December 2014
C Cash flows from financing activities		
Repayments of long term borrowings (net)	(4,091.18)	(862.25)
(Repayments) / proceeds of short-term borrowings (net)	(2,561.05)	1,708.67
Interest paid	(1,407.79)	(1,911.56)
Proceeds from issue of preference shares	2,500.00	2,000.00
Proceeds from issue of non-convertible debentures	3,200.00	-
Share application money refunded	-	(400.00)
Net cash (used in) / generated from financing activities	(2,360.02)	534.86
D. Net increase / (decrease) in cash and cash equivalents	191.18	(113.70)
E. Cash and cash equivalents at the beginning of the year	51.71	165.41
F. Cash and cash equivalents at the end of the year (refer note 21)	242.89	51.71

The accompanying notes are an integral part of the financial statements.

This is the Consolidated Cash Flow Statement referred to in our report of even date

For **Walker Chandiook & Associates**
Chartered Accountants
Firm Registration No.: 001329N

For **O.P. Bagla & Co.**
Chartered Accountants
Firm Registration No.: 000018N

For and on behalf of the Board of Directors of
Varun Beverages Limited

per **Nitin Toshniwal**
Partner
Membership No.: 507568

per **Kripa Shankar Shukla**
Partner
Membership No.: 515763

Varun Jaipuria
Whole-time Director
DIN : 02465412

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Kamlesh Kumar Jain
Chief Financial Officer

Mahavir P. Garg
Company Secretary
Membership No. F3490

Place : Gurgaon
Date : 28 March 2016

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

2.1 Basis of preparation of financial statements

The consolidated financial statements of Varun Beverages Limited (hereinafter referred to as the 'Company' or 'the Holding Company' or the 'Parent Company'), its subsidiaries and associates (collectively referred as 'the Group') have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) and comply with the Accounting Standards notified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), to the extent applicable. The consolidated financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies have been consistently applied by the Group unless otherwise stated. All assets and liabilities have been classified as current or non-current, wherever applicable as per the operating cycle of the Group as per the guidance set out in the Schedule III to the Companies Act, 2013.

2.2 Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries and associates (collectively referred as 'the Group').

The consolidated financial statements of the Group have been prepared in accordance with Accounting Standard (AS 21) 'Consolidated Financial Statements' and AS 23 'Accounting for Investments in Associates in Consolidated Financial Statements'. The consolidated financial statements are prepared on the following basis:

- i. Consolidated financial statements include consolidated balance sheet, consolidated statement of profit and loss, consolidated statement of cash flows and notes forming part of the consolidated financial statements. The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the parent for standalone financial statements.
- ii. The consolidated financial statements include the financial statements of the Company and all its subsidiaries, which are more than 50 per cent owned or whose composition of Board of Directors is controlled by the Company. Investments in entities that were not more than 50 per cent owned or controlled during the year have been accounted for in accordance with the provisions of Accounting Standard 13 'Accounting for Investments', or Accounting Standard 23 'Accounting for Investments in Associates in Consolidated Financial Statements', (as applicable).
- iii. The consolidated financial statements have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/ transactions and resulting elimination of unrealised profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the parent Company and its share in the post-acquisition increase in the relevant reserves of the component entity to be consolidated.
- iv. The excess/deficit of cost to the Parent Company of its investment over its portion of net worth in the consolidated entities at the respective dates on which the investment in such entities was made is recognised in the financial statements as goodwill/capital reserve. Goodwill arising on consolidation is tested for impairment when the relevant indicators of impairment are applicable. The Parent Company's portion of net worth in such entities is determined on the basis of book value of assets and liabilities as per the financial statements of the entities as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant changes.

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

- v. Investments in associates are accounted for using the equity method. The excess of proportionate share in equity of the associate as at the date of acquisition of stake over the cost of investment is identified as capital reserve and included in the carrying value of the investment in the associate. The carrying amount of the investment is adjusted thereafter for the post acquisition change in the share of net assets of the associate. However, the share of losses is accounted for only to the extent of the cost of investment. Subsequent profits of such associates are not accounted for unless the accumulated losses (not accounted for by the Group) are recouped.
- vi. Minority interest in subsidiary represents the minority shareholders' proportionate share of the net assets and net income. Minorities' interest in net profit of consolidated subsidiaries for the year has been identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets has been identified and presented in the consolidated balance sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity, in the absence of the contractual obligation on the minorities, these have been attributed to the shareholder of the Holding Company.
- vii. Notes forming part of the consolidated financial statements, represents notes involving items which are considered material and are accordingly disclosed. Materiality for the purpose is assessed in relation to the information contained in the consolidated financial statements.
- viii. The consolidated financial statements include the respective financial statements of the Parent Company, its subsidiaries and the results of operations of its associates listed below:

Name of subsidiaries	Country of incorporation	Percentage of ownership
Varun Beverages (Nepal) Private Limited ("VBL Nepal")	Nepal	100.00%
Varun Beverages Lanka (Private) Limited ("VBL Lanka")	Sri Lanka	100.00%
Varun Beverages Morocco SA ("VBL Morocco")	Morocco	100.00%
Ole Spring Bottlers Private Limited ("Ole")*	Sri Lanka	100.00%

* Subsidiary of VBL Lanka

Name of associates	Country of incorporation	Percentage of ownership
Angelica Technologies Private Limited	India	47.30%
Lunarmech Technologies Private Limited*	India	35.00%
Ole Marketing (Private) Limited**	Sri Lanka	33.33%

* Angelica Technologies Private Limited holds 74% ownership in Lunarmech Technologies Private Limited.

** Associate of VBL Lanka till 21 January 2015.

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

2.3 Summary of significant accounting policies

A. Revenue recognition

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

i) Sale of products:

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the customer and are recorded inclusive of excise duty and net of sales tax, sales returns and trade discount.

ii) Interest:

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

iii) Dividend:

Dividend income is recognised in the period in which right to receive such payment is established.

iv) Commission:

Commission income is recognised as per the agreed terms.

B. Use of estimates

In preparing the Group's financial statements in conformity with accounting principles generally accepted in India, the management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised in the period the same is determined. Examples of such estimates include estimated useful lives of fixed assets, provision for bad and doubtful debts, provision for discounts, income taxes, etc.

C. Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price (net of Cenvat credit availed), borrowing costs if capitalisation criteria are met and any 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 relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. 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 recognised in the statement of profit and loss when the asset is derecognised.

Where a group of fixed assets are purchased for a consolidated price, the consideration is apportioned to the various assets on a fair basis as determined by independent valuers.

Assets received for no consideration are capitalised with corresponding credit to capital reserve.

D. Intangible assets

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

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

E. Depreciation on tangible assets and amortisation of intangible assets

In accordance with the requirements of Schedule II of the Companies Act, 2013, management has re-assessed the useful lives of the fixed assets and on the basis of technical evaluation, management is of the view that useful lives used by management are indicative of the estimated economic useful lives of the fixed assets.

The Group has used the following useful lives to compute depreciation on its tangible fixed assets:

Assets	Estimated Useful Lives
Building- factory	20-30 years
Building- others	59-60 years
Plant and equipment	9-20 years
Leasehold land	Over lease period
Delivery vehicles	5-10 years
Furniture and fixtures	10 years
Containers	6-10 years
Post mix vending machines and refrigerators (Visi coolers)	8-10 years
Office equipment	4-10 years
Computer equipments	4-5 years
Vehicles (other than delivery vehicles)	7 years

The Company has used the remaining useful lives to compute depreciation on its tangible fixed assets, acquired under the business transfer agreement during the year, based on external technical evaluation.

In case of revaluation of leasehold land, the resulting amortisation of the total revalued amount is being expensed off to the Consolidated Statement of Profit and Loss.

Depreciation on assets received for no consideration is recorded as a credit adjustment from capital reserve.

Breakages of containers are adjusted on first bought first broken basis, since it is not feasible to specifically identify the broken containers in the fixed assets records.

The Group has technically evaluated all the tangible fixed assets for determining the separate identifiable assets having different useful lives under the component approach as required under Schedule II of Companies Act, 2013. On technical evaluation of all separate identifiable components, the management is of the opinion that they do not have any different useful life from that of the principal asset.

Amortisation of intangible assets is computed on the straight-line basis, at the rates representing the estimated useful lives.

Assets	Estimated Useful Lives
Software	4-5 years
Franchisee rights are amortised on a straight-line basis over the license period	
Marketing infrastructure	5 years

F. Impairment of tangible and intangible assets

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and the same is recognised in the Consolidated Statement of Profit and Loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and the same is accordingly reversed in the Consolidated Statement of Profit and Loss.

G. Leases

Where the Group is the lessee

Finance leases, which effectively transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Group will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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

Where the Group is the lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognised in the Consolidated Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation, are recognised as an expense in the consolidated statement of profit and loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Consolidated Statement of Profit and Loss.

H. Investments

Investments, which are readily realisable 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 carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost, however provision for diminution in value is made to recognise 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 Consolidated Statement of Profit and Loss.

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

I. Inventories

Inventories are valued as follows:

Raw materials, components and stores and spares	At lower of cost and net realisable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
Work-in-progress	At lower of cost and net realisable value. Cost for this purpose includes material, labour and appropriate allocation of overheads including depreciation. Cost is determined on a moving weighted average basis.
Finished goods: 1. Manufactured	At lower of cost and net realisable value. Cost for this purpose includes material, labour and appropriate allocation of overheads. Excise duty on inventory lying with Group is added to the cost of the finished goods inventory (where applicable). Cost is determined on a moving weighted average basis.
2. Traded	At lower of cost and net realisable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Provision for obsolescence is determined based on management's assessment and is charged to the Consolidated Statement of Profit and Loss.

J. Borrowing costs

Borrowing cost includes interest, amortisation 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 directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

K. Foreign currency transactions

Relating to overseas entities

Indian Rupee is the reporting currency for the Group. However, reporting currencies of certain non-integral overseas subsidiaries are different from the reporting currency of the Group. The translation of local currencies into Indian Rupee is performed for assets and liabilities (excluding share capital and opening reserves and surplus), using the exchange rate as at the balance sheet date.

Revenues, costs and expenses are translated using weighted average exchange rate during the reporting period. The resultant currency translation exchange gain/ loss is carried as foreign currency translation reserve under reserves and surplus. Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment.

Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non-integral foreign operation is accumulated in the foreign operation is accumulated in the foreign currency translation reserve until the disposal of the net investment. On the disposal of such net investment, the cumulative amount of the exchange differences which have been deferred and which relate to that investment is recognised as income or as expenses in the same period in which the gain or loss on disposal is recognised.

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

Relating to Indian entity

(i) 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 at the date of the transaction.

(ii) 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.

(iii) Exchange differences

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

As per the amendment of the Companies (Accounting Standard) Rules, 2006-'AS 11' relating to 'The Effects of Changes in Foreign Exchange Rates', exchange difference arising on conversion of long term foreign currency monetary items used for acquisition of depreciable fixed assets are added to the cost of fixed assets and is depreciated over the remaining life of the respective asset and in other cases, is recorded under the head 'Foreign Currency Monetary Item Translation Difference Account' and is amortised over period not extending beyond, earlier of 31 March 2020 or maturity date of underlying long term foreign currency monetary items.

L. Retirement and other employee benefits

(i) Contributions to the provident fund, a defined contribution scheme, are charged to the Consolidated Statement of Profit and Loss for the year when the contributions are due.

(ii) Gratuity liability is accrued on the basis of an actuarial valuation made at the end of each financial year. The actuarial valuation is performed by an independent actuary as per projected unit credit method, except for the subsidiary Company namely, Varun Beverages (Nepal) Private Limited, where gratuity liability is provided on full cost basis.

(iii) Accumulated leave, which is expected to be utilised within next twelve months, is treated as short term employee benefit. The Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Group treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are computed based on the actuarial valuation performed by an independent actuary using the projected unit credit method at the year-end except for the subsidiary Company namely, Varun Beverages (Nepal) Private Limited where accumulated leave liability is provided on full cost basis.

(iv) Actuarial gains/losses are immediately taken to the Consolidated Statement of Profit and Loss.

M. Employee Stock Options

Accounting value of stock options is determined on the basis of 'Intrinsic Value' representing the excess of the fair market value of Company's equity share on the date of grant over the exercise price of the options

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

granted under the “Employees Stock Option Scheme” of the Company, and is being amortised as “Employee Compensation Expense” on a straight-line basis over the vesting period in accordance with the Guidance Note 18 “Share Based Payments” issued by the Institute of Chartered Accountants of India.

N. Earnings/(loss) per share

Basic earnings/ (loss) per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

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

O. Provisions, contingent liabilities and contingent assets

A provision is recognised 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 present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

Contingent assets are not recognised in the consolidated financial statement.

P. Cash and cash equivalents

Cash and cash equivalents for cash flow statement comprises cash at bank and in hand and short-term investments with an original maturity of three months or less.

Q. Government grants

Grants from the government are recognised when there is reasonable assurance that the grant will be received and all underlying conditions will be complied with.

Where the grants are in the nature of promoter’s contribution and no repayment is expected, then they are treated as capital reserve. Grants that are determined to be of revenue nature are deducted from the related expenses.

R. Income taxes

Relating to Indian entity

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

Minimum Alternate Tax (“MAT”) credit is recognised as an asset only when and to the extent there is convincing evidence that the entity will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and is disclosed as MAT credit entitlement. The entity reviews this balance at each balance sheet date and writes down the carrying amount to the extent there is no longer convincing evidence that the entity will pay normal income tax during the specified period.

Relating to overseas entity

Tax provisions for overseas subsidiaries/ associates are determined in accordance with the tax laws of their respective country of incorporation.

For a period of six years reckoned from the year of assessment as may be determined by the Board of Investment of Sri Lanka (BOI) (“tax exception period”) the provisions of the Inland Revenue Act No. 10 of 2006 relating to the imposition, payment and recovery of income tax in respect of the profits and income of the Enterprise, i.e., Varun Beverages Lanka (Private) Limited shall not apply to the profit and income of the Enterprise.

For the above purpose the year of assessment shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations, whichever year is earlier, as specified in a certificate issued by the Board of Investment of Sri Lanka (BOI).

After the aforesaid tax exemption period referred to above, the profits and income of the Enterprise shall be charged at the rate of fifteen percent.

Deferred taxes

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. 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. In situations where the entity has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the entity re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The entity writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
3. Share Capital		
Authorised share capital		
500,000,000 (Previous year 700,000,000) equity shares of ₹ 10 each	5,000.00	7,000.00
50,000,000 (Previous year 30,000,000) preference shares of ₹ 100 each	5,000.00	3,000.00
	<u>10,000.00</u>	<u>10,000.00</u>
Issued, subscribed and fully paid-up		
133,766,165 (Previous year 133,766,165) equity shares of ₹ 10 each	1,337.66	1,337.66
45,000,000 (Previous year 20,000,000)		
Compulsorily convertible preference shares of ₹ 100 each	4,500.00	2,000.00
	<u>5,837.66</u>	<u>3,337.66</u>

a) Reconciliation of share capital

Equity shares

There is no change in equity share capital during the current year and previous year.

Compulsorily convertible preference shares ("CCPS")

Particulars	No. of shares	Amount
Balance as at 01 January 2015	2,00,00,000	2,000.00
Add: Issued during the year	2,50,00,000	2,500.00
Balance as at 31 December 2015	4,50,00,000	4,500.00

Particulars	No. of shares	Amount
Balance as at 01 January 2014	-	-
Add: Issued during the year	2,00,00,000	2,000.00
Balance as at 31 December 2014	2,00,00,000	2,000.00

b) Terms/rights attached to shares

Equity shares

The Company has only one class of equity shares having a par value of ₹10 each. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

Compulsorily convertible preference shares

CCPS shall be compulsorily convertible into equity shares upon expiry of five years from allotment date at a price which shall be calculated at the valuation of the Company computed by an independent valuer or at a price not lower than breakup value (as defined in share subscription agreement), whichever is higher. CCPS shall be mandatorily converted into equity shares prior to a) filing of the red herring prospectus or, b) a third party private equity investment or, c) the conversion of Compulsorily Convertible Debentures. The holders

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

of preference shares have no rights to receive notices of, attend or vote at general meetings except in certain limited circumstances.

Each CCPS shall be entitled to receive dividend at the rate of 10% in the fourth year and at the rate of 20% in the fifth year from the date of issue. There is no dividend for the first three years from the date of issue.

c) Details about issue of shares made for a particular purpose and the whole or part of the amount has not been used for the purpose as at the balance sheet date, details of how such unutilised amounts have been used or invested.

	As at 31 December 2015	As at 31 December 2014
Balance at the beginning of the year	2,000.00	-
Gross proceeds received from the issue of CCPS	2,500.00	2,000.00
Amount utilised till year end	4,500.00	-
Unutilised amount at year end	-	2,000.00

The unutilised amount has been invested in mutual funds in previous year

d) **Employee stock options**

Terms attached to stock options granted to employees are described in Note 42 regarding employee share based payments.

e) **List of shareholders holding more than 5% of the equity share capital of the Company at the beginning and at the end of the reporting year:**

Shareholders as at 31 December 2015 and 31 December 2014	No. of shares	%
RJ Corp Limited	4,53,87,415	33.93%
Ravi Kant Jaipuria & Sons (HUF)	4,41,87,870	33.03%
Mr. Varun Jaipuria	4,41,75,500	33.02%

List of shareholders holding more than 5% of the preference share capital of the Company at the beginning and at the end of the reporting year:

Shareholders as at 31 December 2015	No. of shares	%
RJ Corp Limited	2,00,00,000	44.44%
Devyani Hotels and Resorts Private Limited	2,50,00,000	55.56%
Shareholders as at 31 December 2014	No. of shares	%
RJ Corp Limited	2,00,00,000	100.00%

f) **Shares reserved for issue under options and contracts:**

	As at 31 December 2015	As at 31 December 2014
Under Employee Stock Option Scheme, 2013:		
No. of equity shares of ₹ 10 each at an exercise price of ₹ 149.51 per share	26,75,400	26,75,400

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

- g) Details of shares issued pursuant to contract without payment being received in cash, allotted as fully paid up by way of bonus issues and brought back during the last 5 years to be given for each class of shares:

During the year 2013, the Company issued 26,752,733 equity shares of ₹ 10 each for consideration other than cash. The Company cancelled 7,999,500 equity shares of ₹ 10 each pursuant to the scheme of amalgamation of Varun Beverages (International) Limited with Varun Beverages Limited approved by Hon'ble High Court of Delhi on 12 March 2013. Also, 107,012,932 equity shares of ₹ 10 each have been issued in the ratio of 4:1 as bonus shares during the year 2013.

4. Reserves and surplus

	(₹ in millions, except as stated otherwise)	
	As At 31 December 2015	As At 31 December 2014
Capital reserve		
Balance at the beginning of the year	615.02	615.92
Less: Transferred to Consolidated Statement of Profit and Loss (Refer note 2.3 C)	(17.37)	(17.37)
Add : Other adjustments	8.72	16.47
Balance at the end of the year	<u>606.37</u>	<u>615.02</u>
Debenture redemption reserve		
Balance at the beginning of the year	-	-
Add: Additions made during the year	19.96	-
Balance at the end of the year	<u>19.96</u>	<u>-</u>
Foreign currency translation reserve		
Balance at the beginning of the year	(32.68)	(66.19)
Add: Adjustment during the year	(47.11)	33.51
Balance at the end of the year	<u>(79.79)</u>	<u>(32.68)</u>
Surplus in the Consolidated Statement of Profit and Loss		
Balance at the beginning of the year	(745.90)	(460.45)
Less: Transfer to debenture redemption reserve	(19.96)	-
Less : Adjustment for capital reserve for earlier years	-	(16.46)
Add: Profit/(Loss) for the year	1,130.42	(268.99)
Balance at the end of the year	<u>364.56</u>	<u>(745.90)</u>
Foreign currency monetary item translation difference account		
Balance at the beginning of the year	32.53	194.15
Add: Adjustment made during the year	(97.14)	(140.74)
Less: Amortised during the year	(58.62)	20.88
Balance at the end of the year	<u>(5.99)</u>	<u>32.53</u>
	<u>905.11</u>	<u>(131.03)</u>

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015
(₹ in millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
<p>The Group has exercised the option granted by notification G.S.R. 914(E) dated 29 December 2011 issued by the Ministry of Corporate Affairs. Accordingly, the exchange differences arising on revaluation of long term foreign currency monetary items, other than for acquisition of fixed assets, are being amortised over the maturity period of such monetary items. It includes adjustment of ₹ 179.32 millions (previous year ₹ 183.68 millions) and amortisation of ₹ 89.89 millions (previous year ₹ 79.43 millions) pertaining to a subsidiary.</p>		
5. Long-term borrowings		
Compulsorily convertible debentures (unsecured)	4,149.98	4,149.98
Non-convertible debentures (secured and partly paid-up)	200.00	-
Non-convertible debentures (unsecured)	3,000.00	-
Term loans (secured)		
from banks	6,233.26	8,599.26
from financial institution	1,126.44	1,221.78
from others	44.48	-
Term loan (unsecured)		
from a body corporate	-	1,000.00
Deferred value added tax (unsecured)	1,049.08	1,259.08
	<u>15,803.24</u>	<u>16,230.10</u>

- a) Terms and conditions of issue and conversion/redemption of Compulsorily Convertible Debentures (CCDs) are as under:

No. of debentures	Date of issue	Face value (₹)
1,249,980	18 July 2011	1,000
1,250,000	30 November 2011	1,000
1,650,000	05 October 2012	1,000

The Company shall conduct a qualified initial public offer ('QIPO') not later than 48 months from the date of issue of first tranche. If a QIPO by the Company cannot be completed prior to the QIPO deadline date on account of the market conditions or non-receipt of internal or external approvals that may be required for such initial public offering, the Company and the promoters (as defined in the subscription agreement) shall ensure that such QIPO occurs within six years from the first completion date. The CCDs shall be converted into such number of equity shares based on the lower-end of the price band at which the QIPO is proposed to enable the debenture holders to realise the agreed return of 18.5% from the equity shares resulting from such conversion. CCDs are compulsorily convertible into equity shares in an initial public offer (IPO). In the event the Company has not filed a Draft Red Herring Prospectus for QIPO with the Securities and Exchange Board of India on or before 31 May 2017, the debenture holders have various exit options including 14% per annum coupon and put option on promoters at an agreed return. The coupon in that case is payable as per the terms of underlying agreement.

- b) Terms and conditions of issue and redemption of Non-Convertible Redeemable Debentures (NCDs) are as under:

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015
(₹ in millions, except as stated otherwise)

As At
31 December 2015 As At
31 December 2014

i) Issued to RBL Bank Limited

No. of debentures	Date of issue	Face Value ₹	Paid-up ₹
2,000	1 December 2015	1,000,000	1,00,000

The Rated Secured Listed Redeemable Rupee Denominated NCD (2000) are redeemable at par in 5 years from the deemed date of allotment and carries a coupon rate of SBI base rate plus 60 basis points. The NCDs are redeemable 30%, 30% and 40% at the end of year third, fourth and fifth year unless redeemed earlier. The amount uncalled is to be paid on or before 29 February 2016. These NCDs are secured by way of first pari-passu charge on the specified fixed assets of the Company to the extent of 1.25 times of NCDs outstanding.

Details of utilisation

Gross proceeds received from the issue of NCDs	200.00	-
Amount utilised till year end	200.00	-
Unutilised amount at year end	-	-

ii) Issued to AION Investments II Singapore PTE Ltd

No. of debentures	Date of issue	Face Value ₹	Paid-up ₹
300	30 September 2015	10,000,000	10,000,000

Non-Convertible Debentures (NCDs) shall be rated unsecured and carry a coupon rate of 14% for the first eighteen months and 17% thereafter. NCDs are redeemable by the Company on the tenth anniversary from the date of allotment ('Final Redemption Date'). The Company and its affiliates (as defined in the underlying agreement) have right to redeem the NCDs, prior to the Final Redemption Date, under the circumstances and subject to the conditions stated in the underlying agreement.

Details of utilisation

Gross proceeds received from the issue of NCDs	3,000.00	-
Amount utilised till year end	3,000.00	-
Unutilised amount at year end	-	-

c) Terms and conditions/details of securities for loans are as under:

Name of the bank/instrument	31 December 2015		31 December 2014	
	Non-current	Current	Non-current	Current
Term loans from banks (secured)				
Loan carrying rate of interest of LIBOR+2.5% and is repayable in equal quarterly instalments ending January 2016 This loan is secured by way of first pari-passu charge on movable and immovable fixed assets of Company units located at Bhiwadi, Alwar, Jodhpur, Jaipur, Greater Noida unit-I, Kolkata, Nuh, Kosi Kalan, Greater Noida Unit-II, Goa, Guwahati Unit-I and Unit-II and movable assets in the name of the Company at head office, Gurgaon (excluding the assets exclusively charged to other lenders).	-	82.91	79.16	316.66

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015
(₹ in millions, except as stated otherwise)

Name of the bank/instrument	31 December 2015		31 December 2014	
	Non-current	Current	Non-current	Current
<p>Loan carrying rate of interest of LIBOR+2.65% and is repayable in half yearly instalments ending August 2018</p> <p>This loan is secured by way of first pari-passu charge on movable and immovable fixed assets of Company units located at Bhiwadi, Alwar, Jodhpur, Jaipur, Greater Noida unit-I, Kolkata, Nuh, Kosi Kalan, Greater Noida Unit-II, Goa, Guwahati Unit-I and Unit-II and movable assets of the Company in the name of the Company at head office, Gurgaon (excluding the assets exclusively charged to other lenders)</p>	663.26	331.63	949.97	189.99
<p>Loan carrying rate of interest of LIBOR+3.55% (previous year LIBOR+3.75%) and is repayable in half yearly instalments ending in 2019.</p> <p>This loan is secured by way of charge on imported plant and machinery of Varun Beverages (Lanka) Private Limited and corporate guarantee of Company, i.e., Varun Beverages Limited.</p>	458.66	219.65	665.85	215.61
<p>Loans carrying weighted average rate of interest 11.11% (Previous year 12.08%) depending upon tenure of the loans. These loans are repayable in monthly / quarterly / half yearly instalments ranging from 2-6 years.</p> <p>These loans are secured by way of first pari-passu charge on movable and immovable fixed assets of Company units located at Bhiwadi, Alwar, Jodhpur, Jaipur, Greater Noida Unit-I, Kolkata, Nuh, Kosi Kalan, Greater Noida Unit-II, Goa, Guwahati Unit-I and Unit-II and movable assets in the name of the Company at head office, Gurgaon (excluding the assets exclusively charged to other lenders).</p>	4,784.40	1,038.24	6,204.79	1,305.97
<p>Loans at Varun Beverages Lanka (Private) Limited are carrying rate of interest of 11-14.50% depending upon tenure of the loan. These loans is repayable in 72 months after a period of one year from the date of disbursement.</p> <p>These loans is secured by way of first pari-passu charge on movable and immovable fixed assets and other assets of Varun Beverages (Lanka) Private Limited and also corporate guarantee of Varun Beverages Limited.</p>	160.63	116.85	144.36	77.77
<p>Loan at Varun Beverages (Nepal) Private Limited is carrying rate of interest of 6.50-7.75% depending upon tenure of the loan. This loan is repayable in 5 years after a period of one year from the date of disbursement.</p> <p>This loan is secured by way of first pari-passu charge on movable and immovable fixed assets of Varun Beverages (Nepal) Private Limited. These are further secured by personal guarantee of Mr. Ravi Kant Jaipuria. The amount of personal guarantees outstanding at the end of current year is ₹ Nil (previous year ₹ 159.53 million).</p>	-	-	159.53	-

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015
(₹ in millions, except as stated otherwise)

Name of the bank/instrument	31 December 2015		31 December 2014	
	Non-current	Current	Non-current	Current
Loan at Varun Beverages Morocco SA is carrying rate of interest of 5.45-5.50% (previous year : 5.50-5.65%) depending upon tenure of the loan. This loan is repayable in 6 years. This loan is secured by way of first pari-passu charge on movable and immovable fixed assets of Varun Beverages Morocco SA, assignment of insurance policy in favour of the lenders and promissory note in favour of lenders.	90.55	224.30	319.84	281.17
Vehicle term loans (secured)				
Loans carrying rate of interest in range of 5-11%. They are repayable generally over a period of three to five years in instalments as per the terms of the respective agreements. Vehicle loans are secured against respective asset financed includes loan outstanding of ₹ 23.41(previous year ₹ 30.56) from NDB Bank which is additionally secured by personal guarantee of Directors(other than KMPs) of Varun Beverages Lanka (Private) Limited.	102.20	71.19	97.54	70.31
Term loans from financial institution (secured)				
Loan is carrying rate of interest of 11.25% (Previous year 12.50%). This loan is repayable in half yearly instalments from June 2015 to July 2019. This loan is secured by way of First pari-passu charge on movable and immovable fixed assets of Company units located at Bhiwadi, Alwar, Jodhpur, Jaipur, Greater Noida Unit-I, Kolkata, Nuh, Kosi kalan, Greater Noida Unit-II, Goa, Guwahati Unit-I and Unit-II and movable assets in the name of the Company at head office, Gurgaon (excluding the assets exclusively charged to other lenders).	1,100.00	100.00	1,200.00	50.00
Finance lease obligations from others (secured)				
These are repayable generally over a period of three to five years in instalments as per the terms of the respective agreements. These loans are secured against respective asset financed.	44.48	51.32	-	-
Term loan from a body corporate (unsecured)				
Loan is carrying rate of interest of 12%. This loan is repayable out of fresh securities proceeds, as per terms of agreement.	-	-	1,000.00	-
Deferred value added tax (unsecured)				
Deferred value added tax is repayable in 33 quarterly instalments of ₹ 52.50 and single quarterly instalment of ₹ 51.59 starting from July 2013 to October 2021. The loan is interest free.	1,049.08	210.00	1,259.08	210.00
	8,453.26	2,446.09	12,080.12	2,717.48

VARUN BEVERAGES LIMITED (CONSOLIDATED)

(₹ in millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
6. Deferred tax liabilities (net)		
Deferred tax liabilities		
Timing difference on fixed assets (depreciation and amortisation)	2,358.79	1,739.76
Deferred tax assets		
Unabsorbed depreciation and carry forward losses	556.90	790.69
Provision for doubtful debts	50.30	44.39
Provision for bonus	13.03	2.46
Foreign currency monetary item translation difference account	64.95	46.49
Lease equalisation reserve	0.66	-
Provision for retirement benefits	188.32	105.55
Other expenses allowable on payment basis	55.78	-
	<u>929.94</u>	<u>989.58</u>
	<u>1,428.85</u>	<u>750.18</u>
Note : (1) Deferred tax expense for the year ended 31 December 2014, amounting to ₹ 47.30 is charged to Consolidated Statement of Profit and Loss is net of deferred tax credit of earlier years amounting to ₹ 71.73.		
(2) After setting off deferred tax assets aggregating ₹ 52.97 (Previous year ₹ 58.92) in respect of certain subsidiary companies.		
7. Other long-term liabilities		
Capital creditors		
Dues to micro and small enterprises (Refer note 40)	-	-
Dues to others	6,252.10	-
Statutory dues payable under dispute	110.74	11.35
	<u>6,362.84</u>	<u>11.35</u>
8. Long-term provisions		
Provision for employee benefits (Refer note 37)		
Gratuity	331.51	190.81
Compensated absences	111.62	70.93
	<u>443.13</u>	<u>261.74</u>
9. Short-term borrowings		
Loans repayable on demand from:		
-A body corporate (unsecured)*	-	700.00
Working capital facility		
-From banks (secured)	2,207.46	4,302.41
-From financial institutions (secured)	58.47	82.76
-From others (unsecured)	258.19	-
	<u>2,524.12</u>	<u>5,085.17</u>
a) Details of securities are as under:		
i.) Working capital facilities from banks in case of Parent Company amounting to ₹ 681.00 million (previous year ₹ 2,560.72 million) are secured by first charge on entire current assets of the Company ranking pari		

VARUN BEVERAGES LIMITED (CONSOLIDATED)

(₹ in millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
<p>passu amongst the banks and second charge on the movable and immovable assets of the Company pertaining to specific manufacturing units. In the previous year, short term loans included above in the working capital facility are also secured by way of second charge on the movable and immovable assets of the Company pertaining to specific manufacturing units. The working capital facilities carry interest rates ranging between 11 to 12 %.</p>		
<p>ii.) Working capital facilities from banks and financial institutions including short term loans in case of subsidiaries amounting to ₹ 1,584.93 million (previous year ₹ 1,824.45 million) are secured by first charge on entire current assets of the respective subsidiary Company ranking pari passu amongst the banks and second charge on the movable and immovable assets of the respective subsidiary. Some of the facilities of subsidiaries are guaranteed by the Parent Company, i.e. Varun Beverages Limited and by respective subsidiary Company, as per the terms of respective agreements. These are further secured by personal guarantee of Mr. Ravi Kant Jaipuria. The amount of personal guarantees outstanding at the end of current year is ₹ 1,620.80 million (previous year ₹ 1,626.12 million). The working capital facilities carry interest rates ranging between 6 to 14.50 %.</p>		
<p>* Loan repayable on demand from a body corporate has an interest rate of 12% per annum.</p>		
10. Trade payables		
Trade payable		
Dues to micro and small enterprises (refer note 40)	1.44	0.63
Dues to others including acceptances	1,510.40	1,626.28
Provision for expenses	333.71	206.14
	<u>1,845.55</u>	<u>1,833.05</u>
11. Other current liabilities		
Current maturities of long-term debt	2,446.09	2,717.48
Interest accrued but not due on borrowings	148.40	69.88
Advances from customers	605.57	179.45
Capital creditors	3,292.69	439.36
Security deposits	1,472.29	853.67
Employee related payables	147.87	108.98
Guarantee commission payable	-	80.00
Lease equalisation reserve	1.92	-
Statutory dues payable	675.04	470.74
	<u>8,789.87</u>	<u>4,919.56</u>
12. Short-term provisions		
Provision for employee benefits (Refer note 37)		
Gratuity	83.62	28.32
Compensated absences	50.27	38.87
Provision for income tax, net of advance taxes amounting to ₹ 234.32 (previous year 17.64)	238.17	83.66
	<u>372.06</u>	<u>150.85</u>

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

13. Tangible assets

(₹ in millions, except as stated otherwise)

Gross block	Land freehold *	Land leasehold *	Buildings	Plant and equipment #	Furniture and fixtures	Vehicles #	Office equipment	Computer equipments	Containers **	Post-mix vending machines and refrigerators (Visi Cooler) #	Total
Balance as at 01 January 2014	3,419.13	1,140.40	3,628.87	11,628.90	125.50	1,059.74	87.79	104.59	2,763.60	4,591.93	28,550.45
Additions	-	-	212.96	590.97	10.90	82.53	16.92	20.12	461.27	679.66	2,075.33
Disposals	-	(0.77)	-	(61.26)	(17.40)	(89.75)	(3.49)	(12.97)	(204.97)	(34.03)	(424.64)
Transfer/adjustment	-	-	-	-	0.09	-	(1.37)	(0.06)	(8.87)	-	(10.21)
Foreign exchange fluctuation	(12.32)	-	(7.11)	(89.51)	(0.53)	(4.83)	0.01	(0.58)	(5.98)	(8.29)	(129.14)
Balance as at 31 December 2014	3,406.81	1,139.63	3,834.72	12,069.10	118.56	1,047.69	99.86	111.10	3,005.05	5,229.27	30,061.79
Additions	10.52	68.45	95.48	473.84	1.66	277.72	17.12	44.62	1,029.61	645.12	2,664.14
Disposals	-	(5.11)	-	(85.44)	(0.11)	(12.63)	(2.09)	(4.10)	(490.20)	(33.24)	(632.92)
Transfer/adjustment	-	-	(0.14)	13.77	-	-	-	(0.13)	-	-	13.50
Acquired on business acquisition	346.32	943.88	898.20	4,310.94	19.11	13.74	25.07	-	779.02	2,402.11	9,738.39
Foreign exchange fluctuation	(53.23)	-	(44.11)	(169.76)	(0.99)	(2.18)	(0.30)	(1.98)	(56.66)	(61.06)	(390.27)
Balance as at 31 December 2015	3,710.42	2,146.85	4,784.15	16,612.45	138.23	1,324.34	139.66	149.51	4,266.82	8,182.20	41,454.63
Accumulated depreciation											
Balance as at 01 January 2014	-	13.28	629.69	2,341.30	47.76	535.68	62.26	70.23	1,147.85	1,844.59	6,692.64
Depreciation charge	-	18.71	134.47	683.16	11.11	103.68	7.51	15.42	453.07	501.32	1,928.45

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in millions, except as stated otherwise)

Gross block	Land freehold *	Land leasehold *	Buildings	Plant and equipment #	Furniture and fixtures	Vehicles #	Office equipment	Computer equipments	Containers **	Post-mix vending machines and refrigerators (Visi Cooler) #	Total
Reversal on disposal of assets	-	(0.01)	-	(36.32)	(13.26)	(37.80)	(2.43)	(12.06)	(163.71)	(28.18)	(293.77)
Transfer/adjustment	-	-	-	-	0.02	-	(0.22)	0.00	-	-	(0.20)
Foreign exchange fluctuation	-	-	(2.08)	(16.04)	(0.12)	(2.20)	0.06	(0.18)	1.08	0.84	(18.64)
Balance as at 31 December 2014	-	31.98	762.08	2,972.10	45.51	599.36	67.18	73.41	1,438.29	2,318.57	8,308.48
Depreciation charge [^]	-	34.72	146.23	807.33	11.39	195.39	11.60	20.87	414.93	880.55	2,523.01
Transfer/adjustment	-	-	(0.01)	0.01	-	-	-	(0.01)	-	(5.85)	(5.86)
Reversal on disposal of assets	-	(0.21)	-	(16.73)	(0.06)	(10.43)	(1.09)	(2.76)	(351.50)	(15.78)	(398.56)
Foreign exchange fluctuation	-	-	(4.74)	(23.92)	(0.46)	(5.16)	(0.24)	(1.42)	(21.59)	(31.67)	(89.20)
Balance as at 31 December 2015	-	66.49	903.56	3,738.79	56.38	779.16	77.45	90.09	1,480.13	3,145.82	10,337.87
Net block											
Balance as at 31 December 2014	3,406.81	1,107.65	3,072.64	9,097.00	73.05	448.33	32.68	37.69	1,566.76	2,910.70	21,753.31
Balance as at 31 December 2015	3,710.42	2,080.36	3,880.59	12,873.66	81.85	545.18	62.21	59.42	2,786.69	5,036.38	31,116.76

*Gross block includes revaluation of land amounting to ₹ 2,782.95 millions as on 01 January 2012 based on valuation determined by external valuer.

**As at 31 December 2015, the containers having gross block of ₹ Nil (previous year ₹ 47.16 millions) retired from active use have been stated at net realisable value.

[^]Depreciation of ₹ 3.14 millions for the year 2011 has been adjusted in capital reserve.

#includes gross value of assets taken on finance lease aggregating to ₹ 246.55 million (previous year Nil), accumulated depreciation of ₹ 121.99 million (previous year Nil) and depreciation for the year ₹ 40.03 million (previous year Nil).

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

14. Intangible assets

(₹ in millions, except as stated otherwise)

Gross block	Market infrastructure	Franchise rights/ trademarks	Software	Total
Balance as at 01 January 2014	327.84	1,403.51	102.76	1,834.11
Additions	31.38	-	35.87	67.25
Transfer from tangible assets	-	-	1.34	1.34
Foreign exchange fluctuation	(20.41)	-	(0.66)	(21.07)
Balance as at 31 December 2014	<u>338.81</u>	<u>1,403.51</u>	<u>139.31</u>	<u>1,881.63</u>
Additions	5.68	-	54.32	60.00
Acquired on business acquisition	-	2,946.61	-	2,946.61
Disposals	-	-	(0.87)	(0.87)
Foreign exchange fluctuation	(16.81)	-	(0.52)	(17.33)
Balance as at 31 December 2015	<u>327.68</u>	<u>4,350.12</u>	<u>192.24</u>	<u>4,870.04</u>
Accumulated amortisation				
Balance as at 01 January 2014	147.14	128.43	65.14	340.71
Depreciation charge	69.29	140.35	21.48	231.12
Transfer from tangible assets	-	-	0.20	0.20
Foreign exchange fluctuation	(10.37)	-	(0.39)	(10.76)
Balance as at 31 December 2014	<u>206.06</u>	<u>268.78</u>	<u>86.43</u>	<u>561.27</u>
Depreciation charge	64.12	388.19	27.03	479.34
Reversal on disposal of assets	-	-	(0.26)	(0.26)
Foreign exchange fluctuation	(8.89)	-	(0.33)	(9.22)
Balance as at 31 December 2015	<u>261.29</u>	<u>656.97</u>	<u>112.87</u>	<u>1,031.13</u>
Net block				
Balance as at 31 December 2014	<u>132.75</u>	<u>1,134.73</u>	<u>52.88</u>	<u>1,320.36</u>
Balance as at 31 December 2015	<u>66.39</u>	<u>3,693.15</u>	<u>79.37</u>	<u>3,838.91</u>

(₹ in millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
15. Non-current investments		
(Valued at cost unless stated otherwise)		
Non-trade investments (unquoted)		
Investment in associates		
35,474 (Previous year 35,474) fully paid up equity shares of ₹ 10 each in Angelica Technologies Private Limited (capital reserve on acquisition amounting to ₹ 10.40 million)		
	0.35	0.35
Add: Share in current year profit	<u>32.38</u>	<u>19.48</u>
	<u>32.73</u>	<u>19.83</u>
Nil (Previous year 1) fully paid-up equity shares of ₹ 4.84 each in Ole Marketing Private Limited**		
	-	-

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
Less: Diminution in value of assets**	-	-
	<u>-</u>	<u>-</u>
	<u>32.73</u>	<u>19.83</u>
** Rounded off to Nil		
Aggregate amount of unquoted investments	32.73	19.83
The above investments are for business purposes.		
16. Long-term loans and advances		
(Unsecured considered good, unless otherwise stated)		
Income tax paid (includes amount paid under protest)	59.44	36.98
MAT credit entitlement	690.06	184.88
Balance with statutory authorities (paid under dispute)	20.75	47.02
Capital advances	238.68	54.24
Security deposits	181.50	127.87
	<u>1,190.43</u>	<u>450.99</u>
a) Security deposits include amount due from a Company in which Director of the Company is a Director.		
RJ Corp Limited	35.49	35.49
The security deposit has been given for business purposes.		
17. Other non-current assets		
Balance in deposit accounts with more than 12 months maturity *	1.48	7.99
Prepaid expenses	48.64	59.70
	<u>50.12</u>	<u>67.69</u>
*Pledged as security with statutory authorities/banks		
18. Current investments		
Valued at cost		
Investments in equity instruments (Unquoted, non-trade)		
200 (previous year 200) fully paid-up equity shares of ₹ 50 each in The Margao Urban Co-operative Bank Limited	0.01	0.01
250 (previous year 250) fully paid up equity shares of ₹ 10 each in the The Goa Urban Co-operative Bank Limited*	0.00	0.00
Investments in mutual funds (Quoted, fully paid up)		
Nil (previous year 3,833,205) units of Birla Sunlife Savings Fund- Growth Regular Plan	-	1,006.63
Nil (previous year 4,593,250) units of Birla Sunlife Cash Plus- Growth Regular Plan	-	1,006.52
Nil (previous year 302,502) units of Reliance Liquid Fund- Growth Plan	-	1,006.64
	<u>0.01</u>	<u>3,019.80</u>

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
Aggregate amount of quoted investments	-	3,019.79
Aggregate amount of unquoted investments	0.01	0.01
Market value of quoted investments	-	3,025.90
* Rounded off to nil		
19. Inventories (valued at lower of cost or net realisable value)		
Raw material	1,896.47	1,326.62
Work-in-progress	86.16	28.18
Intermediate goods	668.82	523.86
Finished goods (includes goods in transit of ₹ 9.92 million (previous year ₹ 28.26 million))	587.92	497.37
Raw material in transit	391.66	37.30
Stores and spares	615.58	479.17
	<u>4,246.61</u>	<u>2,892.50</u>
Detail of raw material		
Concentrate	445.08	327.02
Sugar	133.51	177.77
Pet chips	441.17	106.58
Others	876.71	715.25
	<u>1,896.47</u>	<u>1,326.62</u>
Detail of work-in-progress		
Beverages	0.26	0.08
Crown	83.72	27.56
Lug cap	1.34	0.11
Others	0.84	0.43
	<u>86.16</u>	<u>28.18</u>
Detail of intermediate goods		
Preform	577.98	456.77
Crown	22.78	13.44
Cartons, pads and shrink film	68.06	53.65
	<u>668.82</u>	<u>523.86</u>
Detail of finished goods inventory		
Beverages	538.41	432.04
Crown	16.68	32.94
Lug cap	3.67	4.33
Others	29.16	28.06
	<u>587.92</u>	<u>497.37</u>

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
20. Trade receivables		
Outstanding for a period exceeding six months from the due date		
Unsecured, considered good	326.25	212.96
Unsecured, considered doubtful	171.36	151.84
	<u>497.61</u>	<u>364.80</u>
Less : Provision for bad and doubtful debts	(171.36)	(151.84)
	<u>326.25</u>	<u>212.96</u>
Other debts		
Unsecured, considered good	652.85	759.92
Unsecured, considered doubtful	0.97	-
	<u>653.82</u>	<u>759.92</u>
Less : Provision for bad and doubtful debts	(0.97)	-
	<u>652.85</u>	<u>759.92</u>
	<u>979.10</u>	<u>972.88</u>
Includes amounts due by companies in which Directors of the Company are also Director:		
a.) Devyani Food Street Private Limited	1.84	0.93
b.) Alisha Torrent Closures (India) Private Limited	1.27	1.00
c.) Varun Beverages (Zambia) Limited	136.25	60.99
d.) Varun Beverages Mozambique LDA	21.25	37.24
e.) Devyani International Limited	6.03	-
f.) Alisha Retail Private Limited	0.11	-
g.) Lemon Tree Hotels Limited	0.14	0.22
h.) Devyani Food Industries Limited	-	0.14
21. Cash and bank balances		
Cash and cash equivalents		
Balances with banks in current accounts	225.40	42.29
Cash on hand	17.49	9.42
	<u>242.89</u>	<u>51.71</u>
Other bank balances		
Deposits with balance original maturity more than 3 months but less than 12 months*	337.84	292.38
	<u>580.73</u>	<u>344.09</u>
*Pledged as security with statutory authorities/banks	6.58	0.48
22. Short-term loans and advances		
(Unsecured considered good, unless otherwise stated)		
Advances to:		
Employees	45.54	33.37
Contractors and suppliers	433.92	175.43
Others	577.20	310.98

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
Balance with statutory authorities	380.80	365.59
Security deposits	4.38	3.90
Claims receivable	10.45	6.51
Government grant receivable	297.55	295.43
Amount recoverable	53.91	60.10
	<u>1,803.75</u>	<u>1,251.31</u>
a) Loans and advances include amount due from the following companies in which Directors of the Company are also Directors:		
Varun Developers Private Limited	514.74	247.05
Varun Beverages Mozambique LDA	-	4.44
Devyani International (Nepal) Private Limited	13.24	-
Accor Developers Private Limited	-	35.11
b) Advance to contractors and suppliers includes amount due from companies in which Director of the Company are also Directors:		
Alisha Torrent Closures (India) Private Limited	-	0.76
23. Other current assets		
Interest accrued on:		
Term deposits	2.40	1.35
Others	5.81	9.90
Prepaid expenses	85.95	97.10
	<u>94.16</u>	<u>108.35</u>

(₹ in millions, except as stated otherwise)

	Year ended 31 December 2015	Year ended 31 December 2014
24. Revenue		
Revenue from operations (gross)		
Sale of products	38,759.64	27,817.96
Other operating revenue		
Scrap sales	204.11	149.13
Others	95.19	129.84
	<u>299.30</u>	<u>278.97</u>
	<u>39,058.94</u>	<u>28,096.93</u>
Detail of sale of products		
Beverages	38,263.62	27,231.64
Crown	150.07	242.21
Preform	134.17	130.95
Lug cap	19.07	27.71
Others	192.71	185.45
	<u>38,759.64</u>	<u>27,817.96</u>

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in millions, except as stated otherwise)

	Year ended 31 December 2015	Year ended 31 December 2014
25. Other income		
Interest on:		
-bank deposits	15.80	23.23
-others	46.13	45.87
Net gain on foreign currency transactions and translations	-	30.04
Profit on sale of current investments	52.86	-
Excess provision written back	4.43	34.76
Comission income	-	0.11
Dividend income on current investments	-	19.79
Gain on sale of fixed assets	-	0.38
Miscellaneous	23.59	13.10
	<u>142.81</u>	<u>167.28</u>
26. Cost of materials consumed		
Raw material and packing material consumed		
Inventories at beginning of the year	1,326.62	994.80
Purchases during the year (net)	<u>15,011.55</u>	<u>13,552.54</u>
	<u>16,338.17</u>	<u>14,547.34</u>
Sold during the year	188.62	54.27
Inventories at end of the year	<u>1,896.47</u>	<u>1,326.62</u>
	<u>14,253.08</u>	<u>13,166.45</u>
Detail of materials consumed		
Concentrate	4,463.84	4,423.67
Sugar	3,780.78	3,559.49
Pet chips	1,284.78	1,558.33
Others	<u>4,723.68</u>	<u>3,624.96</u>
	<u>14,253.08</u>	<u>13,166.45</u>
27. Purchases of traded goods		
Beverages	3,092.31	487.00
Others	<u>109.20</u>	<u>110.00</u>
	<u>3,201.51</u>	<u>597.00</u>
28. Changes in inventories of finished goods, work-in-progress and traded goods		
As at the beginning of the year		
Finished goods	497.37	462.79
Intermediate goods	523.86	506.84
Work in progress	28.18	60.18
	<u>1,049.41</u>	<u>1,029.81</u>
As at the closing of the year		
Finished goods	587.92	497.37
Intermediate goods	668.82	523.86
Work in progress	<u>86.16</u>	<u>28.18</u>
	<u>1,342.90</u>	<u>1,049.41</u>

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in millions, except as stated otherwise)

	Year ended 31 December 2015	Year ended 31 December 2014
Excise duty adjustment on inventories	<u>(3.64)</u>	<u>(21.67)</u>
	<u>(289.85)</u>	<u>2.07</u>
<p>Note: The Group manufactures as well as purchase the same product from market for sale. In the absence of demarcation between manufactured and purchased goods, stock in trade values are not separately ascertainable. Further, the Group uses both imported and indigenous raw materials and stores and spares in its manufacturing operations and in absence of separate records for imported and indigenous materials, the disclosures for consumption of imported and indigenous materials is not available.</p>		
29. Employee benefits expense		
Salaries and wages	2,904.98	1,920.97
Contribution to provident and other funds	181.85	141.80
Staff welfare expenses	150.68	105.22
	<u>3,237.51</u>	<u>2,167.99</u>
30. Finance costs		
Interest on:		
Term loans	1,095.28	1,437.13
Working capital facilities	232.74	381.26
Non-convertible debentures	108.64	-
Others	155.46	48.83
Other borrowing costs:		
Processing fees	95.79	38.96
	<u>1,687.91</u>	<u>1,906.18</u>
31. Depreciation and amortisation expense		
Depreciation on tangible assets	2,712.12	1,928.46
Amortisation of intangible assets	479.34	231.12
Less: Transferred from capital reserve	(17.37)	(17.37)
	<u>3,174.09</u>	<u>2,142.21</u>
32. Other expenses		
Power and fuel	1,311.53	1,136.23
Repairs and maintenance		
Plant and equipment	668.70	460.11
Buildings	43.21	29.24
Others	281.43	184.95
Stores and spares consumed	324.32	279.28
Rent	218.01	127.89
Rates and taxes	156.31	106.33
Insurance	25.24	18.01
Printing and stationery	29.89	20.35
Communication	63.88	50.06
Travelling and conveyance	290.68	219.68
Director sitting fee	1.50	-

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in millions, except as stated otherwise)

	Year ended 31 December 2015	Year ended 31 December 2014
Payment to auditors		
Audit fees	7.94	6.24
Tax audit, tax matters and certification	1.20	2.25
Other services	2.16	0.97
Reimbursement of expenses	0.96	1.55
Vehicle running and maintenance	105.47	85.29
Lease and hire charges (net)	139.42	91.89
Security and service charges	134.24	83.61
Professional charges and consultancy	99.23	74.96
Bank charges	13.60	19.65
Advertisement and sales promotion	530.25	427.33
Meeting and conference	10.73	4.93
Royalty	188.51	94.91
Freight, octroi and insurance paid (net)	1,539.57	982.65
Delivery vehicle running and maintenance	418.43	457.44
Distribution expenses	114.36	55.74
Loading and unloading charges	178.98	128.57
Donations	1.17	1.30
Net loss on foreign currency transactions and translations	43.27	-
Fixed assets written off	74.53	47.06
Loss on sale of fixed assets	40.25	-
Bad debts written off	4.46	14.79
Provision for bad and doubtful debts	20.26	42.66
General office and other miscellaneous expenses	84.79	47.16
	<u>7,168.48</u>	<u>5,303.08</u>
33. Prior period items		
Excess provisions written back	(26.94)	-
Amortisation of foreign exchange difference (refer note a below)	-	(3.96)
Rates and taxes	77.18	9.16
Adjustment for loss on fixed assets, net	(13.64)	-
Adjustment for leases	(98.87)	-
Depreciation and amortisation	(192.25)	-
	<u>(254.52)</u>	<u>5.20</u>

- a) Pertains to the impact of the exercise of the option granted by notification G.S.R. 914(E) dated 29 December 2011 issued by the Ministry of Corporate Affairs. Accordingly, the exchange differences arising on revaluation of long term foreign currency monetary items have been recorded under the head 'Foreign Currency Monetary Item Translation Difference Account' and amortized over period of underlying long term foreign currency monetary items.

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015
(₹ in millions, except as stated otherwise)

	31 December 2015	31 December 2014
34 Contingent liabilities and commitments		
a) Guarantees issued on behalf of other companies#	669.73	618.69
b) Counter guarantees given in respect of guarantees issued by Group's bankers**	83.87	84.56
c) Claims against the Group not acknowledged as debts (being contested)		
i) For excise and service tax	19.84	45.39
ii) For sales tax / entry tax	42.71	80.22
iii) For income tax	30.34	158.75
iv) Others*	*130.64	*73.39

**excludes ₹ 5.40 (previous year: ₹ 5.40) already considered as contingent liability in 34(c) above.

* excludes pending cases where amount of liability is not ascertainable.

includes guarantees for loans given on behalf of Lunarmech Technologies Private Limited for business purposes.
Also refer note 5(a).

35. Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	1,355.27	12,920.97
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36. Pre-operative expenses incurred on fixed assets and capitalised in fixed assets during the year are as under:

Amount brought forward	1.47	3.36
Add: Incurred during the year		
Net loss/(gain) on foreign currency transactions	69.13	(10.81)
Financial charges	-	17.27
Other expenses	24.01	5.86
Less: Capitalised during the year	69.64	14.21
Amount carried over	<u>24.97</u>	<u>1.47</u>

37. Gratuity and other post-employment benefit plans

(₹ in millions, except as stated otherwise)

	Gratuity		Compensated absences	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Reconciliation of opening and closing balances:				
Obligations at the beginning of the year	225.53	160.91	109.80	69.14
Past service cost	97.13	-	10.35	-
Current service cost	55.94	30.06	45.94	20.56
Interest cost	16.57	12.37	8.38	5.88
Benefits settled	(13.27)	(11.04)	(8.27)	(6.96)
Net actuarial loss/(gain)	41.62	32.54	(4.31)	21.18
Foreign exchange translation reserve	(2.23)	0.69	-	-

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015
(₹ in millions, except as stated otherwise)

	Gratuity		Compensated absences	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Obligations at the end of the year	421.29	225.53	161.89	109.80
Change in plan assets				
Plan assets at the beginning of the year, at fair value	6.40	7.63	-	-
Expected return on plan assets	0.59	0.70	-	-
Actuarial loss	(0.08)	(0.19)	-	-
Contributions	1.19	1.18	-	-
Benefits settled	(1.94)	(2.92)	-	-
Plans assets at the end of the year, at fair value	6.16	6.40	-	-
Reconciliation of present value of the obligation and the fair value of the plan assets:				
Present value of obligation at the end of the year	421.29	225.53	161.89	109.80
Closing fair value of plan assets	6.16	6.40	-	-
Closing funded status	(415.13)	(219.13)	(161.89)	(109.80)
Unrecognised actuarial (gains)/losses	-	-	-	-
Unfunded net liability recognised in the balance sheet	(415.13)	(219.13)	(161.89)	(109.80)
Consolidated Statement of Profit and Loss				
Past service cost	97.13	-	10.35	-
Current service cost	55.94	30.06	45.94	20.56
Interest cost	16.57	12.37	8.38	5.87
Expected return on plan assets	(0.59)	(0.70)	-	-
Actuarial loss/(gain)	41.70	32.73	(4.31)	21.18
Net cost recognised	210.75	74.46	60.36	47.61
Assumptions:				
Discount rate	8-10%	8-10%	8-10%	8%
Estimated rate of return on plan assets	8.75%	9.00%	N.A.	N.A.
Withdrawal rate	3-11%	3-14%	3-11%	14%
Salary increase	11-12%	9-13%	11-12%	12%
Retirement age (Years)	55-60	55-58	55-60	58

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

Amount recognised in current year and previous four years: (₹ in millions, except as stated otherwise)

Assets/ Liabilities	31 December 2011	31 December 2012	31 December 2013	31 December 2014	31 December 2015
1) Present value of obligation	51.31	98.92	160.91	225.53	421.29
2) Fair value of plan assets	-	6.96	7.63	6.40	6.16
3) Net liability recognised in balance sheet	51.31	91.96	153.28	219.13	415.13

The liability for gratuity and compensated absences for the subsidiary Company Varun Beverages (Nepal) Private Limited has been included in full cost basis.

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

Defined contribution plans:

Contribution to defined contribution plans, recognised as expense for the year is as under:

Employer's contribution to provident and other funds ₹ 181.85 million (previous year ₹ 141.80 million).

38. Earnings per share

	31 December 2015	31 December 2014
Profit/(loss) attributable to the equity shareholders	1,130.42	(268.99)
Weighted average number of equity shares outstanding during the year for calculating basic earning per share (nos.)	133,766,165	133,766,165
Employee stock options	890,009	-
Weighted average number of equity shares for calculation of diluted earnings per share (nos.)	134,656,174	133,766,165
Nominal value of equity shares (₹)	10	10
Basic earnings per share (₹)	8.45	(2.01)
Diluted earnings per share (₹)	8.39	(2.01)

The diluted earnings per share do not include the potential impact of conversion of the compulsorily convertible debentures and compulsorily convertible preference shares, since the conversion is dependent on future events which are currently uncertain. Accordingly, the potential dilutive equity shares cannot be estimated reliably at this stage.

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

39. Related party disclosures

A. Relationships

I. Key management personnel (KMP):

Mr. Ravi Kant Jaipuria	Director
Mr. Varun Jaipuria	Whole-time Director
Mr. Raj P. Gandhi	Whole-time Director
Mr. Kamlesh Kumar Jain	Whole-time Director
Mr. Christopher White	Whole-time Director
Mr. Kapil Agarwal	Whole-time Director

II. Individuals/enterprise having significant influence:

RJ Corp Limited
Ravi Kant Jaipuria & Sons (HUF)
Mr. Varun Jaipuria

III. Relatives of KMP**:

Mrs. Dhara Jaipuria
Mrs. Shashi Jain

IV. Entities where KMPs or relatives of KMPs exercise significant influence**:

Devyani International Limited
Devyani Food Industries Limited
SVS India Private Limited
Alisha Retail Private Limited
Ablnbev India Private Limited #
Champa Devi Jaipuria Charitable Trust

** With whom the Group had transactions during the current year and previous year.

Till 31 December 2014

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

B. The following transactions were carried out with related parties in the ordinary course of business:- (₹ in millions, except as stated otherwise)

Description	Key Managerial Personnel (KMPs)		Enterprises having significant influence		Entities where KMPs or relatives of KMPs exercise significant influence		Relatives of KMPs		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Sales										
-Devyani International Limited	-	-	-	-	125.28	126.97	-	-	125.28	126.97
- Devyani Food Industries Limited	-	-	-	-	33.41	21.95	-	-	33.41	21.95
- Alisha Retail Private Limited	-	-	-	-	1.16	-	-	-	1.16	-
Share application money received/ (refund)										
- RJ Corp Limited	-	-	-	(400.00)	-	-	-	-	-	(400.00)
Issue of Compulsorily Convertible Preference Shares										
- RJ Corp Limited	-	-	-	2,000.00	-	-	-	-	-	2000.00
Contribution to corporate social responsibility activities										
- Champa Devi Jaipuria Charitable Trust	-	-	-	-	0.92	-	-	-	0.92	-
Expenses incurred by the Group on behalf of others/(expenses incurred by others on behalf of the Group)										
- AB Inbev India Private Limited	-	-	-	-	-	(32.36)	-	-	-	(32.36)
- RJ Corp Limited	-	-	(0.09)	-	-	-	-	(0.09)	-	-
- Devyani International Limited	-	-	-	-	(0.40)	(0.55)	-	(0.40)	(0.40)	(0.55)
- Devyani Food Industries Limited	-	-	-	-	(1.89)	(0.16)	-	(1.89)	(1.89)	(0.16)
Rent/ lease charges paid										
- RJ Corp Limited	-	-	66.35	60.53	-	-	-	-	66.35	60.53
- Ravi Kant Jaipuria & Sons (HUF)	-	-	6.00	6.00	-	-	-	-	6.00	6.00
- SVS India Private Limited	-	-	-	-	0.01	0.01	-	-	0.01	0.01
- Mrs. Dhara Jaipuria	-	-	-	-	-	-	1.80	1.80	1.80	1.80
- Mrs. Shashi Jain	-	-	-	-	-	-	0.47	0.45	0.47	0.45
Remuneration to the Directors										
- Mr. Raj P. Gandhi	28.11	23.94	-	-	-	-	-	-	28.11	23.94

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in millions, except as stated otherwise)

Description	Key Managerial Personnel (KMPs)		Enterprises having significant influence		Entities where KMPs or relatives of KMPs exercise significant influence		Relatives of KMPs		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
- Mr. Varun Jaipuria	24.06	24.10	-	-	-	-	-	-	24.06	24.10
- Mr. Christopher White	20.82	19.12	-	-	-	-	-	-	20.82	19.12
- Mr. Kapil Agarwal (net of amount reimbursed)	23.21	3.00	-	-	-	-	-	-	23.21	3.00
- Mr. Kamlesh Kumar Jain	6.88	5.63	-	-	-	-	-	-	6.88	5.63
Balances outstanding at the year end										
receivable/(payable), net										
- Devyani International Limited	-	-	-	-	6.03	(26.15)	-	-	6.03	(26.15)
- RJ Corp Limited	-	-	35.50	35.50	-	-	-	-	35.50	35.50
- Ravi Kant Jaipuria & Sons (HUF)	-	-	-	(0.49)	-	-	-	-	-	(0.49)
- Mr. Christopher White	(0.38)	(0.03)	-	-	-	-	-	-	(0.38)	(0.03)
- Alisha Retail Private Limited	-	-	-	-	0.11	-	-	-	0.11	-
- AB Inbev India Private Limited	-	-	-	-	-	17.47	-	-	-	17.47
- Devyani Food Industries Limited	-	-	-	-	-	0.14	-	-	-	0.14

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in millions, except as stated otherwise)

40. Dues to small and micro enterprises pursuant to Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED Act"):

	31 December 2015	31 December 2014
Principal amount outstanding	1.44	0.63
Interest due thereon		
Interest paid by the Group in terms of Section 16 of the MSMED Act, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	-	-
Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act	-	-
Interest accrued and remaining unpaid as at 31 December 2014	-	-
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act	-	-

The details of amounts outstanding to micro and small enterprises under the MSMED Act are as per available information with the Group.

41. The business activity of the Group predominantly fall within a single primary business segment viz manufacturing and sale of beverages. There are no separate reportable business segments. As part of secondary reporting for geographical segments, the Group operates in two principal geographical areas of the world, i.e., in India, its home country, and other countries.

The following table presents revenue from operations, segment assets, segment liabilities and capital expenditure regarding geographical segments:

(₹ in millions, except as stated otherwise)

	31 December 2015	31 December 2014
1. Segment revenue-external turnover		
-Within India	28,376.08	20,034.44
-Outside India	5,565.41	4,975.82
2. Segment assets		
-Within India	35,633.62	24,166.22
-Outside India	8,731.30	8,341.33

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in millions, except as stated otherwise)

	31 December 2015	31 December 2014
3. Segment liabilities		
-Within India	32,811.02	24,122.96
-Outside India	4,811.61	5,177.95
4. Capital expenditure		
-Within India	14,826.82	1,816.76
-Outside India	645.71	299.03

42. Employee share-based payment

Description of share based payments arrangements

During the year ended 31 December 2013, the Holding Company granted stock options to certain employees of the Group. The Holding Company has the following share-based payment arrangements for employees.

Employee Stock Option Plan 2013 (ESOP 2013)

The ESOP 2013 (the 'Plan') was approved by the Board of Directors and the shareholders on 13 May 2013 and further amended by Board of Directors on 01 December 2015. The plan entitles key managerial personnel and employees of the Company and its subsidiaries to purchase shares in the Company at the stipulated exercise price, subject to compliance with vesting conditions. Stock options can be settled by issue of equity shares. As per the Plan, holders of vested options are entitled to purchase one equity share for every option at an exercise price of ₹ 149.51, which is 1.14 % above the stock price at the date of grant, i.e., 13 May 2013.

As the exercise price of the option is higher than the fair value of the Company's equity share, no expense has been recorded in the current year and previous year.

Particulars	Employee Stock Option Plan 2013
Vesting Conditions	668,850 options on the date of grant ('First vesting')
	668,850 options on first day of January of the calendar year following the first vesting ('Second vesting')
	668,850 options on first day of January of the calendar year following the second vesting ('Third vesting')
	668,850 options on first day of January of the calendar year following the third vesting ('Fourth vesting')
	Notwithstanding any other clause of this Plan, no vesting shall occur until 01 December 2015 or fourth vesting, whichever is earlier.
Exercise period	Stock options can be exercised within a period of 5 years from the date of vesting

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in millions, except as stated otherwise)

Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under employee stock option plans are as follows:

	As at 31 December 2015		As at 31 December 2014	
	No. of Options	Weighted average exercise price (₹)	No. of Options	Weighted average exercise price (₹)
Outstanding at the beginning of the year	2,675,400	149.51	2,675,400	149.51
Granted during year	-	-	-	-
Expired/lapsed during the year	-	-	-	-
Outstanding at the end of the year	2,675,400	149.51	2,675,400	149.51
Exercisable at the end of the year	2,006,550	149.51	-	-

The options outstanding have an exercise price and a weighted average contractual life as given below:

	31 December 2015			31 December 2014		
	No. of outstanding share options	Range of exercise price (₹)	Weighted average remaining life	No. of outstanding share options	Range of exercise price (₹)	Weighted average remaining life
ESOP 2013 Plan	2,675,400	149.51	4.93 years	2,675,400	149.51	6.89 years

As permitted by the Guidance Note on accounting for Employee Share - based Payment, issued by the Institute of Chartered Accountants of India, the Company has elected to account for stock options based on their intrinsic value (i.e., the excess of fair market value of the underlying share over the exercise price) at the grant date rather than their fair value at that date. Had the compensation cost for employee stock options been determined on the basis of the fair value method as described in the said Guidance Note, the Group's net profit after tax would have been lower by ₹ 101.36 million (previous year ₹ 46.07 million), and basic earnings per share would have been ₹ 7.69 (previous year (₹ 2.01)) and diluted earnings per share would have been ₹ 7.64 (previous year (₹ 2.01)).

For purposes of the above proforma disclosures, the fair values are measured based on the Black-Scholes-Merton formula. Expected volatility, an input in this formula, is estimated by considering historic average share price volatility. The inputs used in the measurement of grant-date fair values are as follows:

	31 December 2015		31 December 2014
	Options vested	Options to be vested	Options to be vested
Number of options	2,006,550	668,850	2,675,400
Fair value on grant date	₹ 65.92	₹ 66.44	₹ 67.93
Share price at grant date	₹ 147.83	₹ 147.83	₹ 147.83
Exercise price	₹ 149.51	₹ 149.51	₹ 149.51
Expected volatility	16.63%	16.63%	16.63%
Expected life	7.56 years	7.64 years	7.89 years
Expected dividends	0.00%	0.00%	0.00%
Risk-free interest rate (based on government bonds)	7.53%	7.53%	7.54%

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in millions, except as stated otherwise)

43. Pursuant to transfer pricing legislations under the Income-tax Act, 1961, the Company is required to use specified methods for computing arm's length price in relation to specified international and domestic transactions with its associated enterprises. Further, the Company is required to maintain prescribed information and documents in relation to such transactions. The appropriate method to be adopted will depend on the nature of transactions/class of transactions, class of associated persons, functions performed and other factors, which have been prescribed. The Company is in the process of updating its transfer pricing documentation for the current financial year. Based on the preliminary assessment, the management is of the view that the update would not have a material impact on the tax expense recorded in these financial statements. Accordingly, these consolidated financial statements do not include any adjustments for the transfer pricing implications, if any.
44. During the year ended 31 December 2015, the Company acquired beverages manufacturing units in Sathariya (Uttar Pradesh), Panipat (Haryana), Bazpur (Uttarakhand) and Jainpur (Uttar Pradesh) including franchisee rights for Punjab, Chandigarh, Himachal Pradesh, part of Haryana, part of Uttarakhand and eastern and central Uttar Pradesh territory from PepsiCo India Holdings Private Limited and Aradhana Drinks and Beverages Private Limited for a total consideration of ₹ 12,685 million (excluding receivable of ₹ 80 million on account of net working capital adjustment) as per the terms of business transfer agreement.

Fixed assets acquired under the aforesaid acquisition have been recorded based on the fair valuation of respective assets as assessed by the independent valuers as on the date of the acquisition and the current assets and liabilities taken over have been recorded at carrying value.

Details of fixed assets acquired: (refer note 13 and 14)	Amount
Tangible fixed assets	9,738.39
Intangible assets	2,946.61
Net assets taken over	12,685.00

45. Disclosure in respect of leases pursuant to Accounting Standard (AS 19) "Leases":

Operating leases:

The Group has taken various premises and other fixed assets on operating leases. The lease agreements generally have a lock-in-period of 1-5 years and are cancellable at the option of the lessee thereafter. Majority of the leases have escalation terms after certain years and are extendable by mutual consent on expiry of the lease. During the year, lease payments under operating leases amounting to ₹ 357.43 (previous year ₹ 219.78) have been recognised as an expense in the Consolidated Statement of Profit and Loss.

Non-cancellable operating lease rentals payable (minimum lease payments) for these leases are as follows:

	31 December 2015	31 December 2014
Payable within one year	5.90	-
Payable between one and five years	27.66	-
Payable after five years	17.54	-
Total	51.10	-

VARUN BEVERAGES LIMITED (CONSOLIDATED)

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015
(₹ in millions, except as stated otherwise)

Finance leases:

In respect of fixed assets acquired on finance lease on or after 1 April 2001, the minimum lease rentals outstanding as at the year end are as follows

	Total minimum lease payments outstanding as on 31 December		Future interest on outstanding lease payments		Present value of minimum lease payments as on 31 December	
	2015	2014	2015	2014	2015	2014
Within one year	56.02	-	4.70	-	51.32	-
Later than one year and not later than five years	47.31	-	2.84	-	44.47	-
Total	103.33	-	7.54	-	95.79	-

Assets are taken on lease over a period of 3 to 5 years. The finance obligations are secured against respective asset financed. There is no escalation clause in the lease agreements.

46. During the current year and subsequent to 31 December 2015, the Company has executed certain Share Purchase Agreements ('SPA') to acquire controlling stakes (subject to completion of relevant closing terms/regulatory approvals) in entities which own manufacturing facilities and distribution rights of carbonated drinks of Pepsi brand in the Republics of Mozambique, Zambia and Zimbabwe. The total monetary commitment for these acquisitions aggregates to approximately USD 25 million. Certain closing terms/regulatory approvals of the SPAs executed during the current year were pending for completion as at 31 December 2015.
47. In accordance with the provisions of Section 135 of the Companies Act, 2013, the Board of Directors of the Company had constituted a Corporate Social Responsibility ('CSR') Committee. In terms with the provisions of the said Act, the Company has spent whole of the amount required to be spent amounting to ₹ 0.92 million towards CSR activities during the year ended 31 December 2015.
48. Previous year amounts have been regrouped/ reclassified wherever considered necessary.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date.

For and on behalf of the Board of Directors of
Varun Beverages Limited

For **Walker Chandiok & Associates**
Chartered Accountants
Firm Registration No.: 001329N

For **O.P. Bagla & Co.**
Chartered Accountants
Firm Registration No.: 000018N

Varun Jaipuria
Whole-time Director
DIN : 02465412

Raj P. Gandhi
Whole-time Director
DIN : 00003649

per **Nitin Toshniwal**
Partner
Membership No.: 507568

per **Kripa Shankar Shukla**
Partner
Membership No.: 515763

Kamlesh Kumar Jain
Chief Financial Officer

Mahavir P. Garg
Company Secretary
Membership No. F3490

Place : Gurgaon
Date : 28 March 2016

VARUN BEVERAGES LIMITED

NOTICE

Notice is hereby given that the 20th Annual General Meeting of the Members of **Varun Beverages Limited** will be held at a shorter notice on Friday, 22nd day of May, 2015 at 3.00 p.m. at the Registered Office of the Company situated at F-2/7, Okhla Industrial Area, Phase I, New Delhi-110 020 to transact the following businesses:-

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements of the Company as at 31st December, 2014 together with the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. Ravi Kant Jaipuria (DIN 00003668), who retires by rotation at this Annual General Meeting and being eligible has offered himself for re-appointment.
3. To appoint a Director in place of Mr. Raj Pal Gandhi (DIN 00003649), who retires by rotation at this Annual General Meeting and being eligible has offered himself for re-appointment.
4. To re-appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass with or without modification (s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** M/s. Walker Chandiook & Associates, Chartered Accountants, Firm Registration Number 001329N and M/s. O.P. Bagla & Co., Chartered Accountants, Firm Registration Number 000018N, be and are hereby re-appointed as Joint Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company at such remuneration as shall be determined by the Board of Directors of the Company.”

SPECIAL BUSINESS

5. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** in accordance with the provisions of Section 149 and 160 and all other applicable provisions, if any, of the Companies Act, 2013 and the Rules made thereunder, Mrs. Devyani Jaipuria (DIN: 00044672), who was appointed as an Additional Director of the Company with effect from 20th March, 2015 be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

6. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to Sections 149, 150, 152 and 160 of the Companies Act, 2013 (the ‘Act’) read with Companies (Appointment and Qualification of Directors) Rules, 2014 along with Schedule IV of the Act (including any statutory modification(s) or re-enactment thereof for the time being in force), Mr. Ravindra Dhariwal (DIN: 00003922), who was appointed as an Additional Director of the Company and whose term of office expires at this Annual General Meeting and who has offered himself for appointment as an Independent Director and has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a Member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of the Director, be and is hereby appointed as a Non-executive Independent Director on the Board of Directors of the Company to hold office for a period of one (1) year effective 20th March, 2015.”

7. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an **Ordinary Resolution**:

“**RESOLVED THAT** pursuant to Sections 149, 150, 152 and 160 of the Companies Act, 2013 (the ‘Act’) read with Companies (Appointment and Qualification of Directors) Rules, 2014 along with Schedule IV of the Act (including any statutory modification(s) or re-enactment thereof for the time being in force), Dr. Girish Ahuja

VARUN BEVERAGES LIMITED

(DIN: 00446339), who was appointed as an Additional Director of the Company and whose term of office expires at this Annual General Meeting and who has offered himself for appointment as an Independent Director and has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Act and who is eligible for appointment and in respect of whom the Company has received a notice in writing from a Member under Section 160 of the Companies Act, 2013, proposing his candidature for the office of the Director, be and is hereby appointed as a Non-executive Independent Director on the Board of Directors of the Company to hold office for a period of one (1) year effective 20th March, 2015.”

**By order of the Board
For Varun Beverages Limited**

Place : Gurgaon
Date : 22 May 2015

**Mahavir P. Garg
Company Secretary
Membership No. F3490**

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself/ herself and the proxy need not be a member of the Company. The proxy form in order to be effective must be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.

A member holding more than 10% of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

2. The relevant explanatory statement pursuant to Section 102 of the Companies Act, 2013, in respect of special business set out above is annexed hereto.

VARUN BEVERAGES LIMITED

EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

ITEM NO. 5:

Pursuant to the provisions of Section 161 of the Companies Act, 2013, Mrs. Devyani Jaipuria (DIN: 00044672), was appointed as an Additional Director of the Company with effect from 20th March, 2015. Accordingly Mrs. Devyani Jaipuria, would hold office up to the date of this Annual General Meeting. A notice has been received from a member of the Company proposing her candidature for being appointed as a Director of the Company.

None of the Directors, except Mrs. Devyani Jaipuria, Mr. Ravi Kant Jaipuria, Director of the Company and father of Mrs. Devyani Jaipuria and Mr. Varun Jaipuria, Director of the Company and brother of Mrs. Devyani Jaipuria, or their relatives or the Key Managerial Person or their relatives has any nature of concern or interest, financial or otherwise, directly or indirectly in respect of the proposed resolution.

The Board recommends the resolution for the approval of members as an Ordinary Resolution.

ITEM NO.6:

Pursuant to the provisions of Section 161 of the Companies Act, 2013, Mr. Ravindra Dhariwal (DIN: 00003922), was appointed as an Additional Director of the Company with effect from 20th March, 2015. Accordingly, Mr. Dhariwal, would hold office up to the date of this Annual General Meeting. A notice has been received from a member of the Company proposing his candidature for being appointed as a Director of the Company.

Mr. Dhariwal had been the CEO of Bennett & Coleman, India's largest media Company, with diversified media platforms including Radio Mirchi, Times Television Network, Times Internet, Times OOH and the world's largest selling English newspaper The Times of India. He was the world-wide President of International News Media Association from 2011-2013. Prior to joining Bennett & Coleman, Mr. Dhariwal worked with PepsiCo for 12 years. He was Pepsi's first employee in India, helping build a successful business. He also led the Beverage Business in India, Africa and South East Asia. Mr. Dhariwal started his career with Unilever in India in 1977, and worked for them in India and Australia for over 12 years mostly in Sales and Marketing management. He is an Engineer from IIT, Kanpur and a MBA from IIM Calcutta. It would be in the interest of the Company to avail services of Mr. Dhariwal as an Independent Director.

In terms of Section 149 and other relevant provisions of the Companies Act, 2013, Mr. Dhariwal, being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for a period of one (1) year effective 20th March, 2015.

In the opinion of the Board, Mr. Dhariwal fulfills the conditions for his appointment as an Independent Director as prescribed under the Act and Rules made thereunder. Mr. Dhariwal is independent of the management. The Company has received a declaration of independence from him as prescribed under sub-Section (6) of Section 149 of the Act.

None of the Directors, except Mr. Dhariwal, or their relatives or the Key Managerial Person or their relatives has any nature of concern or interest, financial or otherwise, directly or indirectly in respect of the proposed resolution.

The Board recommends the resolution for the approval of members as an Ordinary Resolution.

ITEM NO. 7:

Pursuant to the provisions of Section 161 of the Companies Act, 2013, Dr. Girish Ahuja (DIN: 00446339), was appointed as an Additional Director of the Company with effect from 20th March, 2015. Accordingly, Dr. Ahuja, would hold office up to the date of this Annual General Meeting. A notice has been received from a member of the Company proposing his candidature for being appointed as a Director of the Company.

Dr. Ahuja is an academician and to his credit been faculty member at Infinity Business School, Shri Ram College of Commerce, Institute of Chartered Accountants of India (ICAI) and Institute of Company Secretaries of India (ICSI) and is a Member of Fiscal Law Committee of ICAI. He did his graduation and post-graduation from Shri Ram College of Commerce and was a position holder. He got his Ph.D from Faculty of Management Studies, University of Delhi. It would be in the interest of the Company to avail services of Dr. Ahuja as an Independent Director.

VARUN BEVERAGES LIMITED

In terms of Section 149 and other relevant provisions of the Companies Act, 2013, Dr. Ahuja, being eligible and offering himself for appointment, is proposed to be appointed as an Independent Director for a period of one (1) year effective 20th March, 2015.

In the opinion of the Board, Dr. Ahuja fulfills the conditions for his appointment as an Independent Director as prescribed under the Act and Rules made thereunder. Dr. Ahuja is independent of the management. The Company has received a declaration of independence from him as prescribed under sub-Section (6) of Section 149 of the Act.

None of the Directors, except Dr. Ahuja, or their relatives or the Key Managerial Person or their relatives has any nature of concern or interest, financial or otherwise, directly or indirectly in respect of the proposed resolution.

The Board recommends the resolution for the approval of members as an Ordinary Resolution.

**By order of the Board
For Varun Beverages Limited**

Place : Gurgaon
Date : 22 May 2015

**Mahavir P. Garg
Company Secretary
Membership No. F3490**

VARUN BEVERAGES LIMITED

DIRECTORS' REPORT

The Members,
Varun Beverages Limited

Your Directors have pleasure in presenting the 21st Annual Report on the business and operations of the Company together with the Audited Financials of the Company for the year ended 31st December, 2015.

FINANCIAL PERFORMANCE

The Company had been granted approval by the Company Law Board, New Delhi Bench to maintain the calendar year i.e. 1st January to 31st December as its Financial Year for 2015 and for all subsequent years under Section 2 (41) of the Companies Act, 2013 vide its order dated 15th December, 2015. Accordingly, the Company closed its Financial Year on 31st December, 2015.

The Company's financial performance for the year ended 31st December, 2015 is summarized below:

Standalone Financial Summary

(₹ in Millions)

Particulars	Year ended 31 December 2015	Year ended 31 December 2014
Total Revenue	29,104.25	20,631.20
Total Expenses	26,904.91	20,118.63
Profit before tax after prior period items	2,189.55	512.57
Less: Tax Expenses	673.08	79.04
Profit after tax	1,516.47	433.53
Balance brought forward from last year	597.96	164.43
Balance carried over to Balance Sheet	2,094.47	597.96

Consolidated Financial Summary

(₹ in Millions)

Particulars	Year ended 31 December 2015	Year ended 31 December 2014
Total Revenue	34,084.30	25,177.54
Total Expenses	32,432.73	25,284.98
Profit / (Loss) before tax	1,651.57	(107.44)
Prior period Items	254.52	(5.20)
Less: Tax Expenses	788.57	175.83
Profit / (Loss) after tax	1,117.52	(288.47)
Share of Profits in Associate	12.90	19.48
Profit / (Loss) for the year	1,130.42	(268.99)

BRIEF DESCRIPTION OF THE COMPANY'S WORKING AND THE STATE OF COMPANY'S AFFAIRS

The Company continued to grow inorganically during the year 2015 despite growing competition and bad weather. During the year, revenue of the Company increased by 41.07% at ₹ 29,104.25 Million as against ₹ 20,631.20 Million during the previous year. The profit after tax, during the year increased by 2.5 times at ₹ 1,516.47 Million, as against ₹ 433.53 Million during the previous year due to the increased scale of business post acquisition of new territories in 2015.

VARUN BEVERAGES LIMITED

During the year under review, the Company continued its focus on cost consciousness, employee development and consumers. The Company leveraged its strengths to achieve the operational excellence for brands of PepsiCo in India as well as in other South Asian Region – Sri Lanka and Nepal and in North African Region – Morocco through its wholly owned subsidiaries. The Company is also planning to expand within India and also in Southern Africa Region – Zambia, Mozambique and Zimbabwe.

Your Company is in the process of acquisition of 2 (two) co-packer undertakings operating in the territories of Uttar Pradesh and Punjab. This will further add to the growth of the Company during the current year.

Your Directors are confident that with the growing population, rise in income levels and growing e-commerce shall improve the growth of the Company.

HUMAN RESOURCE DEVELOPMENT

Your Company aims at constantly upgrading the strength of its employees by organizing skill building programs, ongoing Learning and Professional / Management Development programmes at all levels and across functions. Employees at all levels are assured a great place to work.

The Company also encourages a culture which combines work with fun. In January, 2016 a corporate employee engagement event “SPARDHA 2016” was organized, which was a sporting event, spreading over 3 days wherein employees from all plants / verticals / locations across India participated through nineteen different teams. More than 550 participants, in addition to delegates and visitors attended the event, which was a great success.

DIVIDEND

Your Directors do not recommend any dividend for the year ended 31st December, 2015 and plough back the profits for future growth of the Company.

CHANGE IN THE NATURE OF BUSINESS, IF ANY

During the year under review, there was no change in the nature of the business of the Company.

RESERVES

The Board do not proposes to transfer any amount to reserves during the year under review.

SHARE CAPITAL

During the year under review, the Authorised Share Capital of the Company comprising of ₹ 10,000 Million divided into 700 Million Equity Shares of ₹ 10/- each and 30 Million Preference Shares of ₹ 100/- each got reclassified as ₹ 10,000 Million comprising of 500 Million Equity Shares of ₹ 10/- each and 50 Million Preference Shares of ₹ 100/- each. The Company also allotted 25 Million Compulsorily Convertible Preference Shares (CCPS) of ₹ 100/- each for an aggregate amount of ₹ 2500 Million.

REDEEMABLE NON-CONVERTIBLE DEBENTURES

During the year under review, the Company issued 300 rated, listed, redeemable, unsecured Non-Convertible Debentures of ₹ 10 million each of the Company aggregating to ₹ 3,000 Million and 2000 Rated, Listed, Secured, Redeemable, Non-convertible Debentures of a face value of ₹ 1 Million each, aggregating to ₹ 2,000 Million. Both these Debentures are listed on National Stock Exchange of India Ltd.

SUBSIDIARIES AND ASSOCIATE COMPANIES

As on 31st December, 2015, Varun Beverages (Nepal) Private Limited, Varun Beverages Morocco SA and Varun Beverages Lanka (Private) Ltd. were the wholly owned foreign subsidiaries of the Company and Ole Springs Bottlers

VARUN BEVERAGES LIMITED

(Private) Ltd. was the step down subsidiary of the Company. Angelica Technologies Pvt. Ltd. was the only associate Company of the Company, during the year.

The Company has acquired 51% quota capital of Varun Beverages Mozambique LDA and it has become a subsidiary of the Company effective from 1st January, 2016. The Company has also acquired 60% shares of Varun Beverages (Zambia) Ltd. and 85% shares of Varun Beverages (Zimbabwe) (Private) Limited. The transfer of shares of the two companies is in process and after such transfer, they shall become the subsidiaries of your Company.

CONSOLIDATED FINANCIAL STATEMENT

In accordance with the Companies Act, 2013 (“the Act”) and Accounting Standard (AS) - 21 on Consolidated Financial Statements read with AS - 23 on Accounting for Investments in Associates and AS - 27 on Financial Reporting of Interests in Joint Ventures, the audited consolidated financial statement shall be placed before the members in their forthcoming Annual General Meeting.

In accordance with Section 129 (3) of the Companies Act, 2013, a statement containing the salient features of the financial statement of the Company’s subsidiaries, associate and joint venture companies in Form AOC-1 is being annexed with the Financial Statements.

Pursuant to Rule 8 of the Companies (Accounts) Rules 2014, a separate Section wherein a report on the performance and financial position of each of the subsidiaries, associates and joint venture companies included in the consolidated financial statements is presented and marked as Annexure – I to this Report.

KEY MANAGERIAL PERSONNEL

Pursuant to provisions of Section 203 of the Companies Act, 2013, Mr. Kapil Agarwal (Whole-time Director), Mr. Kamlesh Kumar Jain (Chief Financial Officer) and Mr. Mahavir Prasad Garg (Company Secretary) continued to be the key managerial personnel of the Company.

DIRECTORS

During the year under review, the Board of Directors appointed Mr. Parth Dasharathlal Gandhi (DIN: 01658253) as a Nominee Director of the Company effective 30th September, 2015 (who was nominated by Axis Trustee Services Limited, the debenture trustee acting on behalf of AION Investments II Singapore Pte. Ltd.). He is a non-retiring Director on the Board of the Company.

The Board of Directors also appointed Dr. Naresh Kumar Trehan (DIN: 00012148) as Non-executive Independent Director on the Board of the Company with effect from 1st December, 2015. The tenure of Mr. Ravindra Dhariwal and Dr. Girish Ahuja, Independent Directors of the Company expired on 19th March, 2016. The Board of Directors re-appointed them for another term of two years w.e.f. 20th March, 2016.

The tenure of Mr. Kapil Agarwal, Whole-time Director of the Company expired on 31st December, 2015. The Board of Directors re-appointed him for another term of 3 years with effect from 1st January, 2016. The Board also re-appointed Mr. Varun Jaipuria, Mr. Raj P. Gandhi and Mr. Kamlesh Kumar Jain as Whole-time Directors of the Company, whose terms are going to expire on 31st October, 2016; for another term of 3 years with effect from 1st November, 2016.

The appointment / re-appointment of all the Independent Directors, Whole-time Directors are subject to the approval of the members in the General Meeting of the Company.

Pursuant to Section 161 (1) of the Companies Act, 2013 and the Rules framed thereunder, Dr. Naresh Kumar Trehan, Dr. Girish Ahuja, Mr. Ravindra Dhariwal and Mr. Kapil Agarwal shall hold office up to the date of the ensuing Annual

VARUN BEVERAGES LIMITED

General Meeting of the Company. The Company has received requisite notices in writing from a member signifying its intention to propose the candidature of Dr. Naresh Kumar Trehan, Dr. Girish Ahuja, Mr. Ravindra Dhariwal and Mr. Kapil Agarwal for the offices of Director of the Company and the Board recommends their appointment / re-appointment.

The Independent Directors shall not be liable to retire by rotation. The Independent Directors have given the declaration of independence as per Section 149 (6) of the Act.

Mr. Varun Jaipuria (DIN: 02465412) and Mr. Kamlesh Kumar Jain (DIN: 01822576), Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible, offered themselves for re-appointment. Your Directors recommend their re-appointment.

None of the Directors of the Company is disqualified as per provisions of Section 164 of the Companies Act, 2013. The Directors of the Company have made necessary disclosures under Section 184 and other relevant provisions of the Companies Act, 2013.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 (3) (c) and (5) of the Companies Act, 2013, the Directors hereby confirm that:

- i. in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii. the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- iii. the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv. the Directors had prepared the annual accounts on a going concern basis;
- v. the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- vi. the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

CORPORATE SOCIAL RESPONSIBILITY

The Corporate Social Responsibility (CSR) Committee of the Company has been re-constituted on 30th September, 2015, whose composition, role, functions and powers are in accordance with the requirements of the Companies Act, 2013. Presently the CSR Committee comprises of Mr. Raj P. Gandhi (Executive Director), Mr. Udai Dhawan (Non-executive Nominee Director), Mr. Ravindra Dhariwal (Independent Director) and Mr. Parth Dasharathlal Gandhi (Non-executive Nominee Director) as members.

The CSR Committee has formulated and recommended to the Board, a Corporate Social Responsibility Policy indicating the activities to be undertaken by the Company, which has been approved by the Board.

The CSR Policy is annexed herewith marked as **Annexure – II** to this Report.

The Company has identified promoting education, including special education especially among poor children and the differently abled students, as area of engagement. The Company would also initiate need based initiatives in

VARUN BEVERAGES LIMITED

compliance with Schedule VII to the Act. During the year, the Company has spent ₹ 0.92 Million on CSR Activities. The Annual Report on CSR Activities is annexed herewith marked as **Annexure – III** to this Report.

AUDIT COMMITTEE

The Audit Committee of the Company comprises of Dr. Girish Ahuja (Independent Director), Mr. Ravindra Dhariwal (Independent Director) and Mr. Udai Dhawan (Non-executive Nominee Director), as members. Its composition, role, functions and powers are in accordance with the requirements of the Companies Act, 2013.

NOMINATION AND REMUNERATION COMMITTEE

The Company has a Nomination and Remuneration Committee, whose composition, role, functions and powers are in accordance with the requirements of the Companies Act, 2013. The Nomination and Remuneration Committee of the Company has been re-constituted on 30th September, 2015 and at present it comprises of Mr. Ravindra Dhariwal (Independent Director), Dr. Girish Ahuja (Independent Director), Mr. Udai Dhawan (Non-executive Nominee Director) and Mr. Parth Dasharathlal Gandhi (Non-executive Nominee Director) as members.

The Nomination and Remuneration Policy of the Company is annexed herewith marked as **Annexure – IV** to this Report.

RISK MANAGEMENT POLICY

During the year a Risk Management Policy was formulated and approved by the Board which identifies all the risks that the organization faces such as strategic, operational, liquidity, credit, logistic, market, Human Resource, IT, Legal, Regulatory, financial and other risks and enables the Board in a) overseeing and approving the Company's enterprise wide risk management framework; b) overseeing that all the risks have been identified and assessed and that there is adequate risk management infrastructure in place capable of addressing those risks.

INTERNAL FINANCIAL CONTROL

The Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weakness in the design or operation were observed.

ANNUAL PERFORMANCE EVALUATION BY THE BOARD

Pursuant to the provisions of Section 134 (3) (p) of the Companies Act, 2013 and the rules made thereunder, the Board was required to carry out an Annual Performance Evaluation of its own performance and that of its Committees and individual Directors.

Accordingly, the Board carried out a formal process of performance evaluation of the Board, Committees and individual Directors. The performance was evaluated based on the parameters such as Composition and Quality of Board Members, Effectiveness of Board / Committee process and functioning, Contribution of the Members, Board Culture and Dynamics, Fulfillment of key responsibilities, Ethics and Compliance etc. The results reflected high satisfactory performance.

VARUN BEVERAGES LIMITED

DISCLOSURE UNDER EMPLOYEE STOCK OPTIONS SCHEME

In terms of Rule 12 (9) of Companies (Share Capital and Debentures) Rules, 2014, the prescribed details of Employees Stock Options Scheme are as under :-

Particulars	Number of Options
Options granted during FY 2015	Nil
Options vested during FY 2015	75% of total options i.e. 2,675,400
Options exercised during FY 2015	Nil
Total number of shares arising out of exercise of options during FY 2015	Nil
Options forfeited / lapsed / cancelled during FY 2015	Nil
The exercise price	₹ 149.51
Variations of terms of options during FY 2015	Vesting period has been amended such that the 1st, 2nd and 3rd vest shall occur on 01.12.2015 and restriction to exercise the option after IPO is removed.
Money realized by exercise of options during FY 2015	Nil
Total number of options in force	2,675,400

Employee wise details of options granted during FY 2015:

Particulars	Number of Options
(a) Key Managerial Personnel	Nil
(b) Any other employee who received a grant of options amounting to 5% or more of the options granted during FY 2015.	Nil
(c) Identified employees who were granted options, during any one year equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil

VIGIL MECHANISM

During the year, the Company has adopted a Vigil Mechanism Policy. Under the Vigil Mechanism Policy, the protected disclosures can be made by a victim through an e-mail or a letter to the Vigilance Officer or to the Chairperson of the Audit Committee. The Policy provides for adequate safeguards against victimisation of employees and Directors who avail of the vigil mechanism and also provides for direct access to the Vigilance Officer or the Chairperson of the Audit Committee, in exceptional cases.

MEETINGS OF THE BOARD OR ANY COMMITTEE THEREOF

During the year under review, seven meetings of the Board of Directors were held on 18th February, 2015, 20th March, 2015, 22nd May, 2015, 17th September, 2015, 30th September, 2015, 4th November, 2015 and 1st December, 2015 out of which Mr. Ravi Kant Jaipuria and Mr. Varun Jaipuria attended two meetings, Mr. Raj P. Gandhi and Mr. Kamlesh Kumar Jain attended all the seven meetings, Mr. Christopher White and Mr. Kapil Agarwal attended six meetings, Mr. Udai Dhawan and Dr. Girish Ahuja attended five meetings, Mr. Ravindra Dhariwal attended three meetings, Mrs. Devyani Jaipuria attended two meetings and Mr. Parth Dasharathlal Gandhi attended one meeting.

During the year under review, one meeting of the Audit Committee was held on 22nd May, 2015 which was attended by Dr. Girish Ahuja, Mr. Ravindra Dhariwal and Mr. Udai Dhawan, members of the Committee.

VARUN BEVERAGES LIMITED

During the year under review, two meetings of the Nomination and Remuneration Committee were held on 22nd May, 2015 and 1st December, 2015 out of which Dr. Girish Ahuja, Mr. Ravindra Dhariwal and Mr. Udai Dhawan attended both the meetings and Mr. Parth Dasharathlal Gandhi attended one meeting as members of the Committee.

During the year under review, one meeting of the Corporate Social Responsibility Committee was held on 17th September, 2015 which was attended by Mr. Ravindra Dhariwal and Mr. Raj P. Gandhi, members of the Committee.

PARTICULARS OF LOANS GIVEN, INVESTMENTS MADE, GUARANTEES GIVEN AND SECURITIES PROVIDED

Particulars of investments made, loans given, guarantees given and securities provided are detailed in the financial statement (Please refer to Note No. 15, 16 and 34 to the Financial Statements).

PARTICULARS OF CONTRACTS AND ARRANGEMENTS WITH RELATED PARTIES

Your Directors draw attention of the members to Note No. 44 to the Financial Statements which sets out related party disclosures which are in the ordinary course of business of the Company and are also transacted at arms' length basis. The particulars of contracts or arrangements with related parties referred to in Section 188 (1) of the Companies Act, 2013 are annexed herewith in form AOC – 2 as **Annexure – V** to the Report.

PUBLIC DEPOSITS

During the year under review, your Company has not invited or accepted any deposits from the Public within the meaning of Chapter V of the Companies Act, 2013 / Section 58A of the Companies Act, 1956 and the respective Rules made thereunder.

AUDITORS AND AUDITORS' REPORT

M/s. Walker Chandiook & Associates, Chartered Accountants and M/s. O. P. Bagla & Co., Chartered Accountants, New Delhi, the Joint Statutory Auditors retire at the conclusion of the ensuing Annual General Meeting of the Company.

In terms of Section 139 of the Companies Act, 2013 and the rules made thereunder, M/s. O.P. Bagla & Co., Chartered Accountants, are proposed to be re-appointed as the Statutory Auditors of the Company to hold office for one year from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting i.e. upto 31st December, 2016 and M/s. Walker Chandiook & Associates, Chartered Accountants, are proposed to be re-appointed for a period of two years as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the second Annual General Meeting held after this Annual General Meeting i.e. upto 31st December, 2017, subject to ratification by the members of the Company at every Annual General Meeting.

The Company has received a letter from them to the effect that their appointment, if made, would be in accordance with the provisions of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014. Your Directors recommend their re-appointment.

The Auditors' Report for the financial year 2015 does not contain any qualification, reservation or adverse remarks.

SECRETARIAL AUDITORS

The Board has appointed Mr. Sanjay Grover, Practicing Company Secretary, to conduct Secretarial Audit for the financial year 2015. The Secretarial Audit Report for the financial year ended 31st December, 2015 is annexed herewith and marked as **Annexure – VI** to this Report.

The observation of the Secretarial Auditors in their report is explained as follows:-

As regards compliance with Section 149 (4) of the Companies Act, 2013, the Board with to explain that it is in the process of identifying suitable persons of integrity having relevant experience to ensure compliance under the said provisions. The Board expect that it will be complied soon.

VARUN BEVERAGES LIMITED

Other than the above, the Secretarial Auditors' Report is self-explanatory and therefore do not require any further clarification/ explanation from the Board of Directors.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information as regards conservation of energy and technology absorption are annexed herewith and marked as **Annexure – VII**. During the year under review, the Company had foreign exchange earnings of ₹ 263.96 Million and Foreign exchange expenditure incurred is ₹ 2,271.29 Million.

EXTRACTS OF ANNUAL RETURN

Extract of Annual Return of the Company is annexed herewith as **Annexure – VIII** to this Report.

RESEARCH AND DEVELOPMENT (R&D)

During the year under review, no Research & Development was carried out.

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

A statement containing particulars of employees who are in receipt of remuneration in excess of the limit prescribed under Rule 5 (2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed herewith and marked as **Annexure – IX**.

GENERAL

Your Directors state that no disclosure or reporting is required in respect of the following items as there were no transaction on these items during the year under review:-

1. Details relating to deposits covered under Chapter V of the Act.
2. Issue of equity shares with differential voting rights as to dividend, voting or otherwise.
3. The Whole-time Director of the Company does not receive any remuneration or commission from any of its subsidiaries.
4. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
5. No cases were filed pursuant to Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

ACKNOWLEDGEMENT

Your Directors places on record their appreciation for the valuable support and cooperation of the Company's Bankers, Government Agencies, Customers, Suppliers, Shareholders, Management Team and the entire work force and looks forward for their continued support in future.

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Place : Gurgaon
Date : 28.03.2016

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Varun Jaipuria
Whole-time Director
DIN : 02465412

VARUN BEVERAGES LIMITED

Annexure – I

Report on the performance and financial position of each of the subsidiaries, associates and joint venture companies included in the consolidated financial statement as on 31st December, 2015

Part A: Subsidiaries

₹ in millions, except as stated otherwise

S. No.		1	2	3
	Particulars	Varun Beverages (Nepal) Private Limited	Varun Beverages Lanka (Private) Limited	Varun Beverages Morocco SA
	Financial year ending on	31 December 2015	31 December 2015	31 December 2015
	Currency	NPR	LKR	MAD
	Exchange rate on the last day of financial year	0.62441	0.44844	6.67083
1	Share capital	47.61	894.55	1,961.22
2	Reserve and surplus	280.26	(141.11)	(1,863.72)
3	Total assets	1,809.80	3,199.66	3,242.03
4	Total liabilities	1,481.93	2,446.21	3,144.52
5	Turnover	2,280.93	1,424.95	1,949.87
6	Profit before taxation	229.05	(187.16)	(391.33)
7	Profit after taxation	133.16	(198.02)	(399.91)
8	Proposed dividend	190.45	-	-
9	% of shareholding	100%	100%	100%

Part B: Associates

Particulars	Angelica Technologies Private Limited
Latest audited Balance Sheet date	31 December 2015
Currency	INR
Shares of Associate held by the Company at year end: (Number)	35,474
Amount of investment in Associate	0.35
Total number of Shares	75,000
Extent of holding %	47.30%
Net worth attributable to shareholding as per latest audited balance sheet	43.72
Profit for the year considered in consolidation	15.17
Profit for the year not considered in consolidation	-

For and on behalf of the Board of Directors
For Varun Beverages Limited

Place : Gurgaon
Date : 28.03.2016

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Varun Jaipuria
Whole-time Director
DIN : 02465412

VARUN BEVERAGES LIMITED

Annexure – II

CORPORATE SOCIAL RESPONSIBILITY POLICY

VARUN BEVERAGES LIMITED

The Board of Directors of Varun Beverages Limited (“the Company”) constituted the “Corporate Social Responsibility Committee” at their Meeting held on 20th March, 2015 with immediate effect, consisting of three (3) Directors of which one is an Independent Director.

1. OBJECTIVE

The Corporate Social Responsibility (CSR) Committee and this Policy shall be in compliance with Section 135 of the Companies Act, 2013 and the Rules / Circulars made / issued thereunder. The Key Objectives of the Committee would be to:

- i. formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities (CSR activities) to be undertaken by the Company as specified in Schedule VII of the Companies Act, 2013;
- ii. recommend the amount of expenditure to be incurred on the CSR activities; and
- iii. monitor the Corporate Social Responsibility Policy of the Company from time to time.

2. DEFINITIONS

2.1 “Act” means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.

2.2 “Board” means Board of Directors of the Company.

2.3 “Committee / CSR Committee” means the Corporate Social Responsibility Committee of the Board referred to in Section 135 of the Act.

2.4 “CSR Activities” means and includes but is not limited to :-

- (i) Projects or programs relating to activities specified in Schedule VII to the Act;
- (ii) Projects or programs relating to activities undertaken by the Board in pursuance of recommendations of the CSR Committee as per this Policy.

2.5 “Net Profit” means the net profit of a Company as per its financial statement prepared in accordance with the applicable provisions of the Act, but shall not include the following:

- (i) Any profit arising from any overseas branch or branches of the Company, whether operated as a separate Company or otherwise; and
- (ii) Any dividend received from other companies in India, which are covered under and complying with the provisions of Section 135 of the Act.

2.6 “Slum Area” shall mean any area declared as such by the Central Government or any State government or any other competent authority under any law for the time being in force.

3. AMOUNT OF EXPENDITURE ON CSR ACTIVITIES

In every financial year, the Company shall spend at least two per cent of the average net profits of the Company (as calculated under Section 198 of the Act) made during the three immediately preceding financial years,

VARUN BEVERAGES LIMITED

in pursuance of this Policy. The Company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for CSR activities. If the Company fails to spend such amount, the Board shall, in its report, specify the reasons for not spending the amount.

CSR expenditure shall include all expenditure including contribution to corpus, for projects or programs relating to CSR activities approved by the Board on the recommendation of its CSR Committee, but does not include any expenditure on an item not in conformity or not in line with activities which fall within the purview of Schedule VII of the Act. Contribution to Corpus of a Trust / Society / Section 8 companies etc. will qualify as CSR expenditure as long as (a) the Trust / Society / Section 8 companies etc. is created exclusively for undertaking CSR activities or (b) where the corpus is created exclusively for a purpose directly relatable to a subject covered in the CSR Activities mentioned below.

4. PROJECTS / CSR ACTIVITIES TO BE UNDERTAKEN BY THE COMPANY

- 4.1 eradicating hunger, poverty and malnutrition, promoting health care including preventive health care and sanitation including contribution to the Swach Bharat Kosh set-up by the Central Government for the promotion of sanitation and making available safe drinking water;
- 4.2 promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly, and the differently abled and livelihood enhancement projects;
- 4.3 promoting gender equality, empowering women, setting up homes and hostels for women and orphans; setting up old age homes, day care centers and such other facilities for senior citizens and measures for reducing inequalities faced by socially and economically backward groups;
- 4.4 ensuring environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agroforestry, conservation of natural resources and maintaining quality of soil, air and water including contribution to the Clean Ganga Fund setup by the Central Government for rejuvenation of river Ganga;
- 4.5 protection of national heritage, art and culture including restoration of buildings and sites of historical importance and works of art; setting up public libraries; promotion and development of traditional arts and handicrafts;
- 4.6 measures for the benefit of armed forces veterans, war widows and their dependents;
- 4.7 training to promote rural sports, nationally recognized sports, Paralympic sports and Olympic sports;
- 4.8 contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government for socio-economic development and relief and welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women;
- 4.9 contributions or funds provided to technology incubators located within academic institutions which are approved by the Central Government;
- 4.10 rural development projects.
- 4.11 slum area development.
- 4.12 any other activity as may be notified by the Central Government.

VARUN BEVERAGES LIMITED

5. COMPLIANCE, MONITORING AND REPORTING

- 5.1 It will be the responsibility of the Board to ensure that the CSR activity as prescribed in this Policy are undertaken by the Company.
- 5.2 The Company may undertake the CSR activities, as recommended by its CSR Committee and approved by its Board of Directors, through a registered trust or a registered society or a Company established under Section 8 of the Companies Act, 2013 by the Company, either singly or along with its holding or subsidiary or associate Company of such other Company, or otherwise. However, if such trust, society or Company is not established by the Company, either singly or along with its holding or subsidiary or associate Company, or along with any other Company or holding or subsidiary or associate Company of such other Company, it shall have an established track record of three years in undertaking similar programs or projects. If the Company has specified the project or programs to be undertaken through these entities, the Company shall provide for modalities of utilization of funds on such projects and programs and the monitoring and reporting mechanism.
- 5.3 The Company may also collaborate with other companies for undertaking projects or programs or CSR activities in such a manner that the CSR committee of the Company is in a position to report separately on such projects or programs.
- 5.4 The CSR projects or programs or activities undertaken in India only shall amount to CSR Expenditure.
- 5.5 The Company may build CSR capacities of their own personnel as well as those of their Implementing Agencies through Institutions with established track records of at least three financial years but such expenditure including expenditure on administrative overheads, shall not exceed five percent of total CSR expenditure of the Company in one financial year.
- 5.6 The following shall not be considered as CSR activities:
- a. the CSR Projects or programs or activities that benefit the employees of the Company and their families.
 - b. Contribution of any amount directly or indirectly to any political party.
 - c. Activities undertaken in pursuance of normal course of business of the Company.
 - d. Activities undertaken outside India.
 - e. One-off events such as marathons/ awards/ charitable contribution/ advertisement/ sponsorships of TV programmes etc.
 - f. Expenses incurred by companies for the fulfillment of any Act/ Statute of regulations (such as Labour Laws, Land Acquisition Act etc.).
- 5.7 The surplus arising out of the CSR projects or programs or activities shall not form part of the business profit of the Company.
- 5.8 The CSR Committee of the Company shall institute a transparent monitoring mechanism for implementation of the CSR projects or programs or activities undertaken by the Company.
- 5.9 The Compliance with this policy / CSR activities / projects will be continuously monitored by the CSR Committee and the Policy is subject to review by the Board of Directors of the Company, supported by the CSR Committee, and the compliance will be reported to the stakeholders through the Board of Directors' Report.

VARUN BEVERAGES LIMITED

6. COMMUNICATION

The Board of Directors shall disclose the composition of the CSR Committee as well as the contents of the CSR Policy in its report and shall publish the Policy on the website of the Company, if any.

7. AMENDMENT

The Company reserves its right to amend or modify this Policy in whole or in part, at any time without assigning any reason whatsoever.

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Place : Gurgaon
Date : 28.03.2016

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Varun Jaipuria
Whole-time Director
DIN : 02465412

VARUN BEVERAGES LIMITED

Annexure - III

THE ANNUAL REPORT ON CSR ACTIVITIES

(1) A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or Programs and Composition of the CSR Committee	Refer Section on Corporate Social Responsibility
(2) Average net profit of the Company for last three financial years	₹ 44.85 Million
(3) Prescribed CSR Expenditure (two per cent. of the amount as in item 2 above)	₹ 0.90 Million
(4) Details of CSR spent during the financial year	
Total amount to be spent for the financial year	₹ 0.92 Million
Amount unspent, if any	Nil
Manner in which the amount spent during the financial year	Details given below

S. No.	Particulars	TOTAL
(1)	CSR project or activity identified	promoting education, including special education especially among poor children and the differently abled students
(2)	Sector in which the project is covered	promoting education, including special education and employment enhancing vocation skills especially among children, women, elderly and livelihood enhancement projects
(3)	Projects or Programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken	Gurgaon, Haryana
(4)	Amount outlay (budget) project or Program wise	₹ 0.92 Million
(5)	Amount spent on the projects or Programs Sub Heads; (1) Direct expenditure on projects or programs (2) Overheads	₹ 0.92 Million Nil
(6)	Cumulative expenditure up to the reporting period	₹ 0.92 Million
(7)	Amount spent direct or through implementing agency	Through Siksha Kendra, Delhi Public School Gurgaon, run under Champa Devi Jaipuria Charitable Trust

RESPONSIBILITY STATEMENT

A responsibility statement of the CSR Committee is reproduced below:

“The implementation and monitoring of Corporate Social Responsibility (CSR) Policy, is in compliance with CSR Objectives and Policy of the Company.”

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Place : Gurgaon
Date : 28.03.2016

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Varun Jaipuria
Whole-time Director
DIN : 02465412

VARUN BEVERAGES LIMITED

Annexure – IV

VARUN BEVERAGES LIMITED

Remuneration Policy for the Directors, Key Managerial Personnel (KMP) and Members of Senior Management

The Board of Directors of Varun Beverages Limited (“the Company”) constituted the “Nomination and Remuneration Committee” at their Meeting held on 20th March, 2015 with immediate effect, consisting of three (3) Non-Executive Directors of which majority are Independent Directors.

1. OBJECTIVE

The Nomination and Remuneration Committee and this Policy shall be in compliance with Section 178 of the Companies Act, 2013 and the Rules made thereunder. The Key Objectives of the Committee would be:

- 1.1 To guide / recommend to the Board appointment and removal of Directors, KMP and Senior Management of the Company.
- 1.2 To recommend to the Board the Remuneration payable to the Directors, KMP and Senior Management.
- 1.3 To evaluate the performance of every member of the Board / KMP / member of Senior Management and provide necessary report to the Board for their further performance evaluation by the Board.
- 1.4 To recommend reward(s) payable to the KMP and Senior Management linked directly to their effort, performance, dedication and achievement relating to the Company’s operations.
- 1.5 To attract, retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- 1.6 To do such other acts / deeds as may be prescribed by the Central Government.

2. DEFINITIONS

- 2.1 “Act” means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- 2.2 “Board” means Board of Directors of the Company.
- 2.3 “Committee” means the Nomination and Remuneration Committee of the Board.
- 2.4 “Directors” mean Directors of the Company.
- 2.5 “Key Managerial Personnel” (KMP) means
 - i. Chief Executive Officer or the Managing Director or the Manager;
 - ii. Whole-time Director;
 - iii. Chief Financial Officer;
 - iv. Company Secretary; and
 - v. such other officer as may be prescribed by the Central Government.
- 2.6 “Senior Management” means personnel of the Company who are members of its core management team excluding the Board of Directors including Functional Heads.

VARUN BEVERAGES LIMITED

3. ROLE OF THE COMMITTEE

The Committee shall:

- 3.1 Identify persons who are qualified to become Directors and who may be appointed in senior management of the Company including KMP in accordance with the criteria laid down in this policy.
- 3.2 Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to remuneration of the Directors, KMP and employees in Senior Management.
- 3.3 Formulation of criteria for evaluation of Independent Directors and the Board.
- 3.4 Devising a policy on Board diversity.
- 3.5 To lay down or amend Policy for appointment and removal of Director, KMP and Senior Management Personnel.
- 3.6 Recommend to the Board, appointment and removal of Director, KMP and Senior Management Personnel.
- 3.7 To ensure that the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate Directors of the quality required to run the Company successfully.
- 3.8 To ensure that relationship of remuneration to performance is clear and meets appropriate performance benchmarks.
- 3.9 To ensure that the remuneration to Directors, KMP and senior management involves a balance between fixed and incentive pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

3.2.1. Appointment criteria and qualifications

The Committee shall identify and ascertain the integrity, qualification, expertise and experience of the person for appointment as Director, KMP or at Senior Management level and recommend to the Board his / her appointment and while doing so, take note of the following:-

- i. The person should possess adequate qualification, expertise and experience for the position he / she is considered for appointment. The Committee has discretion to decide whether qualification, expertise and experience possessed by a person is sufficient / satisfactory for the concerned position.
- ii. The Company shall not appoint or employ at the same time a Managing Director and a Manager.
- iii. The Company shall not appoint or continue the employment of any person as Managing Director / Manager / Whole-time Director who is below the age of twenty one years or has attained the age of seventy years. Provided that the appointment of a person who has attained the age of seventy years or term of such person holding this position may be extended beyond the age of seventy years with the approval of shareholders by passing a special resolution based on the explanatory statement annexed to the notice for such motion indicating the justification for extension of appointment beyond seventy years.
- iv. At the time of appointment of a Director it should be ensured that number of Boards on which such Director serves as a Director, including an alternate Directorship, is restricted to twenty companies (including not more than ten public companies).
- v. An Independent Director shall possess appropriate skills, experience and knowledge in one or more fields of finance, law, management, sales, marketing, administration, research, corporate governance, technical operations or other disciplines related to the Company's business.

VARUN BEVERAGES LIMITED

- vi. Any vacancy in the office of Independent Director shall be filled by appointment of a new Independent Director within a period of not more than 180 days:

Provided that where the Company fulfills the requirement of Independent Directors in its Board even without filling the vacancy, the requirement of replacement by / appointment of a new Independent Director within the period of 180 days shall not apply.

3.2.2. Term / Tenure

a) Managing Director / Whole-time Director / Manager:

The Company shall appoint or re-appoint any person as its Managing Director or Whole-time Director or Manager for a term not exceeding five years at a time. No re-appointment shall be made earlier than one year before the expiry his term.

b) Independent Director:

- i. An Independent Director shall hold office for a term up to five consecutive years and will be eligible for re-appointment on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.
- ii. No Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after expiry of three years of ceasing to become an Independent Director. Provided that an Independent Director shall not, during the said period of three years, be appointed in or be associated with the Company in any other capacity, either directly or indirectly.

3.2.3. Evaluation

The Committee shall carry out evaluation of performance of every Director, KMP and Senior Management Personnel at regular interval (yearly).

3.2.4. Removal

Due to reasons for any disqualification mentioned in the Act or under any other applicable Act, rules and regulations thereunder, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the Act and the rules made thereunder.

3.2.5. Retirement

The Director, KMP and Senior Management Personnel shall retire as per the applicable provisions of the Act and the prevailing policy of the Company. The Board will have the discretion to retain the Director, KMP, Senior Management Personnel in the same position / remuneration or otherwise even after attaining the retirement age, for the benefit of the Company.

3.3. Policy relating to the Remuneration for the Whole-time Director, KMP and Senior Management Personnel

3.3.1. General:

- a. The remuneration / compensation / commission etc. to the Whole-time Director, KMP and Senior Management Personnel will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the prior / post approval of the shareholders of the Company and the Central Government, if required.

VARUN BEVERAGES LIMITED

- b. The remuneration and commission to be paid to a Managerial Personnel shall be in accordance with the percentage / slabs / conditions laid down in the Act.
- c. Increments to the existing remuneration / compensation structure may be recommended by the Committee to the Board which should be within the slabs approved by the Shareholders in the case of Whole-time Director / Managing Director / Manager.
- d. Where any insurance is taken by the Company on behalf of its Managing Director, Whole-time Director, Manager, Chief Executive Officer, Chief Financial Officer, the Company Secretary and any other employees for indemnifying them against any liability, the premium paid on such insurance shall not be treated as part of the remuneration payable to any such personnel. Provided that if such person is proved to be guilty, the premium paid on such insurance shall be treated as part of the remuneration.

3.3.2. Remuneration to Whole-time / Executive / Managing Director, KMP and Senior Management Personnel:

a) Fixed pay:

The Whole-time / Managing Director / KMP and Senior Management Personnel shall be eligible for a monthly remuneration as may be approved by the Board on the recommendation of the Committee. The breakup of the pay scale and quantum of perquisites including, employer's contribution to P.F, pension scheme, medical expenses, club fees etc. shall be decided and approved by the Board / the Person authorized by the Board on the recommendation of the Committee and approved by the shareholders, wherever required.

b) Minimum Remuneration:

If, in any financial year, the Company has no profits or its profits are inadequate, the Company shall pay remuneration to its Whole-time / Managing Director / Manager in accordance with the provisions of Schedule V of the Act and if it is not able to comply with such provisions, with the previous approval of the Central Government, if required.

3.3.3. Remuneration to Non- Executive / Independent Director:

a) Commission:

Commission may be paid on profits within the monetary limit approved by the shareholders, subject to the limit not exceeding 1% of the net profits of the Company computed as per the applicable provisions of the Act.

b) Sitting Fees:

The Non- Executive / Independent Director may receive remuneration by way of fees for attending the meetings of Board or Committee thereof. Provided that the amount of such fees shall not exceed Rs. One Lakh per meeting of the Board or Committee or such amount as may be prescribed by the Central Government from time to time. Provided further that for Independent Directors and Women Directors, the sitting fee shall not be less than the sitting fee payable to other Directors.

c) Stock Options:

An Independent Director shall not be entitled to any stock option of the Company.

d) Reimbursement of expenses:

An Independent Director may receive reimbursement of expenses for participation in the Board and other meetings of the Company.

VARUN BEVERAGES LIMITED

3.4. Policy relating to the loans / advances to employees of the Company

Loans / advances to the employees shall be granted in accordance with their conditions of service and shall be as per the prevailing policy of the Company.

4. CHAIRPERSON

4.1 The members of the Committee present at the meeting shall choose one amongst them to act as Chairperson, who shall be an Independent Director.

4.2 Chairperson of the Company may be appointed as a member of the Committee but shall not Chair the Committee.

4.3 Chairperson of the Nomination and Remuneration Committee meeting or, in his absence, any other member of the Committee authorized by him in this behalf shall attend the general meetings of the Company.

5. FREQUENCY OF MEETINGS

The meeting of the Committee shall be held at such regular intervals as may be required.

6. COMMITTEE MEMBERS' INTERESTS

6.1 A member of the Committee is not entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated.

6.2 The Committee may invite such executives, as it considers appropriate, to be present at the meetings of the Committee.

7. VOTING

7.1 Matters arising for determination at Committee meetings shall be decided by a majority of votes of Members present and voting and any such decision shall for all purposes be deemed a decision of the Committee.

7.2 In the case of equality of votes, the Chairman of the meeting will have a casting vote.

8. MINUTES OF COMMITTEE MEETING

Proceedings of all meetings must be minuted, tabled at the subsequent Board and Committee meeting and shall be signed by the Chairman of the Committee within 30 days from the date of conclusion of such meeting.

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Place : Gurgaon
Date : 28.03.2016

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Varun Jaipuria
Whole-time Director
DIN : 02465412

VARUN BEVERAGES LIMITED

Annexure - V

FORM NO. AOC - 2

(Pursuant to clause (h) of sub-Section (3) of Section 134 of the Act and Rule 8 (2) of the Companies (Accounts) Rules, 2014)

Form for Disclosure of particulars of contracts / arrangements entered into by the Company with related parties referred to in sub Section (1) of Section 188 of the Companies Act, 2013 including certain arms' length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis

Sl. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	Nil
b)	Nature of contracts / arrangements / transaction	Nil
c)	Duration of the contracts / arrangements / transaction	Nil
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Nil
e)	Justification for entering into such contracts or arrangements or transactions	Nil
f)	Date of approval by the Board	Nil
g)	Amount paid as advances, if any	Nil
h)	Date on which the special resolution was passed in General Meeting as required under first proviso to Section 188	Nil

2. Details of contracts or arrangements or transactions at Arm's length basis.

Sl. No.	Particulars	Details
a)	Name (s) of the related party & nature of relationship	Mrs. Rashmi Dhariwal w/o Mr. Ravindra Dhariwal, Independent Director of the Company
b)	Nature of contracts / arrangements / transaction	Rent for the premises used by the Company for its guest house
c)	Duration of the contracts / arrangements / transaction	11 months
d)	Salient terms of the contracts or arrangements or transaction including the value, if any	Premises taken on monthly rent of ₹ 0.20 Million for a period of 11 months commencing from 1st April, 2015
e)	Date of approval by the Board	20.03.2015
f)	Amount paid as advances, if any	Nil

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Place : Gurgaon
Date : 28.03.2016

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Varun Jaipuria
Whole-time Director
DIN : 02465412

VARUN BEVERAGES LIMITED

Annexure – VI

Form MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER, 2015

[Pursuant to Section 204 (1) of the Companies Act, 2013 and Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,

The Members,

VARUN BEVERAGES LIMITED

(CIN: U74899DL1995PLC069839)

F-2/7 Okhla Industrial Area, Phase 1

New Delhi-110020

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **VARUN BEVERAGES LIMITED** (the Company) whose debt securities are listed on National Stock Exchange of India Limited. Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing our opinion thereon.

We report that-

- a) Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- b) We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
- c) We have not verified the correctness and appropriateness of the financial statements of the Company.
- d) Wherever required, we have obtained the Management representation about the compliances of laws, rules and regulations and happening of events etc.
- e) The compliance of the provisions of the Corporate and other applicable laws, rules, regulation, standards is the responsibility of the management. Our examination was limited to the verification of procedures on test basis.
- f) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year started 1st January, 2015 ended on 31st December, 2015 ("Audit Period") complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

VARUN BEVERAGES LIMITED

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st December, 2015 according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The Foreign Exchange Management Act, 1999, the Rules and Regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 to the extent applicable;
 - (b) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993;
- v. We have also examined compliance with the applicable clauses of the following:
 - a) The Secretarial Standards issued by the Institute of Company Secretaries of India (effective w.e.f. July 01, 2015);
 - b) The Listing Agreement entered into by the Company with the National Stock Exchange of India Limited for Debts Listing;

During the Audit Period, the Company has complied with the provisions of the Act, Rules, Regulations and Guidelines, to the extent applicable, as mentioned above, except that *the Company has appointed 3 (three) Independent Directors instead of 4 (four) in terms of the provisions of Section 149 (4) of the Act as the Company got its Debts listed on the National Stock Exchange of India Limited w.e.f. October 13, 2015.*

- vi. The Company is engaged in the business of manufacturing, selling, bottling and distribution of beverages of Pepsi brand. As informed by the Management, Food Safety & Standards Act, 2006, Rules and Regulations made thereunder, are specifically applicable to the Company.

In our opinion and to the best of our information and according to explanations given to us, we believe that the Company is having systems in place to check the compliance of laws specifically applicable to the Company, which needs to be further strengthened. Further, the quarterly report of compliance should be placed before the Board of Directors of the Company.

We further report that *the Company has appointed 3 (three) Independent Directors instead of 4 (four) as required in terms of those provisions of Section 149 (4) of the Act.* The Board of Directors of the Company, at present, is constituted with 5 (five) Executive Directors, 4 (four) Non-Executive Directors and 3 (three) Independent Directors. The changes in the composition of the Board of Directors that took place during the audit period under review were carried out in compliance with the provisions of the Act.

Advance seven days notice is given to all Directors to schedule the Board Meetings. Agenda and detailed notes on agenda are sent in advance of the meetings, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting for meaningful participation at the meeting. One meeting of the Board was also convened at shorter notice to transact urgent business in compliance of Section 173 of the Act wherein Independent Director/s were present and detailed notes on agenda were provided in such meetings.

VARUN BEVERAGES LIMITED

Board decisions are carried out with unanimous consent and therefore, no dissenting views were required to be captured and recorded as part of the minutes.

We further report that there are systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines, however, quarterly report of compliance of applicable laws should be placed before the Board of Directors of the Company.

We further report that during the audit period,

- a) the shareholders of the Company at their Extra-Ordinary General Meeting held on February 16, 2015 passed the special resolution(s):-
 - pursuant to Section 13 & 61 of the Act for re-classification of authorised share capital from ₹ 1000,00,00,000 (Rupees One Thousand Crore Only) comprising of 70,00,00,000 (Rupees Seventy Crores) Equity Shares of ₹ 10/- (Rupees Ten Only) each and 3,00,00,000 (Three Crores) Preference Shares of ₹ 100/- (Rupees Hundred Only) each into ₹ 1000,00,00,000/- (Rupees One Thousand Crores) divided into 50,00,00,000 (Fifty Crore) equity shares of ₹ 10/- (Rupees Ten Only) each and 5,00,00,000 (Five Crores) preference shares of ₹ 100/- (One Hundred Only) each;
 - pursuant to Section 42, 55 & 62 (1) (c) of the Act for offer, issue and allotment of 2,50,00,000 (Two Crore Fifty Lacs) compulsorily convertible preference shares (CCPS) of ₹ 100/- (Rupees Hundred Only) each aggregating to ₹ 250,00,00,000/- (Rupees Two Hundred and Fifty Crore Only) on private placement basis; which were subsequently allotted in the Board Meeting held on February 18, 2015.
- b) the shareholders of the Company at their Extra- Ordinary General Meeting held on September 17, 2015 passed the special resolution pursuant to Section 42 and 71 of the Act for offer, issue and allotment of 300 Rated, Listed, Redeemable, Unsecured Non Convertible Debentures of the face value of ₹ 10,000,000/- (Rupees One Crore only) on private placement basis aggregating to ₹ 3,000,000,000/- (Rupees Three Hundred Crore only); which were subsequently allotted in Board Meeting held on September 30, 2015 and listed on October 13, 2015.
- c) the shareholders of the Company at their Extra-Ordinary General Meeting held on November 4, 2015 passed the special resolution pursuant to Section 42 and 71 of the Act for offer, issue and allotment of 2000 Rated, Listed, Redeemable, Unsecured Non Convertible Debentures of the face value of ₹ 1,000,000/- (Rupees Ten Lacs only) each on private placement basis aggregating to ₹ 2,000,000,000/- (Rupees Two Hundred Crore only); which were subsequently allotted in Board Meeting held on December 1, 2015 and listed on December 15, 2015.
- d) On an application filed by the Company under Section 2(41) of the Act, Hon'ble Company Law Board allowed the Company to have calendar year as its financial year.

For **Sanjay Grover & Associates**
Company Secretaries

New Delhi
February 29, 2016

Sanjay Grover
C P No.: 3850

VARUN BEVERAGES LIMITED

Annexure – VII

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The details of conservation of energy, technology absorption, foreign exchange earnings and outgo are as follows:

a) Conservation of energy

(i)	the steps taken or impact on conservation of energy	A multi-pronged approach is deployed in plants as well as products to infuse the concept of energy conservation. Some specific measures taken by the Company are: 1. Use of frequency drive in ammonia and air compressor which saves electric energy 2. Heat recovery from hot compressed gases and used for heating water 3. Beverage filling at higher temperature leading to power savings in refrigeration 4. Replacement of CFL / FTL lamps with LED lamps 5. Replacement of low efficiency pump with energy efficient pump
(ii)	the steps taken by the Company for utilizing alternate sources of energy	The Company has successfully replaced the usage of Furnace oil and Pet coke by environment friendly Briquettes prepared from agricultural waste
(iii)	the capital investment on energy conservation equipments	1. Investment in power factor improvement through Power Capacitor Banks 2. Installation of Solar Street lighting in Nuh Plant 3. Air recovery system in Blow Moulding Machine 4. Green Oven for Bottle Blowing machine

(b) Technology absorption

(i)	the efforts made towards technology absorption	The Company has adapted the technology to develop products offering better value for money to consumers and also address the current issues in the global scenario for energy efficiency, eco friendliness and global warming.
(ii)	the benefits derived like product improvement, cost reduction, product development or import substitution	The Company continues to focus on the rapid technological changes and train the manpower accordingly to improve the productivity and drive cost reduction.
(iii)	in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-	There is no imported technology involved in the operation of the Company
	(a) the details of technology imported	NA

VARUN BEVERAGES LIMITED

	(b) the year of import;	NA
	(c) whether the technology been fully absorbed	NA
	(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof	NA
(iv)	the expenditure incurred on Research and Development	Due to the nature of its business, the Company is not initiating any specific research and development activities

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Place : Gurgaon
Date : 28.03.2016

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Varun Jaipuria
Whole-time Director
DIN : 02465412

VARUN BEVERAGES LIMITED

Annexure – VIII

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

as on financial year ended on 31.12.2015

Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12(1) of the Company (Management & Administration) Rules, 2014

I. REGISTRATION & OTHER DETAILS:

1.	CIN	U74899DL1995PLC069839
2.	Registration Date	16/06/1995
3.	Name of the Company	Varun Beverages Limited
4.	Category / Sub-category of the Company	Public Company
5.	Address of the Registered office & contact details	F-2/7, Okhla Industrial Area, Phase – I, New Delhi – 110 020
6.	Whether listed Company	Yes (debts)
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Skyline Financial Services Private Limited, D-153A, First Floor, Okhla Industrial Area, Phase-I New Delhi – 110 020. Tel. 011-26812682-83

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY (All the business activities contributing 10 % or more of the total turnover of the Company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product / service	% to total turnover of the Company
1.	Manufacturing of Beverages	1104	100%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. NO.	NAME AND ADDRESS OF THE COMPANY	CIN / GLN	HOLDING / SUBSIDIARY / ASSOCIATE	% OF SHARES HELD	APPLI-CABLE SECTION
1.	Varun Beverages (Nepal) Private Ltd., Sinamangal, Koteswar, Kathmandu, Nepal	NA	Subsidiary	100%	Section 2(87)
2.	Varun Beverages Morocco SA, Z. I. Bouskoura, 27182, B.P. 408, Casablanca, Morocco	NA	Subsidiary	100%	Section 2(87)
3.	Varun Beverages Lanka (Private) Ltd., No. 140, Low Level Road, Embulgama, Ranala, Sri Lanka	NA	Subsidiary	100%	Section 2(87)
4.	Ole Springs Bottlers (Private) Ltd., No. 140, Low Level Road, Embulgama, Ranala, Sri Lanka	NA	Subsidiary	99.99%	Section 2(87)
5.	Angelica Technologies Private Ltd., F-2/7, Okhla Industrial Area, Phase – I, New Delhi – 110 020	U30005DL2006 PTC147252	Associate	47.30%	Section 2(6)

VARUN BEVERAGES LIMITED

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year			No. of Shares held at the end of the year			% change during the year	
	Demat	Physical	Total	% of Total Shares	Demat	Physical		Total
A. Promoters								
(1) Indian	-	-	-	-	-	-	-	-
a) Individual / HUF	88,367,150	-	88,367,150	66.06%	88,367,150	-	88,367,150	66.06%
b) Central Govt / State Govt.	-	-	-	-	-	-	-	-
c) Bodies Corporates	45,397,250	-	45,397,250	33.94%	45,397,250	-	45,397,250	33.94%
d) Bank / FI	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-
SUB TOTAL:(A) (1)	133,764,400	-	133,764,400	100%	133,764,400	-	133,764,400	100%
(2) Foreign								
a) NRI- Individuals	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-
d) Banks / FI	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-
SUB TOTAL (A) (2)	-	-	-	-	-	-	-	-
Total Shareholding of Promoter (A) = (A) (1)+(A)(2)	133,764,400	-	133,764,400	100%	133,764,400	-	133,764,400	100%
B. Public Shareholding								
(1) Institutions	-	-	-	-	-	-	-	-
a) Mutual Funds	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-
C) Central Govt	-	-	-	-	-	-	-	-
d) State Govt.	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-
g) FIIs	-	-	-	-	-	-	-	-

VARUN BEVERAGES LIMITED

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
h) Foreign Venture Capital Funds	-	1765	1765	0.00%	-	1765	1765	0.00%	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub TOTAL (B)(1):	-	1765	1765	0.00%	-	1765	1765	0.00%	-
(2) Non Institutions	-	-	-	-	-	-	-	-	-
a) Bodies corporates	-	-	-	-	-	-	-	-	-
i) Indian	-	-	-	-	-	-	-	-	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital upto ₹ 1 lakhs	-	-	-	-	-	-	-	-	-
ii) Individuals shareholders holding nominal share capital in excess of ₹ 1 lakhs	-	-	-	-	-	-	-	-	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
Sub TOTAL (B)(2):	-	-	-	-	-	-	-	-	-
Total Public Shareholding (B) = (B)(1)+(B)(2)	-	1765	1765	0.00%	-	1765	1765	0.00%	-
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	133,764,400	1765	133,766,165	100%	133,764,400	1765	133,766,165	100%	-

VARUN BEVERAGES LIMITED

(ii) Shareholding of Promoters

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	Ravi Kant Jaipuria & Sons (HUF)	44,187,870	33.03%	Nil	44,187,870	33.03%	Nil	Nil
2	RJ Corp Ltd.	45,387,415	33.93%	21.20%	45,387,415	33.93%	22.30%	Nil
3	Varun Jaipuria	44,175,500	33.02%	5.96%	44,175,500	33.02%	8.71%	Nil
	Total	133,750,785	99.98%	27.16%	133,750,785	99.98%	31.01%	Nil

(iii) Change in Promoters' Shareholding (please specify, if there is no change) No Change

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	At the beginning of the year	NIL	NIL	NIL	NIL
	Date wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc):	NIL	NIL	NIL	NIL
	At the end of the year	NIL	NIL	NIL	NIL

(iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs): Not Applicable

Sl. No.		Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	For Each of the Top 10 Shareholders				
	At the beginning of the year	1765	0.00	1765	0.00
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc)	NIL	NIL	NIL	NIL
	At the end of the year (or on the date of separation, if separated during the year)	1765	0.00	1765	0.00

VARUN BEVERAGES LIMITED

(v) Shareholding of Directors and Key Managerial Personnel: [Please insert details, if any]

Sl. No.	For Each of the Directors and KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
1	Varun Jaipuria				
	At the beginning of the year	44,175,500	33.02%	44,175,500	33.02%
	Date wise Increase / Decrease in Shareholding during the year specifying the reasons for increase / decrease (e.g. allotment / transfer / bonus / sweat equity etc.):	NIL	NIL	NIL	NIL
	At the End of the year	44,175,500	33.02%	44,175,500	33.02%

V. INDEBTEDNESS [please insert details, if any]

Indebtedness of the Company including interest outstanding / accrued but not due for payment

(₹ in Millions)

	Secured Loans Excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	12,993.74	7,319.06	-	20,312.80
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	63.53	-	-	63.53
Total (i+ii+iii)	13,057.27	7,319.06	-	20,376.33
Change in Indebtedness during the financial year				
* Addition	3,484.79	3,108.64	-	6,593.43
* Reduction	7,379.38	1,910.00	-	9,289.38
Net Change	-3,894.59	1,198.64	-	-2,695.95
Indebtedness at the end of the financial year				
i) Principal Amount	9,131.41	8,409.06	-	17,540.47
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	31.29	108.64	-	139.93
Total (i+ii+iii)	9,162.70	8,517.70	-	17,680.40

VARUN BEVERAGES LIMITED

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

[Please insert the bifurcation of the remuneration paid to following Directors of the Company.]

A. Remuneration to Managing Director, Whole-time Directors and / or Manager:

(₹ in Millions)

Sl. No.	Particulars of Remuneration	Name of MD / WTD / Manager				Total Amount
1.	Gross salary	Varun Jaipuria	Raj P. Gandhi	Christopher White	Kapil Agarwal	
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	24.02	27.78	15.12	32.89	99.81
	(b) Value of perquisites u/s 17 (2) Income-tax Act, 1961	0.08	0.04	2.72	0.03	2.87
	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961	-	-	-	-	-
2.	Stock Option	-	24.59	-	24.59	49.18
3.	Sweat Equity	-	-	-	-	-
4.	Commission - as % of profit - others, please specify	-	-	-	-	-
5.	Others, please specify	-	-	-	-	-
	Total (A)	24.10	52.41	17.84	57.51	151.86
	Ceiling as per the Act	NA	NA	NA	NA	NA

B. Remuneration to other Directors

(₹ in Millions)

Sl. No.	Particulars of Remuneration	Ravindra Dhariwal	Girish Ahuja	Total Amount
1	Independent Directors <ul style="list-style-type: none"> • Fee for attending Board / Committee meetings • Commission • Others, please specify 	0.70	0.80	1.50
	Total (1)	0.70	0.80	1.50
2	Other Non-Executive Directors <ul style="list-style-type: none"> • Fee for attending Board / Committee meetings • Commission • Others, please specify 	Nil	Nil	Nil
	Total (2)	Nil	Nil	Nil
	Total (B) = (1 + 2)	0.70	0.80	1.50
	Total Managerial Remuneration	Nil	Nil	Nil
	Overall Ceiling as per the Act	0.90	0.90	1.80

VARUN BEVERAGES LIMITED

C. Remuneration to Key Managerial Personnel other than MD / Manager / WTD

(₹ in Millions)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		CFO	CS	Total
1.	Gross salary (a) Salary as per provisions contained in Section 17 (1) of the Income-tax Act, 1961 (b) Value of perquisites u/s 17 (2) Income-tax Act, 1961 (c) Profits in lieu of salary under Section 17 (3) Income - tax Act, 1961	6.68	2.24	8.92
		0.16	0.02	0.18
		-	-	-
2.	Stock Option	2.57	-	2.57
3.	Sweat Equity	-	-	-
4.	Commission - as % of profit - others, please specify	-	-	-
5.	Others, please specify	-	-	-
	Total (A)	9.41	2.26	11.67

VII. Penalties / Punishment / Compounding of Offences: [Please Insert Details]

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment / Compounding fees imposed	Authority [RD / NCLT / Court]	Appeal made, if any (give details)
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil
OTHER OFFICERS IN DEFAULT					
Penalty	Nil	Nil	Nil	Nil	Nil
Punishment	Nil	Nil	Nil	Nil	Nil
Compounding	Nil	Nil	Nil	Nil	Nil

For and on behalf of the Board of Directors
For **Varun Beverages Limited**

Place : Gurgaon
Date : 28.03.2016

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Varun Jaipuria
Whole-time Director
DIN : 02465412

VARUN BEVERAGES LIMITED

ANNEXURE – IX

STATEMENT CONTAINING PARTICULARS OF EMPLOYEES WHO ARE IN RECEIPT OF REMUNERATION IN EXCESS OF THE LIMIT PRESCRIBED UNDER RULE 5 (2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014 & FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST DECEMBER, 2015

S. No.	Name	Designation	Remuneration Received (₹ in Million)	Age	Qualification	Experience in years	Last Employment	Date of Joining
1.	Mr. Varun Jaipuria	Whole-time Director	24.06	28	Attended Regent College, London	7		01.07.2009
2.	Mr. Raj Pal Gandhi	Whole-time Director	28.11	59	FCA	35	Devyani Beverages Ltd.	01.11.2004
3.	Mr. Kapil Agarwal	Whole-time Director	23.21	52	PGDM	24	Devyani Beverages Ltd.	01.11.2004
4.	Mr. Christopher White	Whole-time Director	20.82	54	LL.B	32	Nestle UK	01.07.2008
5.	Mr. Kamlesh Kumar Jain	Chief Financial Officer	6.88	54	FCA	26	Devyani Beverages Ltd.	01.11.2004
6.	Mr. Kamal Karnatak	Sr. Vice President	6.29	43	MBA	20	Unitech Ltd.	01.10.2008
7.	Mr. Rajan Singhal	Executive Director – Corporate HR	8.50	59	MA (BE) & MBA (HR)	34	DS Construction India Ltd.	01.06.2011
8.	Mr. R.J.S. Bagga	Chief Operating Officer	15.30	53	M.Tech.	29	Eveready Industries	11.12.1995
9.	Mr. Sudin Kumar Gaunker	Chief Operating Officer	7.46	44	B.Com.	16	Goa Bottling	21.06.2000
10.	*Mr. Vivek Gupta	Executive Director	9.90	52	BA Economics Hons., PGDM (IIMA)	28	Lunarmech Technologies Pvt. Ltd.	01.04.2015
11.	*Mr. Sanjay Ranbir Bali	Group Head – HR	2.17	53	MBA	29	Samsung India Electronics Pvt. Ltd.	09.11.2015
12.	*Mr. Bhupender Singh	Sr. Vice President	4.96	51	MBA	25	ABInbev India Pvt. Ltd.	01.05.2015

Notes:-

1. Mr. Varun Jaipuria is the son of Mr. Ravi Kant Jaipuria, Chairman of the Company and holds 44,175,500 (33%) equity shares in the Company.
2. Employment of Mr. Christopher White is on contractual basis.
3. * Joined during the year.

For and on behalf of the Board of Directors
For Varun Beverages Limited

Place : Gurgaon
Date : 28.03.2016

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Varun Jaipuria
Whole-time Director
DIN : 02465412

VARUN BEVERAGES LIMITED

Independent Auditors' Report

To the Members of Varun Beverages Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Varun Beverages Limited ("the Company"), which comprise the Balance Sheet as at 31 December 2015, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements, that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act; safeguarding the assets of the Company; preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit.
4. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.
5. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.
6. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on whether the Company has in place an adequate internal financial controls system over financial reporting and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
7. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

VARUN BEVERAGES LIMITED

Opinion

8. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 December 2015, and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

9. As required by the Companies (Auditor's Report) Order, 2015 ("the Order") issued by the Central Government of India in terms of Section 143(11) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.

10. As required by Section 143(3) of the Act, we report that:

- a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c. the standalone financial statements dealt with by this report are in agreement with the books of account;
- d. in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended);
- e. on the basis of the written representations received from the Directors as on 31 December 2015 and taken on record by the Board of Directors, none of the Directors is disqualified as on 31 December 2015 from being appointed as a Director in terms of Section 164(2) of the Act;
- f. with respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. as detailed in Note 34 to the standalone financial statements, the Company has disclosed the impact of pending litigations on its standalone financial position;
 - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
 - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For Walker Chandiook & Associates
Chartered Accountants
Firm Registration No.: 001329N

For O.P. Bagla & Co.
Chartered Accountants
Firm Registration No.: 000018N

per **Nitin Toshniwal**
Partner
Membership No.: 507568

per **Neeraj Kumar Agarwal**
Partner
Membership No.: 094155

Place : Gurgaon
Date : 29 February 2016

VARUN BEVERAGES LIMITED

Annexure to the Independent Auditors Report of even date to the members of Varun Beverages Limited, on the standalone financial statements for the year ended 31 December 2015

Based on the audit procedures performed for the purpose of reporting a true and fair view on the standalone financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) The fixed assets, other than refrigerators (visi coolers) and containers lying with third parties, have been physically verified by the management during the year and no material discrepancies were noticed on such verification. The Company has a regular program of physical verification of the refrigerators (visi coolers) under which such fixed assets are verified in a phased manner over a period of three years and no material discrepancies were noticed on such verification. According to the information and explanations given to us, the existence of containers lying with active third parties is considered on the basis of the confirmations obtained from such third parties. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year, except for goods-in-transit and stocks lying with third parties. For stocks lying with third parties at the year-end, written confirmations have been obtained by the management.
 - (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company is maintaining proper records of inventory and no material discrepancies between physical inventory and book records were noticed on physical verification.
- (iii) The Company has granted unsecured loan to one party covered in the register maintained under Section 189 of the Act; and with respect to the same:
 - (a) the principal amount is not due for repayment currently however, the receipt of interest is regular; and
 - (b) there is no overdue amount in respect of loans granted to such party.
- (iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) The Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3 (v) of the Order are not applicable.
- (vi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under sub-section (1) of Section 148 of the Act in respect of Company's products and are of the opinion that, *prima facie*, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- (vii)(a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory

VARUN BEVERAGES LIMITED

dues, as applicable, have generally been regularly deposited with the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) The dues outstanding in respect of income-tax, sales-tax, wealth tax, service tax, duty of customs, duty of excise, value added tax and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹ millions)	Amount paid under protest (₹ millions)	Period to which the amount relates	Forum where dispute is pending
Central Excise Act, 1944	Central excise	207.47	0.19	2005-2006, February 2009-December 2013	CESTAT, New Delhi
Central Excise Act, 1944	Central excise	2.10	0.73	January 2008 - February 2012	Additional Commissioner Appeals, Jaipur
Central Excise Act, 1944	Central excise	2.62	0.06	February 2013-April 2015	Assistant Commissioner, Bhiwadi
Central Excise Act, 1944	Central excise	1.27	-	2014-2015	Additional Commissioner Appeals, Agra
Central Excise Act, 1944	Central excise	2.54	2.54	July 2014	Assistant Commissioner, Noida
Central Excise Act, 1944	Central excise	0.18	-	May 2009 to March 2010	Commissioner Appeals, Kolkata
Central Excise Act, 1944	Central excise	0.37	-	April 2013 to March 2015	Deputy Commissioner, Kolkata
Central Excise Act, 1944	Central excise	1.76	-	July 2014 to August 2014	Additional Commissioner, Kolkata
Finance Act, 1944	Service tax	2.72	-	April 2010- March 2012	Commissioner Appeals, Jaipur
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	1.61	0.11	2001-2002 to 2003-2005	Honorable Supreme Court
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	1.76	1.76	2008-2009, 2013-2014, 2014-2015, 2015-2016	Assessing Officer, Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	17.07	2.88	January 2008 to March 2010, 2011-2012	Additional Commissioner, Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	0.68	0.68	2009-2010	Uttar Pradesh Commercial tax Tribunal
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	7.09	7.09	2010-2012	Joint Commissioner, Ghaziabad
The Uttar Pradesh Value Added Tax Act, 2008	Value added tax	0.10	0.10	2010-2011	Joint Commissioner, Kanpur

VARUN BEVERAGES LIMITED

Name of the statute	Nature of dues	Amount (₹ millions)	Amount paid under protest (₹ millions)	Period to which the amount relates	Forum where dispute is pending
Rajasthan Value Added Tax Act, 2003	Value added tax	0.14	0.10	2013-2014	Deputy Commissioner Appeals, Jaipur
Uttar Pradesh Tax on Entry of Goods into Local Areas Act, 2007	Entry tax	10.04	4.64	2003-2011	Honorable Supreme Court
Rajasthan Tax of Entry of Goods into Local Areas Act, 1999	Entry tax	62.16	31.08	2012-2015	Honorable High Court, Jaipur
West Bengal Tax on Entry of Goods into Local Areas Act, 2012	Entry tax	29.86	-	2013-2016	Honorable High Court, Kolkata
Madhya Pradesh Value Added Tax Act, 2002	Value added tax	0.30	0.06	2013-2014	Commissioner, Bhopal
Madhya Pradesh Value Added Tax Act, 2002	Entry tax	0.05	0.01	2013-2014	Commissioner, Bhopal
Punjab Value Added Tax Act, 2005	Value added tax	0.18	-	2015-2016	Assessing Officer, Mohali
Punjab Value Added Tax Act, 2005	Value added tax	0.33	-	2015-2016	Value added tax Tribunal, Punjab and Chandigarh
Rajasthan Value Added Tax Act, 2003	Value added tax	0.04	0.04	April 2009-March 2010	Tax Law Board, Ajmer
Rajasthan Value Added Tax Act, 2003	Value added tax	0.04	0.04	January 2013-December 2013	Joint Commissioner, Jaipur
Rajasthan Value Added Tax Act, 2003	Value added tax	0.08	0.08	2013-14	Jodhpur Taxation Tribunal
Rajasthan Value Added Tax Act, 2003	Value added tax	0.12	0.12	May 2015	Deputy Commissioner, Jaipur
Goa Non-Biodegradable Garbage (Control) Act, 1996 (Act 5 of 1997)	Cess	13.57	-	April 2014 to December 2015	Honorable High Court of Bombay, Panji
The Goa Value Added Tax Act, 2005	Value added tax	1.87	-	2005-2006	Commissioner Appeals, Margao
West Bengal Value Added Tax Act, 2003	Value added tax	1.21	0.51	July 2012, September 2013, January 2015 and September 15	West Bengal Taxation Tribunal
Income-Tax Act, 1961	Income tax	0.34	-	AY 2006-2007, 2007-2008	Income Tax Appellate Tribunal, New Delhi
Income-Tax Act, 1961	Income tax	2.79	-	AY 2014-2015, 2015-2016	Commissioner of Income Tax (Appeals), New Delhi

VARUN BEVERAGES LIMITED

- (c) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder. Accordingly, the provisions of clause 3(vii)(c) of the Order are not applicable.
- (viii) In our opinion, the Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and the immediately preceding financial year.
- (ix) In our opinion, the Company has not defaulted in repayment of dues to any financial institution or banks or to debenture-holders during the year.
- (x) In our opinion, the terms and conditions on which the Company has given guarantee for loans taken by others from banks or financial institutions are not, prima facie, prejudicial to the interest of the Company.
- (xi) In our opinion, the Company has applied the term loans for the purpose for which these loans were obtained.
- (xii) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For Walker Chandiok & Associates
Chartered Accountants
Firm Registration No.: 001329N

For O.P. Bagla & Co.
Chartered Accountants
Firm Registration No.: 000018N

per **Nitin Toshniwal**
Partner
Membership No.: 507568

per **Neeraj Kumar Agarwal**
Partner
Membership No.: 094155

Place : Gurgaon
Date : 29 February 2016

VARUN BEVERAGES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2015

(₹ in Millions, except as stated otherwise)

	Note	As At 31 December 2015	As At 31 December 2014
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	5,837.66	3,337.66
Reserves and surplus	4	2,766.55	1,199.17
		<u>8,604.21</u>	<u>4,536.83</u>
Non-current liabilities			
Long-term borrowings	5	15,030.60	14,915.26
Deferred tax liabilities (net)	6	1,481.82	809.10
Other long-term liabilities	7	6,252.10	-
Long-term provisions	8	384.16	207.76
		<u>23,148.68</u>	<u>15,932.12</u>
Current liabilities			
Short-term borrowings	9	681.00	3,260.72
Trade payables	10	992.93	931.00
Other current liabilities	11	7,622.07	3,897.02
Short-term provisions	12	366.34	147.56
		<u>9,662.34</u>	<u>8,236.30</u>
		<u>41,415.23</u>	<u>28,705.25</u>
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	13	25,389.83	16,155.92
Intangible assets	14	3,772.03	1,185.05
Capital work-in-progress		320.27	168.70
Non-current investments	15	3,039.24	2,205.89
Long-term loans and advances	16	3,295.16	2,220.67
Other non-current assets	17	50.12	67.69
		<u>35,866.65</u>	<u>22,003.92</u>
Current assets			
Current investments	18	0.01	3,019.80
Inventories	19	3,507.85	2,138.74
Trade receivables	20	500.52	347.49
Cash and bank balances	21	195.84	32.90
Short-term loans and advances	22	1,217.65	744.37
Other current assets	23	126.71	418.03
		<u>5,548.58</u>	<u>6,701.33</u>
		<u>41,415.23</u>	<u>28,705.25</u>
Significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

This is the Balance Sheet referred to in our report of even date.

For Walker Chandio & Associates
Chartered Accountants
Firm Registration No.: 001329N

For O.P. Bagla & Co.
Chartered Accountants
Firm Registration No.: 000018N

For and on behalf of the Board of Directors of
Varun Beverages Limited

per Nitin Toshniwal
Partner
Membership No.: 507568

per Neeraj Kumar Agarwal
Partner
Membership No.: 094155

Varun Jaipuria
Whole-time Director
DIN : 02465412

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Place : Gurgaon
Date : 29 February 2016

Kamlesh Kumar Jain
Chief Financial Officer

Mahavir P. Garg
Company Secretary
Membership No. F3490

VARUN BEVERAGES LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31 DECEMBER 2015

(₹ in Millions, except as stated otherwise)

	Note	Year Ended 31 December 2015	Year Ended 31 December 2014
REVENUE			
Revenue from operations (gross)	24	33,188.14	22,806.26
Less: Excise duty		4,548.05	2,618.20
Revenue from operations (net)		28,640.09	20,188.06
Other income	25	464.16	443.14
Total Revenue		29,104.25	20,631.20
EXPENSES			
Cost of materials consumed	26	12,029.53	11,127.43
Purchases of traded goods	27	3,164.74	566.32
Changes in inventories of finished goods, work-in-progress and traded goods	28	(318.44)	7.23
Employee benefits expense	29	2,457.47	1,472.45
Finance costs	30	1,388.53	1,562.74
Depreciation and amortisation expense	31	2,626.21	1,525.48
Other expenses	32	5,556.87	3,856.98
Total expenses		26,904.91	20,118.63
Profit for the year before tax		2,199.34	512.57
Prior period items	33	9.79	-
Profit before tax after prior period items		2,189.55	512.57
Tax expense:			
Current tax		472.50	101.30
Minimum alternate tax credit entitlement		(472.50)	(101.30)
Tax expense earlier years (net)		0.36	22.74
Deferred tax expense	6	672.72	56.30
		673.08	79.04
Profit after tax		1,516.47	433.53
Earnings per equity share of face value of ₹ 10 each	43		
Basic (in ₹)		11.34	3.24
Diluted (in ₹)		11.26	3.24
Significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

This is the Statement of Profit and Loss referred to in our report of even date.

For Walker Chandiok & Associates Chartered Accountants Firm Registration No.: 001329N	For O.P. Bagla & Co. Chartered Accountants Firm Registration No.: 000018N	For and on behalf of the Board of Directors of Varun Beverages Limited	
per Nitin Toshniwal Partner Membership No.: 507568	per Neeraj Kumar Agarwal Partner Membership No.: 094155	Varun Jaipuria Whole-time Director DIN : 02465412	Raj P. Gandhi Whole-time Director DIN : 00003649
Place : Gurgaon Date : 29 February 2016		Kamlesh Kumar Jain Chief Financial Officer	Mahavir P. Garg Company Secretary Membership No. F3490

VARUN BEVERAGES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

(₹ in Millions, except as stated otherwise)

	31 December 2015	31 December 2014
A CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax after prior period items	2,189.55	512.57
Non-cash adjustments:		
Depreciation and amortisation expense (including prior period of ₹ 9.79 million (Previous year Nil))	2,636.00	1,525.48
Excess provisions written back	(0.57)	(37.63)
Provision for bad and doubtful debts	14.27	40.23
Interest expense	1,293.84	1,526.34
Interest income	(113.78)	(128.57)
Profit on sale of current investments	(52.86)	-
Loss on sale of fixed assets (net)	40.75	2.49
Fixed assets written off	58.42	35.52
Dividend income	(190.35)	(115.01)
Unrealised exchange fluctuation	31.27	100.32
Bad debts and advances written off	4.48	14.79
Operating profit before working capital changes	<u>5,911.02</u>	<u>3,476.53</u>
Changes in working capital		
Increase in inventories	(1,369.11)	(322.75)
(Increase)/decrease in trade receivables	(171.16)	46.89
(Increase)/decrease in loans and advances	(308.41)	147.22
Increase in trade payable, other liabilities and provisions	1,406.37	520.20
Cash generated from operations	<u>5,468.71</u>	<u>3,868.09</u>
Direct taxes paid	(366.03)	(41.60)
Net cash generated from operating activities	<u>5,102.68</u>	<u>3,826.49</u>
B CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets and capital work in progress	(2,446.02)	(1,803.88)
Purchase of business for consolidated consideration	(3,450.00)	-
Proceeds from sale of fixed assets	119.22	56.91
Loan given to subsidiary	(1,019.31)	(651.67)
Proceeds from sale of current investments	5,122.65	-
Proceeds from redemption of non-current investments	94.05	-
Purchase of non-current investments	(356.61)	-
Purchase of current investments	(2,050.00)	(3,019.79)
Interest received	383.63	103.08
Dividend received	-	210.24
Net cash used in investing activities	<u>(3,602.39)</u>	<u>(5,105.11)</u>
C CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds of long term borrowings	3,319.86	3,561.06
Repayments of long term borrowings	(6,566.15)	(3,632.23)
(Repayments) / Proceeds of short term borrowings	(2,579.73)	1,228.21
Interest paid	(1,217.43)	(1,535.53)

VARUN BEVERAGES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

(₹ in Millions, except as stated otherwise)

	31 December 2015	31 December 2014
Share application money refunded	-	(400.00)
Proceeds from issue of non-convertible debentures	3,200.00	-
Proceeds from issue of preference shares	2,500.00	2,000.00
Net cash (used in) / generated from financing activities	(1,343.45)	1,221.51
D. NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		
E. Cash and cash equivalents at the beginning of the year	156.84	(57.11)
F. Cash and cash equivalents at the end of the year (refer note 21)	32.42	89.53
	189.26	32.42

The accompanying notes are an integral part of the financial statements.

This is the Cash Flow Statement referred to in our report of even date.

For Walker Chandiook & Associates
Chartered Accountants
Firm Registration No.: 001329N

For O.P. Bagla & Co.
Chartered Accountants
Firm Registration No.: 000018N

**For and on behalf of the Board of Directors of
Varun Beverages Limited**

per **Nitin Toshniwal**
Partner
Membership No.: 507568

per **Neeraj Kumar Agarwal**
Partner
Membership No.: 094155

Varun Jaipuria
Whole-time Director
DIN : 02465412

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Place : Gurgaon
Date : 29 February 2016

Kamlesh Kumar Jain
Chief Financial Officer

Mahavir P. Garg
Company Secretary
Membership No. F3490

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

1. Corporate information

Varun Beverages Limited (the 'Company') was incorporated on 16 June 1995. The Company is engaged in manufacturing, selling, bottling and distribution of beverages of Pepsi brand in geographically pre-defined territories as per franchisee agreement with PepsiCo India Holdings Private Limited.

2. Basis of preparation

The financial statements of the Company have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP) including the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended), to the extent applicable. The financial statements have been prepared on an accrual basis and under the historical cost convention. The accounting policies have been consistently applied by the Company unless otherwise stated. All assets and liabilities have been classified as current or non-current, wherever applicable as per the operating cycle of the Company as per the guidance set out in the Schedule III to the Companies Act, 2013.

2.1 Statement of significant accounting policies

a) Use of estimates

In preparing the Company's financial statements in conformity with accounting principles generally accepted in India, the management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised in the period the same is determined. Examples of such estimates include estimated useful lives of fixed assets, provision for bad and doubtful debts, provision for discounts, income taxes, etc.

b) Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost comprises the purchase price (net of Cenvat credit availed), borrowing costs if capitalisation criteria are met and any 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 relating to fixed assets is capitalised only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance. 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 recognised in the statement of profit and loss when the asset is derecognised.

Where a group of fixed assets are purchased for a consolidated price, the consideration is apportioned to the various assets on a fair basis as determined by independent valuers.

c) Depreciation on tangible fixed assets

In accordance with the requirements of Schedule II of the Companies Act, 2013, management has re-assessed the useful lives of the fixed assets and on the basis of technical evaluation; management is of the view that useful lives used by management are indicative of the estimated economic useful lives of the fixed assets.

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

The Company has used the following useful lives to compute depreciation on its tangible fixed assets:

Description	Useful lives (upto)
Containers	6 years
Leasehold land	Over lease period
Buildings-factory	30 years
Buildings-others	60 years
Plant and equipment	20 years
Post mix vending machines and refrigerators (Visi -coolers)	8 - 10 years
Office equipment	4 years
Computer equipments	4 years
Furniture and fixtures	10 years
Delivery Vehicle	10 years
Vehicles (other than delivery vehicles)	7 years

The Company has used the remaining useful lives to compute depreciation on its tangible fixed assets, acquired under the business transfer agreement during the year, based on external technical evaluation.

In case of revaluation of leasehold land, the resulting amortisation of the total revalued amount is expensed off to the Statement of Profit and Loss.

Breakages of containers are adjusted on first bought first broken basis, since it is not feasible to specifically identify the broken containers in the fixed assets records.

The Company has technically evaluated all the tangible fixed assets for determining the separate identifiable assets having different useful lives under the component approach as required under Schedule II of Companies Act, 2013. On technical evaluation of all separate identifiable components, the management is of the opinion that they do not have any different useful life that of the principal asset.

d) Intangible assets

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

e) Amortisation of intangible assets

Amortisation of intangible assets is provided on the straight-line basis, at the rates representing the estimated useful lives.

Description	Useful lives (upto)
Computer software	4 years
Franchisee rights are amortised on a straight-line basis over the license period.	

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

f) Impairment of tangible and intangible assets

The Company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount and the reduction is treated as an impairment loss and the same is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost and the impairment is accordingly reversed in the Statement of Profit and Loss.

g) Leases

Where the Company is the lessee

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalised.

If there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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

Where the Company is the lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognised in the Statement of Profit and Loss on a straight-line basis over the lease term. Costs, including depreciation, are recognised as an expense in the Statement of Profit and Loss. Initial direct costs such as legal costs, brokerage costs, etc. are recognised immediately in the Statement of Profit and Loss.

h) Investments

Investments, which are readily realisable 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.

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

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 carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost, however provision for diminution in value is made to recognise 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.

i) Inventories

Inventories are valued as follows:

Raw materials, components and stores and spares	At lower of cost and net realisable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
Work-in-progress	At lower of cost and net realisable value. Cost for this purpose includes material, labour and appropriate allocation of overheads including depreciation. Cost is determined on a moving weighted average basis.
Finished goods: -Manufactured	At lower of cost and net realisable value. Cost for this purpose includes material, labour and appropriate allocation of overheads. Excise duty on inventory lying with Company is added to the cost of the finished goods inventory. Cost is determined on a moving weighted average basis.
-Traded	At lower of cost and net realisable value. Cost represents purchase price and other direct costs and is determined on a moving weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. Provision for obsolescence is determined based on management's assessment and is charged to the Statement of Profit and Loss.

j) Revenue recognition

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

i) Sale of products:

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the customer and are recorded inclusive of excise duty and net of sales tax, sales returns and trade discount.

ii) Interest:

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

iii) Dividend:

Dividend income is recognised in the period in which right to receive such payment is established.

iv) Commission:

Commission income is recognised as per the agreed terms.

v) Management fees and technical know-how fees:

Management fees and technical know-how fees is recognised as per the agreed terms.

k) Borrowing costs

Borrowing cost includes interest, amortisation 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 directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

l) Foreign currency transactions

(i) 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 at the date of the transaction.

(ii) 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.

(iii) Exchange differences

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

As per the amendment of the Companies (Accounting Standard) Rules, 2006-'AS 11' relating to 'The Effects of Changes in Foreign Exchange Rates', exchange differences arising on conversion of long term foreign currency monetary items used for acquisition of depreciable fixed assets are added to the cost of fixed assets and is depreciated over the remaining life of the respective asset and in other cases, is recorded under the head 'Foreign Currency Monetary Item Translation Difference Account' and is amortised over period not extending beyond, earlier of March 31, 2020 or maturity date of underlying long term foreign currency monetary items.

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

m) Retirement and other employee benefits

- (i) Contributions to the provident fund, a defined contribution scheme, are charged to the Statement of Profit and Loss for the year when the contributions are due. The Company has no other obligation, other than the contribution payable to the provident fund.
- (ii) Gratuity liability under the Payment of Gratuity Act, 1972 is accrued on the basis of an actuarial valuation made at the end of each financial year. The actuarial valuation is performed by an independent actuary as per projected unit credit method.
- (iii) Accumulated leave, which is expected to be utilised within next twelve months, is treated as short term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond twelve months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are computed based on the actuarial valuation performed by an independent actuary using the projected unit credit method at the year-end.

- (iv) Actuarial gains/losses are immediately taken to the Statement of Profit and Loss.

n) Income taxes

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. 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. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

Minimum Alternate Tax (“MAT”) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognised as an asset in accordance with the recommendations contained in the Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Statement of Profit and Loss and is disclosed as MAT credit entitlement. The Company reviews this balance at each balance sheet date and writes down the carrying amount to the extent there is no longer convincing evidence that the Company will pay normal income tax during the specified period.

o) Employee Stock Options

Accounting value of stock options is determined on the basis of “Intrinsic Value” representing the excess of the fair market value of Company’s equity share on the date of grant over the exercise price of the options granted under the “Employees Stock Option Scheme” of the Company, and is being amortised as “Employee Compensation Expense” on a straight-line basis over the vesting period in accordance with the Guidance Note 18 “Share Based Payments” issued by the Institute of Chartered Accountants of India.

p) Earnings / (loss) per share

Basic earnings / (loss) per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events of bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares).

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

q) Provisions, contingent liabilities and contingent assets

A provision is recognised 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 present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably.

Contingent assets are not recognised in the financial statement.

r) Cash and cash equivalents

Cash and cash equivalents for cash flow statement comprises cash at bank and in hand and short-term investments with an original maturity of three months or less.

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

s) Government grants

Grants from the government are recognised when there is reasonable assurance that the grant will be received and all underlying conditions will be complied with.

Where the grants are in the nature of promoter's contribution and no repayment is expected, then they are treated as capital reserve. Grants that are determined to be of revenue nature are deducted from the related expenses.

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in Millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
3. Share Capital		
Authorised share capital		
500,000,000 (Previous year 700,000,000) equity shares of ₹ 10 each	5,000.00	7,000.00
50,000,000 (Previous year 30,000,000) preference shares of ₹ 100 each	5,000.00	3,000.00
	<u>10,000.00</u>	<u>10,000.00</u>
Issued, subscribed and fully paid-up		
133,766,165 (Previous year 133,766,165) equity shares of ₹ 10 each	1,337.66	1,337.66
45,000,000 (Previous year 20,000,000) compulsorily convertible preference shares of ₹ 100 each	4,500.00	2,000.00
	<u>5,837.66</u>	<u>3,337.66</u>

a) Reconciliation of share capital

Equity shares

There is no change in equity share capital during current and previous year.

Compulsorily convertible preference shares ("CCPS")

Particulars	No. of shares	Amount
Balance as at 01 January 2015	20,000,000	2,000.00
Add: Issued during the year	25,000,000	2,500.00
Balance as at 31 December 2015	<u>45,000,000</u>	<u>4,500.00</u>

Particulars	No. of shares	Amount
Balance as at 01 January 2014	-	-
Add: Issued during the year	20,000,000	2,000.00
Balance as at 31 December 2014	<u>20,000,000</u>	<u>2,000.00</u>

b) Terms/rights attached to shares

Equity shares

The Company has only one class of equity shares having a par value of ₹ 10 each. Each holder of equity share is entitled to one vote per share. In the event of liquidation of the Company, holders of equity shares will be entitled to receive any of the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

Compulsorily convertible preference shares

CCPS shall be compulsorily convertible into equity shares upon expiry of five years from allotment date at a price which shall be calculated at the valuation of the Company computed by an independent valuer or at a price not lower than breakup value (as defined in share subscription agreement), whichever is higher. CCPS shall be mandatorily converted into equity shares prior to a) filing of the red herring prospectus or, b) a third party private equity investment or, c) the conversion of Compulsorily Convertible Debentures. The holders of preference shares have no rights to receive notices of, attend or vote at general meetings except in certain limited circumstances.

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

Each CCPS shall be entitled to receive dividend at the rate of 10% in the fourth year and at the rate of 20% in the fifth year from the date of issue. There is no dividend for the first three years from the date of issue.

- c) Details about issue of shares made for a particular purpose and the whole or part of the amount has not been used for the purpose as at the balance sheet date, details of how such unutilised amounts have been used or invested.

(₹ in Millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
Balance at the beginning of the year	2,000.00	-
Gross proceeds received from the issue of CCPS	2,500.00	2,000.00
Amount utilised till year end	4,500.00	-
Unutilised amount at year end	-	2,000.00

The unutilised amount has been invested in mutual funds in previous year.

- d) Employee stock options

Terms attached to stock options granted to employees are described in Note 48 regarding employee share based payments.

- e) List of shareholders holding more than 5% of the equity share capital of the Company at the beginning and at the end of the reporting year:

Shareholders as at 31 December 2015 and 31 December 2014	No. of shares	%
RJ Corp Limited	45,387,415	33.93%
Ravi Kant Jaipuria & Sons (HUF)	44,187,870	33.03%
Mr. Varun Jaipuria	44,175,500	33.02%

List of shareholders holding more than 5% of the preference share capital of the Company at the beginning and at the end of the reporting year:

Shareholders as at 31 December 2015	No. of shares	%
RJ Corp Limited	20,000,000	44.44%
Devyani Hotels and Resorts Private Limited	25,000,000	55.56%

Shareholders as at 31 December 2014	No. of shares	%
RJ Corp Limited	20,000,000	100.00%

- f) Shares reserved for issue under options and contracts:

Under Employee Stock Option Scheme, 2013:

	As At 31 December 2015	As At 31 December 2014
No. of equity shares of ₹ 10 each at an exercise price of ₹ 149.51 per share	2,675,400	2,675,400

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in Millions, except as stated otherwise)

- g) Details of shares issued pursuant to contract without payment being received in cash, allotted as fully paid up by way of bonus issues and brought back during the last 5 years to be given for each class of shares:

During the year 2013, the Company issued 26,752,733 equity shares of ₹ 10 each for a consideration other than cash. The Company cancelled 7,999,500 equity shares of ₹ 10 each pursuant to the scheme of amalgamation of Varun Beverages (International) Limited with Varun Beverages Limited approved by Hon'ble High Court of Delhi on 12 March 2013. Also, 107,012,932 equity shares of ₹ 10 each have been issued in the ratio of 4:1 as bonus shares during the year 2013.

	As At 31 December 2015	As At 31 December 2014
4. Reserves and Surplus		
Capital reserve		
Balance at the beginning/end of the year	464.44	464.44
Debenture redemption reserve		
Balance at the beginning of the year	-	-
Add: Additions made during the year	19.96	-
Balance at the end of the year	19.96	-
Surplus in the statement of profit and loss		
Balance at the beginning of the year	597.96	164.43
Less: Transfer to debenture redemption reserve	(19.96)	-
Add: Profit for the year	1,516.47	433.53
Balance at the end of the year	2,094.47	597.96
Foreign currency monetary item translation difference account		
Balance at the beginning of the year	136.77	194.15
Add: Additions made during the year	82.18	42.94
Less: Amortised during the year	31.27	100.32
Balance at the end of the year	187.68	136.77
	<u>2,766.55</u>	<u>1,199.17</u>

The Company has exercised the option granted by notification G.S.R. 914(E) dated 29 December 2011 issued by the Ministry of Corporate Affairs. Accordingly, the exchange differences arising on revaluation of long term foreign currency monetary items, other than for acquisition of fixed assets, are being amortised over the maturity period of such monetary items.

5. Long-term Borrowings

Compulsorily convertible debentures (unsecured)	4,149.98	4,149.98
Non-convertible debentures (secured and partly paid-up)	200.00	-
Non-convertible debentures (unsecured)	3,000.00	-

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

	As At 31 December 2015	As At 31 December 2014
Term loans (secured)		
Foreign currency loans from banks	663.26	1,029.13
Indian rupee loans from banks	4,868.28	6,277.07
Indian rupee loan from a financial institution	1,100.00	1,200.00
Term loan (unsecured)		
Indian rupee loan from a body corporate	-	1,000.00
Deferred value added tax (unsecured)	1,049.08	1,259.08
	<u>15,030.60</u>	<u>14,915.26</u>

- a) Terms and conditions of issue and conversion/redemption of Compulsorily Convertible Debentures (CCDs) are as under:

No. of Debentures	Date of issue	Face Value (₹)
1,249,980	18 July 2011	1,000
1,250,000	30 November 2011	1,000
1,650,000	05 October 2012	1,000

The Company shall conduct a qualified initial public offer ('QIPO') not later than 48 months from the date of issue of first tranche. If a QIPO by the Company cannot be completed prior to the QIPO deadline date on account of the market conditions or non receipt of internal or external approvals that may be required for such initial public offering, the Company and the promoters (as defined in the subscription agreement) shall ensure that such QIPO occurs within six years from the first completion date. The CCDs shall be converted into such number of equity shares based on the lower-end of the price band at which the QIPO is proposed to enable the debenture holders to realise the agreed return of 18.5% from the equity shares resulting from such conversion. CCDs are compulsorily convertible into equity shares in an initial public offer (IPO). In the event the Company has not filed a Draft Red herring prospectus for a QIPO with the Securities and Exchange Board of India on or before 31 May 2017, the debenture holders have various exit options including 14% per annum coupon and put option on promoters at an agreed return. The coupon in that case is payable as per the terms of underlying agreement.

- b) Terms and conditions of issue and redemption of Non-Convertible Debentures (NCDs) are as under:
i) Issued to RBL Bank Limited

No. of Debentures	Date of issue	Face value (₹)	Paid-up value (₹)
2,000	01 December 2015	1,000,000	100,000

The Rated Secured Listed Redeemable Rupee Denominated NCD (2000) are redeemable at par in 5 years from the deemed date of allotment and carries a coupon rate of SBI base rate plus 60 basis points. The NCDs are redeemable 30%, 30% and 40% at the end of year third, fourth and fifth year unless redeemed earlier. The amount uncalled is to be paid on or before 29 February 2016. These NCDs are secured by way of first pari-passu charge on the specified fixed assets of the Company to the extent of 1.25 times of NCDs outstanding.

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in Millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
Details of utilization		
Gross proceeds received from the issue of NCDs	200.00	-
Amount utilised till year end	200.00	-
Unutilised amount at year end	<u>-</u>	<u>-</u>

ii) Issued to AION Investments II Singapore Pte. Ltd.

No. of Debentures	Date of issue	Face value (₹)	Paid-up value (₹)
300	30 September 2015	10,000,000	10,000,000

Non-Convertible Debentures (NCDs) shall be rated unsecured and carry a coupon rate of 14% for the first eighteen months and 17% thereafter. NCDs are redeemable by the Company on the tenth anniversary from the date of allotment ('Final Redemption Date'). The Company and its affiliates (as defined in the underlying agreement) have right to redeem the NCDs, prior to the Final Redemption Date, under the circumstances and subject to the conditions started in the underlying agreement.

Details of utilization

Gross proceeds received from the issue of NCDs	3,000.00	-
Amount utilised till year end	3,000.00	-
Unutilised amount at year end	<u>-</u>	<u>-</u>

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

c) Terms and conditions / details of securities for loans are as under:

Name of the bank/instrument	(₹ in Millions, except as stated otherwise)			
	31 December 2015		31 December 2014	
	Non-current	Current	Non-current	Current
Term Loans				
Foreign currency loan from banks (secured)				
Loan carrying rate of interest of LIBOR+2.5% and is repayable in equal quarterly instalments ending January 2016.	-	82.91	79.16	316.66
This loan is secured by way of first pari-passu charge on movable and immovable fixed assets of Company units located at Bhiwadi, Alwar, Jodhpur, Jaipur, Greater Noida unit-I, Kolkata, Nuh, Kosi Kalan, Greater Noida Unit-II, Goa, Guwahati Unit-I and Unit-II and movable assets in the name of the Company at head office, Gurgaon (excluding the assets exclusively charged to other lenders).				
Loan carrying rate of interest of LIBOR+2.65% and is repayable in half yearly instalments ending August 2018.	663.26	331.63	949.97	189.99
This loan is secured by way of first pari-passu charge on movable and immovable fixed assets of Company units located at Bhiwadi, Alwar, Jodhpur, Jaipur, Greater Noida unit-I, Kolkata, Nuh, Kosi Kalan, Greater Noida Unit-II, Goa, Guwahati Unit-I and Unit-II and movable assets in the name of the Company at head office, Gurgaon (excluding the assets exclusively charged to other lenders).				
Indian rupee loan from banks (secured)				
Loans carrying weighted average rate of interest 11.11% (Previous year 12.08%) depending upon tenor of the loans. These loans are repayable in monthly / quarterly / half yearly instalments ranging from 2-6 years.	4,784.40	1,038.24	6,204.79	1,305.97
These loans are secured by way of first pari-passu charge on movable and immovable fixed assets of Company units located at Bhiwadi, Alwar, Jodhpur, Jaipur, Greater Noida Unit-I, Kolkata, Nuh, Kosi Kalan, Greater Noida Unit-II, Goa, Guwahati Unit-I and Unit-II and movable assets in the name of the Company at head office, Gurgaon (excluding the assets exclusively charged to other lenders).				

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

Vehicle rupee term loan (secured)

Loans carrying rate of interest in range of 9-11%. They are repayable generally over a period of three to five years in instalments as per the terms of the respective agreements. Vehicle loans are secured against respective asset financed.

83.88	66.10	72.28	64.20
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Indian rupee loan from financial institution (secured)

Loan is carrying rate of interest of 11.25% (Previous year 12.50%). This loan is repayable in half yearly instalments from June 2015 to July 2019.

1,100.00	100.00	1,200.00	50.00
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This loan is secured by way of First pari-passu charge on movable and immovable fixed assets of Company units located at Bhiwadi, Alwar, Jodhpur, Jaipur, Greater Noida Unit-I, Kolkata, Nuh, Kosi kalan, Greater Noida Unit-II, Goa, Guwahati Unit-I and Unit-II and movable assets in the name of the Company at head office, Gurgaon (excluding the assets exclusively charged to other lenders).

Indian rupee loan from a body corporate (unsecured)

Loan is carrying rate of interest of 12%. This loan is repayable out of fresh securities proceeds, as per terms of agreement.

-	-	1,000.00	-
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Deferred value added tax (unsecured)

Deferred value added tax is repayable in 33 quarterly instalments of ₹ 52.50 million and single quarterly instalment of ₹ 51.59 million starting from July 2013 to October 2021. The loan is interest free.

1,049.08	210.00	1,259.08	210.00
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Total

<u>7,680.62</u>	<u>1,828.88</u>	<u>10,765.28</u>	<u>2,136.82</u>
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(₹ in Millions, except as stated otherwise)

As At 31 December 2015	As At 31 December 2014
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6. Deferred tax liabilities (net)

Deferred tax liabilities

Timing difference on fixed assets (depreciation and amortisation)	2,312.00	1,644.41
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Deferred tax assets

Unabsorbed depreciation	469.35	650.65
Provision for doubtful debts	49.10	43.37
Provision for bonus	13.03	2.46
Foreign currency monetary item translation difference account	64.95	46.49
Lease equalisation reserve	0.66	-

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in Millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
Provision for retirement benefits	177.31	92.34
Other expenses allowable on payment basis	55.78	-
	<u>830.18</u>	<u>835.31</u>
	<u>1,481.82</u>	<u>809.10</u>

Note: Deferred tax expense for the year ended 31 December 2014, amounting to ₹ 56.30 charged to Statement of Profit and Loss is net of deferred tax credit of earlier years amounting to ₹ 63.00.

7. Other long-term liabilities

Capital creditors

Dues to micro and small enterprises (Refer note 45)	-	-
Due to others	6,252.10	-
	<u>6,252.10</u>	<u>-</u>

8. Long-term provisions

Provision for employee benefits (Refer note 42)

Gratuity	274.73	138.84
Compensated absences	109.43	68.92
	<u>384.16</u>	<u>207.76</u>

9. Short-term borrowings

Loans repayable on demand from:

A body corporate (unsecured)*	-	700.00
Banks - working capital facility (secured)	681.00	2,560.72
	<u>681.00</u>	<u>3,260.72</u>

a) Details of securities is as under:

Working capital facilities from banks are secured by first charge on entire current assets of the Company ranking pari passu amongst the banks and second charge on the movable and immovable assets of the Company pertaining to specific manufacturing units. In the previous year, short term loans included above in the working capital facility were also secured by way of second charge on the movable and immovable assets of the Company pertaining to specific manufacturing units. The working capital facilities carry interest rates ranging between 11 to 12 %.

* Loan repayable on demand from a body corporate has an interest rate of 12% per annum.

10. Trade payables

Trade payable

Dues to micro and small enterprises (Refer note 45)	1.44	0.63
Dues to others including acceptances	778.52	799.10
Provision for expenses	212.97	131.27
	<u>992.93</u>	<u>931.00</u>

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015
(₹ in Millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
11. Other current liabilities		
Current maturities of long-term debts	1,828.88	2,136.82
Interest accrued but not due on borrowings	139.93	63.53
Advances from customers	566.39	211.67
Capital creditors	3,237.03	384.21
Security deposits	1,175.44	592.58
Employee related payables	109.16	85.48
Guarantee commission payable	-	80.00
Lease equalisation reserve	1.92	-
Statutory dues payable	563.32	342.73
	<u>7,622.07</u>	<u>3,897.02</u>
12. Short-term provisions		
Provision for employee benefits (Refer note 42)		
-Gratuity	81.21	28.05
-Compensated absences	46.96	35.85
Provision for income tax, net of advance taxes amounting to ₹ 234.32 (previous year ₹ 17.64)	238.17	83.66
	<u>366.34</u>	<u>147.56</u>

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

13 Tangible Assets (₹ in Millions, except as stated otherwise)

Gross block	Land freehold*	Land leasehold*	Buildings	Plant and equipment	Furniture and fixtures	Vehicles	Office equipment	Computer equipment	Containers**	Post-mix vending machines and refrigerators (visi cooler)	Total
Balance as at 01 January 2014	2,501.69	1,140.40	2,836.55	8,277.88	88.00	708.20	81.65	71.47	1,532.96	3,586.69	20,825.49
Additions	-	-	197.29	530.84	9.54	66.05	15.97	16.01	313.20	565.54	1,714.44
Transfer/adjustment	-	-	-	-	0.09	-	(1.37)	(0.06)	(8.87)	-	(10.21)
Disposals	-	(0.77)	-	(39.38)	(1.67)	(16.25)	(3.49)	(12.97)	(116.56)	(21.26)	(212.35)
Balance as at 31 December 2014	2,501.69	1,139.63	3,033.84	8,769.34	95.96	758.00	92.76	74.45	1,720.73	4,130.97	22,317.37
Additions	10.52	68.45	68.86	344.37	0.82	94.63	13.20	40.67	925.14	369.33	1,935.99
Acquired on business acquisition ***	346.32	943.88	898.20	4,310.94	19.11	13.74	25.07	-	779.02	2,402.11	9,738.39
Disposals	-	(5.11)	-	(85.44)	(0.11)	(10.04)	(2.09)	(4.10)	(260.81)	(23.30)	(391.00)
Balance as at 31 December 2015	2,858.53	2,146.85	4,000.90	13,339.21	115.78	856.33	128.94	111.02	3,164.08	6,879.11	33,600.75
Accumulated depreciation											
Balance as at 01 January 2014	-	13.28	542.14	1,823.99	37.42	373.47	57.64	47.73	613.91	1,421.07	4,930.65
Depreciation charge	-	18.71	102.55	515.89	9.55	64.60	7.12	11.07	262.62	373.65	1,365.76
Transfer/adjustment	-	-	-	-	(0.02)	-	0.22	0.00	-	-	0.20
Reversal on disposal of assets	-	(0.01)	-	(10.86)	(1.12)	(12.30)	(2.43)	(12.06)	(80.61)	(15.77)	(135.16)
Balance as at 31 December 2014	-	31.98	644.69	2,329.02	45.83	425.77	62.55	46.74	795.92	1,778.95	6,161.45
Depreciation charge	-	34.72	128.18	764.35	11.14	68.86	11.09	16.43	448.14	739.80	2,222.71
Reversal on disposal of assets	-	(0.21)	-	(16.73)	(0.06)	(7.97)	(1.09)	(2.76)	(128.64)	(15.78)	(173.24)
Balance as at 31 December 2015	-	66.49	772.87	3,076.64	56.91	486.66	72.55	60.41	1,115.42	2,502.97	8,210.92
Net block											
Balance as at 31 December 2014	2,501.69	1,107.65	2,389.15	6,440.32	50.13	332.23	30.21	27.71	924.81	2,352.02	16,155.92
Balance as at 31 December 2015	2,858.53	2,080.36	3,228.03	10,262.57	58.87	369.67	56.39	50.61	2,048.66	4,376.14	25,389.83

* Gross block includes revaluation of land amounting to ₹ 2,157.65 millions as on 01 January 2012 based on valuation determined by external valuer.

** As at 31 December 2015, the containers having gross block of ₹ Nil (previous year ₹ 47.16 millions) retired from active use have been stated at net realisable value.

*** Refer note 50

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015
(₹ in Millions, except as stated otherwise)

Gross block	Franchise rights/ trademarks	Software	Total
14. Intangible Assets			
Balance as at 01 January 2014	1,403.51	91.77	1,495.28
Additions	-	35.87	35.87
Transfer from tangible assets	-	1.34	1.34
Balance as at 31 December 2014	<u>1,403.51</u>	<u>128.98</u>	<u>1,532.49</u>
Additions	-	54.27	54.27
Acquired on business acquisition*	2,946.61	-	2,946.61
Disposals	-	(0.87)	(0.87)
Balance as at 31 December 2015	<u>4,350.12</u>	<u>182.38</u>	<u>4,532.50</u>
Accumulated amortisation			
Balance as at 01 January 2014	128.43	59.49	187.92
Amortisation charge	140.35	19.37	159.72
Transfer from tangible assets	-	(0.20)	(0.20)
Balance as at 31 December 2014	<u>268.78</u>	<u>78.66</u>	<u>347.44</u>
Amortisation charge	388.19	25.10	413.29
Reversal on disposal of assets	-	(0.26)	(0.26)
Balance as at 31 December 2015	<u>656.97</u>	<u>103.50</u>	<u>760.47</u>
Net block			
Balance as at 31 December 2014	<u>1,134.73</u>	<u>50.32</u>	<u>1,185.05</u>
Balance as at 31 December 2015	<u>3,693.15</u>	<u>78.88</u>	<u>3,772.03</u>

* Refer note 50

	As At 31 December 2015	As At 31 December 2014
15. Non-Current Investments		
(Valued at cost unless stated otherwise)		
Trade investments (unquoted)		
Investment in subsidiaries		
Equity instruments		
5,880,000 (Previous year 4,140,000) fully paid shares of MAD 50 each in Varun Beverages Morocco SA	1,993.40	1,422.61
56,775,000 (Previous year 56,775,000) fully paid shares of LKR 10 each in Varun Beverages Lanka (Private) Limited	235.17	235.17
76,250 (Previous year 76,250) fully paid shares of NPR 1000 each in Varun Beverages (Nepal) Private Limited	171.56	171.56
Preference instruments		
14,270,576 (Previous year 9,084,000) fully paid shares of LKR 100 each in Varun Beverages Lanka (Private) Limited	638.76	376.20

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in Millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
Non-trade investments (unquoted)		
Investment in associates		
35,474 (Previous year 35,474) fully paid equity shares of ₹ 10 each in Angelica Technologies Private Limited	0.35	0.35
	<u>3,039.24</u>	<u>2,205.89</u>
Aggregate amount of unquoted investments	3,039.24	2,205.89
The above investments are for business purposes.		
16. Long-term loans and advances		
(Unsecured considered good, unless otherwise stated)		
Income tax paid (includes amount paid under protest)	51.72	36.72
MAT credit entitlement	690.06	184.88
Balance with statutory authorities (paid under protest)	20.75	16.82
Capital advances	218.18	44.07
Security deposits	170.14	115.66
Loan to subsidiary	2,144.31	1,822.52
	<u>3,295.16</u>	<u>2,220.67</u>
a) Loans and advances include amount due from a subsidiary in which Director of the Company is a Director. Varun Beverages Morocco SA	2,144.31	1,822.52
Loan is interest bearing and has been given for business purposes.		
b) Security deposits include amount due from a Company in which Director of the Company is a Director RJ Corp Limited	35.49	35.49
The security deposit has been given for business purposes.		
17. Other non-current assets		
Balance in deposit accounts with more than 12 months maturity *	1.48	7.99
Prepaid expenses	48.64	59.70
	<u>50.12</u>	<u>67.69</u>
*Pledged as security with statutory authorities / banks		
18. Current investments		
Valued at cost		
Investments in equity instruments (Unquoted non-trade)		
200 (Previous year 200) shares of ₹ 50 each in The Margao Urban Co-operative Bank Limited	0.01	0.01
250 (Previous year 250) shares of ₹ 10 each in The Goa Urban Co-operative Bank Limited*	0.00	0.00

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in Millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
Investments in mutual funds (Quoted, fully paid up)		
Nil (Previous year 3,833,205) units of Birla Sunlife Savings Fund- Growth Regular Plan	-	1,006.63
Nil (Previous year 4,593,250) units of Birla Sunlife Cash Plus- Growth Regular Plan	-	1,006.52
Nil (Previous year 302,502) units of Reliance Liquid Fund- Growth Plan	-	1,006.64
	<u>0.01</u>	<u>3,019.80</u>
Aggregate amount of quoted investments	-	3,019.79
Aggregate amount of unquoted investments	0.01	0.01
Market value of quoted investments	-	3,025.90
* Rounded off to nil		
19. Inventories (valued at lower of cost or net realisable value)		
Raw material	1,510.79	947.09
Work-in-progress	86.16	28.18
Intermediate goods	663.19	511.26
Finished goods (including goods in transit of ₹ 6.06 million (previous year ₹ 21.05 million))	454.34	342.17
Raw material in transit	391.08	24.31
Stores and spares	402.29	285.73
	<u>3,507.85</u>	<u>2,138.74</u>
Detail of raw material		
Concentrate	302.57	196.28
Sugar	109.19	122.60
Pet chips	426.45	106.58
Others	672.58	521.63
	<u>1,510.79</u>	<u>947.09</u>
Detail of work-in-progress		
Beverages	0.26	0.07
Crown	83.72	27.56
Lug cap	1.34	0.11
Others	0.84	0.44
	<u>86.16</u>	<u>28.18</u>
Detail of intermediate goods		
Preform	572.36	444.17
Crown	22.78	13.44
Cartons, pads and shrink film	68.05	53.65
	<u>663.19</u>	<u>511.26</u>

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in Millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
Detail of finished goods inventory		
Beverages	416.54	293.47
Crown	13.81	26.15
Lug cap	3.67	4.33
Others	20.32	18.22
	<u>454.34</u>	<u>342.17</u>
20. Trade receivables		
Outstanding for a period exceeding six months from the due date		
Unsecured, considered good	254.50	47.12
Unsecured, considered doubtful	140.89	127.59
	<u>395.39</u>	<u>174.71</u>
Less : Provision for bad and doubtful debts	<u>(140.89)</u>	<u>(127.59)</u>
	254.50	47.12
Other debts		
Unsecured, considered good	246.02	300.37
Unsecured, considered doubtful	0.97	-
	<u>246.99</u>	<u>300.37</u>
Less : Provision for bad and doubtful debts	<u>(0.97)</u>	<u>-</u>
	<u>246.02</u>	<u>300.37</u>
	<u>500.52</u>	<u>347.49</u>

Includes amounts due by companies in which Directors of the Company are also Director:

a.) Varun Beverages Morocco SA	11.67	6.05
b.) Ole Springs Bottlers (Private) Limited	34.80	23.93
c.) Devyani Food Street Private Limited	1.84	0.93
d.) Alisha Torrent Closures (India) Private Limited	1.27	1.00
e.) Varun Beverages (Zambia) Limited	118.03	60.99
f.) Varun Beverages Mozambique LDA	16.29	32.81
g.) Varun Beverages (Nepal) Private Limited	85.95	-
h.) Devyani International Limited	6.03	-
i.) Alisha Retail Private Limited	0.11	-
j.) Lemon Tree Hotels Limited	0.14	0.22
k.) Devyani Food Industries Limited	-	0.14

21. Cash and bank balances

Cash and cash equivalents

Balances with banks in current accounts	182.49	24.25
Cash on hand	6.77	8.17
	<u>189.26</u>	<u>32.42</u>

Other bank balances

Deposits with balance original maturity more

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in Millions, except as stated otherwise)

	As At 31 December 2015	As At 31 December 2014
than 3 months but less than 12 months *	6.58	0.48
	<u>195.84</u>	<u>32.90</u>
*Pledged as security with statutory authorities/banks	6.58	0.48
22. Short-term loans and advances		
(Unsecured considered good, unless otherwise stated)		
Advances to:		
Employees	25.01	19.06
Contractors and suppliers	350.91	137.50
Balance with statutory authorities	242.92	196.43
Claims receivable	8.36	5.12
Government grant receivable	297.55	295.43
Amount recoverable	292.90	90.83
	<u>1,217.65</u>	<u>744.37</u>
a) Amount recoverable includes amount due from companies in which Directors of the Company are also Directors:		
Varun Beverages Lanka (Private) Limited	99.01	65.90
Varun Beverages Morocco SA	1.29	1.23
ABInbev India Private Limited	-	17.47
Varun Beverages (Nepal) Private Limited	180.83	-
	<u>281.13</u>	<u>84.60</u>
b) Advances to contractors and suppliers include amounts due from companies in which Directors of the Company are also Directors:		
Alisha Torrent Closures (India) Private Limited	-	0.76
23. Other current assets		
Interest accrued on:		
Loans to a subsidiary	50.54	320.06
Term deposits	-	0.34
Others	1.77	8.91
Prepaid expenses	74.40	88.72
	<u>126.71</u>	<u>418.03</u>
a) Interest accrued includes amounts due from companies in which Director is a Director		
Varun Beverages Morocco SA	50.54	320.06
24. Revenue		
Revenue from operations (gross)		
Sale of products	32,890.26	22,645.20
Other operating revenue		
Technical fee from a subsidiary	44.45	-
Management fee from a subsidiary	61.25	22.96

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in Millions, except as stated otherwise)

	Year Ended 31 December 2015	Year Ended 31 December 2014
Scrap sales	192.18	138.10
	<u>33,188.14</u>	<u>22,806.26</u>
Detail of sale of products		
Beverages	32,382.08	21,996.26
Crown	205.03	299.29
Preform	89.01	163.15
Lug cap	19.07	27.71
Others	195.07	158.79
	<u>32,890.26</u>	<u>22,645.20</u>
25. Other income		
Interest on:		
-bank deposits	0.58	1.47
-loan to subsidiary	71.83	83.76
-others	41.37	43.34
Net gain on foreign currency transactions and translations	54.49	118.97
Profit on sale of current investments	52.86	-
Excess provisions written back	0.57	37.63
Guarantee commission / commission income from:		
-subsidiaries	29.19	30.27
-others	-	0.11
Dividend income on:		
-non-current investment in subsidiary	190.35	95.22
-current investments	-	19.79
Miscellaneous	22.92	12.58
	<u>464.16</u>	<u>443.14</u>
26. Cost of materials consumed		
Raw material and packing material consumed		
Inventories at beginning of the year	947.09	670.24
Purchases during the year (net)	12,781.45	11,458.23
	13,728.54	12,128.47
Sold during the year	(188.22)	(53.95)
Inventories at end of the year	(1,510.79)	(947.09)
	<u>12,029.53</u>	<u>11,127.43</u>
Detail of materials consumed		
Concentrate	3,847.48	3,879.03
Sugar	3,112.05	2,858.97
Pet chips	1,232.98	1,558.32
Others	3,837.02	2,831.11
	<u>12,029.53</u>	<u>11,127.43</u>
27. Purchases of traded goods		
Beverages	3,071.80	474.20
Others	92.94	92.12
	<u>3,164.74</u>	<u>566.32</u>

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in Millions, except as stated otherwise)

	Year Ended 31 December 2015	Year Ended 31 December 2014
28. Changes in inventories of finished goods, work-in-progress and traded goods		
As at the beginning of the year		
Finished goods	342.17	311.20
Intermediate goods	511.26	495.79
Work in progress	28.18	60.18
	<u>881.61</u>	<u>867.17</u>
As at the closing of the year		
Finished goods	454.34	342.17
Intermediate goods	663.19	511.26
Work in progress	86.16	28.18
	<u>1,203.69</u>	<u>881.61</u>
Excise duty adjustment on inventories	<u>(3.64)</u>	<u>(21.67)</u>
	<u>(318.44)</u>	<u>7.23</u>
<p>Note: The Company manufactures as well as purchases the same product from market for sale. In the absence of demarcation between manufactured and purchased goods, stock in trade values are not separately ascertainable. Further, the Company uses both imported and indigenous raw materials and stores and spares in its manufacturing operations and in absence of separate records for imported and indigenous materials, the disclosures for consumption of imported and indigenous materials is not available.</p>		
29. Employee benefits expense		
Salaries and wages	2,234.23	1,323.20
Contribution to provident and other funds	116.77	77.66
Staff welfare expenses	106.47	71.59
	<u>2,457.47</u>	<u>1,472.45</u>
30. Finance costs		
Interest on:		
Term loans	992.85	1,236.15
Working capital facilities	91.57	258.99
Non-convertible debentures	108.64	-
Others	100.78	31.20
Other borrowing costs:		
Processing fees	94.69	36.40
	<u>1,388.53</u>	<u>1,562.74</u>
31. Depreciation and amortisation expense		
Depreciation on tangible assets	2,212.92	1,365.76
Amortisation of intangible assets	413.29	159.72
	<u>2,626.21</u>	<u>1,525.48</u>

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015
(₹ in Millions, except as stated otherwise)

	Year Ended 31 December 2015	Year Ended 31 December 2014
32. Other expenses		
Power and fuel	1,094.02	914.91
Repairs and maintenance		
Plant and machinery	568.83	366.68
Buildings	35.46	24.67
Others	266.13	163.40
Stores and spares consumed	265.83	202.34
Rent	191.76	108.50
Rates and taxes	100.57	76.70
Insurance	16.78	7.50
Printing and stationery	22.23	14.22
Communication	49.57	36.23
Travelling and conveyance	241.29	174.19
Director sitting fee	1.50	-
Payment to auditors		
Audit	6.40	4.80
Tax audit, tax representation and certification	1.20	1.98
Other services	1.82	0.72
Reimbursement of expenses	0.90	1.55
Vehicle running and maintenance	87.66	63.63
Lease and hire charges	106.34	62.15
Security and service charges	98.97	44.09
Professional charges and consultancy	81.88	61.34
Bank charges	8.61	14.55
Advertisement and sales promotion	135.24	82.36
Meeting and conference	6.43	2.68
Royalty	188.51	94.91
Freight, octroi and insurance paid (net)	1,247.29	789.49
Delivery vehicle running and maintenance	290.28	261.70
Distribution expenses	70.78	26.97
Loading and unloading charges	170.65	120.35
Donations	0.97	1.01
Fixed assets written off	58.42	35.52
Loss on sale of fixed assets (net)	40.75	2.49
Bad debts and advances written off	4.48	14.79
Provision for bad and doubtful debts	14.27	40.23
General office and other miscellaneous expenses	81.05	40.33
	<u>5,556.87</u>	<u>3,856.98</u>
33. Prior period items		
Depreciation of leasehold land for earlier years	9.79	-
	<u>9.79</u>	<u>-</u>

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in Millions, except as stated otherwise)

34. Contingent liabilities and commitments

	31 December 2015	31 December 2014
a. Guarantees issued on behalf of subsidiary and other companies#	1,727.62	1,790.04
b. Counter guarantees given in respect of guarantees issued by the Company's bankers. **	50.52	49.57
c. Claims against the Company not acknowledged as debts (being contested):-		
i) For excise and service tax	14.57	7.80
ii) For sales tax / entry tax	42.71	34.95
iii) For income tax	3.13	79.40
iv) Others*	130.64	73.39
* excludes pending cases where amount of liability is not ascertainable. Also refer note 5(a)		

** excluding ₹ 5.40 (previous year ₹ 5.40) already considered as contingent liability in 34 (c) above.

includes guarantees for loans given on behalf of Varun Beverages Lanka (Private) Limited and Lunarmech Technologies Private Limited for business purposes.

35. Capital commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	<u>1,332.20</u>	<u>12,920.97</u>
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36. Value of imports on CIF basis:

Capital goods	236.94	320.94
Stores, spares and raw material	<u>1,977.28</u>	<u>1,139.87</u>

37. Expenditure in foreign currency

Travelling and others	13.39	6.55
Finance costs	<u>43.68</u>	<u>48.54</u>

38. Earnings in foreign currency

FOB value of exports (intermediate and finished goods)	162.94	248.01
Interest	71.83	83.76
Guarantee commission	<u>29.19</u>	<u>30.27</u>

39. Pre-operative expenses incurred on fixed assets and capitalised during the year are as under:

Amount brought forward	1.47	3.12
Add: Incurred during the year		
Net gain on foreign currency transactions	(0.15)	(10.81)
Financial charges	-	17.27
Other expenses	24.01	5.86
Less: Capitalised during the year	<u>0.36</u>	<u>13.97</u>
Amount carried over	<u>24.97</u>	<u>1.47</u>

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015
(₹ in Millions, except as stated otherwise)

	31 December 2015	31 December 2014
40. To comply with the Guidance Note on "Accounting Treatment of Excise Duty" issued by the Institute of Chartered Accountants of India, excise duty amounting to ₹ 80.63 (previous year ₹ 76.99) has been included in the value of inventories and the corresponding amount of Excise Duty provided for has been included in other liabilities. However, this has no impact on the profit of the year.		
41. The Company has taken various premises and other fixed assets on operating leases. The lease agreements generally have a lock-in-period of 1-5 years and are cancellable at the option of the lessee thereafter. Majority of the leases have escalation terms after certain years and are extendable by mutual consent on expiry of the lease. During the year, lease payments under operating leases amounting to ₹ 298.10 (previous year ₹ 170.65) have been recognised as an expense in the Statement of Profit and Loss.		
Non-cancellable operating lease rentals payable (minimum lease payments) under these leases are as follows:		
Payable within one year	5.90	-
Payable between one and five years	27.66	-
Payable after five years	17.54	-
Total	51.10	-

42. Gratuity and other post-employment benefit plans

(All Amounts in ₹ in millions, unless otherwise stated)

	Gratuity		Compensated Absences	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Reconciliation of opening and closing balances of the present value:				
Obligations at the beginning of the year	173.29	110.70	104.77	65.27
Past service cost	97.13	-	10.35	-
Current service cost	46.66	23.50	43.69	18.28
Interest on defined benefit obligation	13.86	9.96	8.38	5.87
Benefits settled	(10.82)	(9.09)	(6.50)	(5.83)
Actuarial loss/(gain)	41.98	38.22	(4.30)	21.18
Obligations at the end of the year	362.10	173.29	156.39	104.77
Change in plan assets				
Plan assets at the beginning of the year, at fair value	6.40	7.63	-	-
Expected return on plan assets	0.59	0.70	-	-
Actuarial loss	(0.08)	(0.19)	-	-
Contributions	1.19	1.18	-	-
Benefits settled	(1.94)	(2.92)	-	-
Plans assets at the end of the year, at fair value	6.16	6.40	-	-

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(All Amounts in ₹ in millions, unless otherwise stated)

	Gratuity		Compensated Absences	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Reconciliation of present value of the obligation and the fair value of the plan assets:				
Present value of obligation at the end of the year	362.10	173.29	156.39	104.77
Fair value of plan assets at the end of the year	6.16	6.40	-	-
Closing funded status	(355.94)	(166.89)	(156.39)	(104.77)
Unrecognised actuarial (gains)/losses	-	-	-	-
Unfunded net liability recognised in the balance sheet	(355.94)	(166.89)	(156.39)	(104.77)
Statement of profit and loss				
Past service cost	97.13	-	10.35	-
Current Service cost	46.66	23.50	43.69	18.28
Interest cost	13.86	9.96	8.38	5.87
Expected return on plan assets	(0.59)	(0.70)	-	-
Actuarial loss/(gain)	42.06	38.41	(4.30)	21.18
Net cost recognised	199.12	71.17	58.12	45.33

Assumptions:

Discount rate	8.00%	8.00%	8.00%	8.00%
Estimated rate of return on plan assets	8.75%	9.15%	N.A.	N.A.
Withdrawal rate	11.00%	14.00%	11.00%	14.00%
Salary increase	12.00%	12.00%	12.00%	12.00%
Retirement age (Years)	58-60	58	58-60	58

Amount recognised in current year and previous four years:

Assets/Liabilities	31 December 2011	31 December 2012	31 December 2013	31 December 2014	31 December 2015
1) Present Value of obligation	51.31	75.74	110.70	173.29	362.10
2) Fair value of plan assets	-	6.96	7.63	6.40	6.16
3) Net liability recognised in balance sheet	51.31	68.78	103.07	166.89	355.94

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market.

Defined contribution plan:

Contribution to defined contribution plans, recognised as expense for the year is as under:

Employer's contribution to provident and other funds ₹ 116.77 million (previous year ₹ 77.66 million).

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

(₹ in Millions, except as stated otherwise)

	31 December 2015	31 December 2014
43. Earnings per share		
Profit attributable to the equity shareholders	1,516.47	433.53
Weighted average number of equity shares outstanding during the year for calculating basic earning per share (nos.)	133,766,165	133,766,165
Employee stock options	890,009	-
Weighted average number of equity shares for calculation of diluted earnings per share (nos.)	134,656,174	133,766,165
Nominal value of equity shares (₹)	10.00	10.00
Basic earnings per share (₹)	11.34	3.24
Diluted earnings per share (₹)	11.26	3.24

The diluted earnings per share do not include the potential impact of conversion of the compulsorily convertible debentures and compulsorily convertible preference shares, since the conversion is dependent on future events which are currently uncertain. Accordingly, the potential dilutive equity shares cannot be estimated reliably as at the end of current and previous years.

44. Related party transactions

A. Relationships

I. Key managerial personnel (KMP):

Mr. Ravi Kant Jaipuria	Director
Mr. Varun Jaipuria	Whole-time Director
Mr. Raj P. Gandhi	Whole-time Director
Mr. Kamlesh Kumar Jain	Whole-time Director
Mr. Christopher White	Whole-time Director
Mr. Kapil Agarwal	Whole-time Director

II. Subsidiaries/step down subsidiary and associate

Varun Beverages Morocco SA	-	Subsidiary
Varun Beverages (Nepal) Private Limited	-	Subsidiary
Varun Beverages Lanka (Private) Limited	-	Subsidiary
Ole Spring Bottlers (Private) Limited	-	Step down subsidiary
Angelica Technologies Private Limited	-	Associate

III. Individuals/enterprises having significant influence:

RJ Corp Limited
Ravi Kant Jaipuria & Sons (HUF)
Mr. Varun Jaipuria

IV. Relatives of KMP**:

Mrs. Dhara Jaipuria
Mrs. Shashi Jain

VARUN BEVERAGES LIMITED

V. Entities where KMPs or relatives of KMPs exercise significant influence:**

Devyani International Limited
Devyani Food Industries Limited
SVS India Private Limited
Alisha Retail Private Limited
AbInbev India Private Limited#
Champa Devi Jaipuria Charitable Trust

** With whom the Company had transactions during the current and previous year.

Till 31 December 2014

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

B. The following transactions were carried out with related parties:-

(All Amounts in ₹ in millions, unless otherwise stated)

Description	Key Managerial Personnel		Enterprises having significant influence		Subsidiaries/ Step down Subsidiaries		Entities where KMPs or relatives of KMPs exercise significant influence		Relatives of Key Managerial Personnel		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Sale												
- Varun Beverages (Nepal) Private Limited	-	-	-	-	59.85	78.28	-	-	-	-	59.85	78.28
- Ole Spring Bottlers (Private) Limited	-	-	-	-	33.12	27.76	-	-	-	-	33.12	27.76
- Varun Beverages Morocco SA	-	-	-	-	5.42	8.04	-	-	-	-	5.42	8.04
- Varun Beverages Lanka (Private) Limited	-	-	-	-	0.22	0.04	-	-	-	-	0.22	0.04
- Deyvani International Limited	-	-	-	-	-	-	125.28	126.97	-	-	125.28	126.97
- Deyvani Food Industries Limited	-	-	-	-	-	-	33.41	21.95	-	-	33.41	21.95
- Alisha Retail Private Limited	-	-	-	-	-	-	1.16	-	-	-	1.16	-
Purchases												
- Varun Beverages Lanka (Private) Limited	-	-	-	-	3.40	6.86	-	-	-	-	3.40	6.86
Loan given												
- Varun Beverages Morocco SA	-	-	-	-	892.58	332.49	-	-	-	-	892.58	332.49
Share application money received / (refund)												
- RJ Corp Limited	-	-	-	-	(400.00)	-	-	-	-	-	-	(400.00)
Issue of compulsorily convertible preference shares												
- RJ Corp Limited	-	-	-	-	2,000.00	-	-	-	-	-	-	2,000.00
Interest received												
- Varun Beverages Morocco SA	-	-	-	-	71.83	83.76	-	-	-	-	71.83	83.76
Contribution to corporate social responsibility activities												
- Champa Devi Jaipuria Charitable Trust	-	-	-	-	-	-	0.92	-	-	-	0.92	-
Guarantee commission income												
- Varun Beverages Morocco SA	-	-	-	-	-	0.32	-	-	-	-	-	0.32
- Varun Beverages Lanka (Private) Limited	-	-	-	-	29.19	29.95	-	-	-	-	29.19	29.95
Dividend income												
- Varun Beverages (Nepal) Private Limited	-	-	-	-	190.35	95.22	-	-	-	-	190.35	95.22
Investment in Preference Shares												
- Varun Beverages Lanka (Private) Limited	-	-	-	-	356.61	-	-	-	-	-	356.61	-

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

B. The following transactions were carried out with related parties in the ordinary course of business :- (All Amounts in ₹ in millions, unless otherwise stated)

Description	Key Managerial Personnel		Enterprises having significant influence		Subsidiaries/ Step down Subsidiaries		Entities where KMPs or relatives of KMPs exercise significant influence		Relatives of Key Managerial Personnel		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Redemption of Preference Shares												
- Varun Beverages Lanka (Private) Limited	-	-	-	-	94.05	-	-	-	-	-	-	94.05
Conversion of loan into investment												
- Varun Beverages Morocco SA	-	-	-	-	570.79	521.29	-	-	-	-	-	570.79
Management fees												
- Varun Beverages (Nepal) Private Limited	-	-	-	-	61.25	22.96	-	-	-	-	-	61.25
Technical know-how fees												
- Varun Beverages (Nepal) Private Limited	-	-	-	-	44.45	-	-	-	-	-	-	44.45
Expenses incurred by the Company on behalf of others / (expenses incurred by others on behalf of the Company)												
- Varun Beverages Lanka (Private) Limited	-	-	-	-	-	(3.94)	-	-	-	-	-	(3.94)
- Varun Beverages (Nepal) Private Limited	-	-	-	-	(6.14)	(1.09)	-	-	-	-	-	(6.14)
- ABlinbev India Private Limited	-	-	-	-	-	-	(32.36)	-	-	-	-	(32.36)
Expenses incurred by the Company on behalf of others / (expenses incurred by others on behalf of the Company)												
- Ole Spring Bottlers (Private) Limited	-	-	-	-	(0.82)	(0.62)	-	-	-	-	-	(0.82)
- Devyani International Limited	-	-	-	-	-	-	(0.40)	(0.55)	-	-	-	(0.40)
- RJ Corp Limited	-	-	(0.09)	-	-	-	-	-	-	-	-	(0.09)
- Devyani Food Industries Limited	-	-	-	-	-	-	(1.89)	(0.16)	-	-	-	(1.89)
Rent/ lease charges paid												
- RJ Corp Limited	-	-	66.35	60.53	-	-	-	-	-	-	-	66.35
- Ravi Kant Jaipuria & Sons (HUF)	-	-	6.00	6.00	-	-	-	-	-	-	-	6.00
- SVS India Private Limited	-	-	-	-	-	-	0.01	0.01	-	-	-	0.01
- Mrs. Dhara Jaipuria	-	-	-	-	-	-	-	-	1.80	1.80	-	1.80
- Mrs. Shashi Jain	-	-	-	-	-	-	-	-	0.47	0.45	-	0.45
Remuneration paid to the Directors												
- Mr. Raj P. Gandhi	28.11	23.94	-	-	-	-	-	-	-	-	-	28.11
- Mr. Varun Jaipuria	24.06	24.10	-	-	-	-	-	-	-	-	-	24.06
- Mr. Christopher White	20.82	19.12	-	-	-	-	-	-	-	-	-	20.82
- Mr. Kapil Agarwal (net of amount reimbursed)	23.21	3.00	-	-	-	-	-	-	-	-	-	23.21
- Mr. Kamlesh Kumar Jain	6.88	5.63	-	-	-	-	-	-	-	-	-	6.88
												5.63

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

B. The following transactions were carried out with related parties:-

(All Amounts in ₹ in millions, unless otherwise stated)

Description	Key Managerial Personnel		Enterprises having significant influence		Subsidiaries/ Step down Subsidiaries		Entities where KMPs or relatives of KMPs exercise significant influence		Relatives of Key Managerial Personnel		Total		
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	
Financial guarantees given													
- Varun Beverages Lanka (Private) Limited	-	-	-	-	120.59	-	-	-	-	-	-	120.59	-
Financial guarantees closed													
- Varun Beverages Lanka (Private) Limited	-	-	-	-	223.01	-	-	-	-	-	-	223.01	-
- Varun Beverages Morocco SA	-	-	-	-	-	49.45	-	-	-	-	-	-	49.45
Sale of fixed assets													
- Varun Beverages Morocco SA	-	-	-	-	-	1.74	-	-	-	-	-	-	1.74
- Ole Spring Bottlers (Private) Limited	-	-	-	-	0.78	-	-	-	-	-	-	0.78	-
Balances outstanding at the year end, net													
A. Receivable / (payable)													
- Varun Beverages Morocco SA	-	-	-	-	2,207.81	2,149.86	-	-	-	-	-	2,207.81	2,149.86
- Varun Beverages (Nepal) Private Limited	-	-	-	-	266.78	(44.31)	-	-	-	-	-	266.78	(44.31)
- Ole Spring Bottlers (Private) Limited	-	-	-	-	34.80	23.93	-	-	-	-	-	34.80	23.93
- Varun Beverages Lanka (Private) Limited	-	-	-	-	99.01	64.73	-	-	-	-	-	99.01	64.73
- Devyani International Limited	-	-	-	-	-	-	6.03	(26.15)	-	-	-	6.03	(26.15)
- RJ Corp Limited	-	-	35.50	35.50	-	-	-	-	-	-	-	35.50	35.50
- Ravi Kant Jaipuria & Sons (HUF)	-	-	(0.49)	(0.49)	-	-	-	-	-	-	-	(0.49)	(0.49)
- Mr. Christopher White	(0.38)	(0.03)	-	-	-	-	-	-	-	-	-	(0.38)	(0.03)
- Alisha Retail Private Limited	-	-	-	-	-	-	0.11	-	-	-	-	0.11	-
- ABInbev India Private Limited	-	-	-	-	-	-	-	17.47	-	-	-	-	17.47
- Devyani Food Industries Limited	-	-	-	-	-	-	-	0.14	-	-	-	-	0.14
B. Financial guarantees													
- Varun Beverages Lanka (Private) Limited	-	-	-	-	1,468.19	1,542.31	-	-	-	-	-	1,468.19	1,542.31

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

45. Dues To Small And Micro Enterprises Pursuant To Section 22 of The Micro, Small And Medium Enterprises Development Act (MSMED), 2006 #:

(All Amounts in ₹ in millions, unless otherwise stated)

	31 December 2015	31 December 2014
Principal amount outstanding	1.44	0.63
Interest due thereon		
Interest paid by the Company in terms of Section 16 of MSMED Act, 2006, along with the amount of the payment made to the suppliers and service providers beyond the appointed day during the year	-	-
Interest due and payable for the period of delay in making payment (which has been paid but beyond the appointed day during the year) but without adding the interest specified under MSMED Act, 2006	-	-
Interest accrued and remaining unpaid as at 31 December 2014	-	-
Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the MSMED Act, 2006.	-	-

#The details of amounts outstanding to micro and small enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 are as per available information with the Company.

46. The business activities of the Company predominantly fall within a single primary business segment, i.e., manufacturing and sale of beverages within India. There are no separate reportable business or geographical segments that meet the criteria prescribed in Accounting Standard (AS-17) on Segment Reporting.

47. Unhedged foreign currency exposure:

Particulars	31 December 2015			31 December 2014	
	Foreign Currency (FC)	FC millions	₹ millions	FC millions	₹ millions
Receivables for supply	USD	2.75	182.32	1.96	124.28
Receivables for guarantee commission	USD	1.51	100.30	1.06	67.13
Advance to vendor	USD	0.26	17.01	0.05	2.94
	EURO	0.25	18.07	-	-
	GBP	-	-	0.0002	0.02
Receivables for interest	USD	0.76	50.54	5.05	320.06
Loan given to Varun Beverages Morocco SA	USD	32.33	2,144.31	28.78	1,822.52
			2,512.55		2,336.95
Loan from banks	USD	16.25	1,077.80	24.25	1,535.79
Trade payable	USD	6.15	407.67	1.90	120.55
	EURO	0.02	1.30	2.30	177.04
Interest payable	USD	0.06	4.04	0.09	5.80
			1,490.81		1,839.18

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

47. Unhedged foreign currency exposure (cont'd)

* Closing rate as at 31 December, 2015 (1 USD = ₹ 66.33 (31 December, 2014: 1 USD = ₹ 63.33))

* Closing rate as at 31 December, 2015 (1 Euro = ₹ 72.50 (31 December, 2014: 1 Euro = ₹ 77.01))

* Closing rate as at 31 December, 2015 (1 GBP = ₹ 98.35 (31 December, 2014: 1 GBP = ₹ 98.58))

The Management closely monitors the un-hedged foreign currency exposures and is of the opinion that these exposures are significantly hedged naturally.

48. Employee share-based payment

Description of share based payments arrangements

During the year ended 31 December 2013, the Company granted stock options to certain employees of the Company and its subsidiaries. The Company has the following share-based payment arrangements for employees.

Employee Stock Option Plan 2013 (ESOP 2013)

The ESOP 2013 (the 'Plan') was approved by the Board of Directors and the shareholders on 13 May 2013 and further amended by Board of Directors on 01 December 2015. The plan entitles key managerial personnel and employees of the Company and its subsidiaries to purchase shares in the Company at the stipulated exercise price, subject to compliance with vesting conditions. Stock options can be settled by issue of equity shares. As per the Plan, holders of vested options are entitled to purchase one equity share for every option at an exercise price of ₹ 149.51, which is 1.14 % above the stock price at the date of grant, i.e., 13 May 2013.

As the exercise price of the option is higher than the fair value of the Company's stock as of grant date, no expense has been recorded in the current year and previous year.

Particulars

Employee Stock Option Plan 2013

Vesting Conditions

668,850 options on the date of grant ('First vesting')

668,850 options on first day of January of the calendar year following the first vesting ('Second vesting')

668,850 options on first day of January of the calendar year following the second vesting ('Third vesting')

668,850 options on first day of January of the calendar year following the third vesting ('Fourth vesting')

Notwithstanding any other clause of this plan, no vesting shall occur until 01 December 2015 or fourth vesting whichever is earlier.

Exercise period

Stock options can be exercised within a period of 5 years from the date of vesting.

Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the Plan are as follows:

	As At 31 December 2015		As At 31 December 2014	
	No. of Options	Weighted average exercise price (₹)	No. of Options	Weighted average exercise price (₹)
Outstanding at the beginning of the year	2,675,400	149.51	2,675,400	149.51
Granted during year	-	-	-	-
Expired / lapsed during the year	-	-	-	-
Outstanding at the end of the year	2,675,400	149.51	2,675,400	149.51
Exercisable at the end of the year	-	-	-	-

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

The options outstanding have an exercise price and a weighted average contractual life as given below:

	31 December 2015			31 December 2014		
	No. of outstanding share options	Range of exercise price (₹)	Weighted average remaining life	No. of outstanding share options	Range of exercise price (₹)	Weighted average remaining life
The ESOP 2013 Plan	2,675,400	149.51	4.93 years	2,675,400	149.51	6.89 years

As permitted by the Guidance Note on accounting for Employee Share - based Payment, issued by the Institute of Chartered Accounts of India, the Company has elected to account for stock options based on their intrinsic value (i.e., the excess of fair market value of the underlying share over the exercise price) at the grant date rather than their fair value at that date. Had the compensation cost for employee stock options been determined on the basis of the fair value method as described in the said Guidance Note, the Company's net profit after tax would have been lower by ₹ 101.36 million (previous year ₹ 46.07 million), and basic earnings per share would have been ₹ 10.58 (previous year ₹ 2.90) and diluted earnings per share would have been ₹ 10.51 (previous year ₹ 2.90).

For purposes of the above proforma disclosures, the fair values are measured based on the Black-Scholes-Merton formula. Expected volatility, an input in this formula, is estimated by considering historic average share price volatility. The inputs used in the measurement of grant-date fair values are as follows:

	31 December 2015		31 December 2014
	Options vested	Options to be vested	
Number of options	2,006,550	668,850	2,675,400
Fair value on grant date	₹ 65.92	₹ 66.44	₹ 67.93
Share price at grant date	₹ 147.83	₹ 147.83	₹ 147.83
Exercise price	₹ 149.51	₹ 149.51	₹ 149.51
Expected volatility	16.63%	16.63%	16.63%
Expected life	7.56 years	7.64 years	7.89 years
Expected dividends	0.00%	0.00%	0.00%
Risk-free interest rate (based on government bonds)	7.53%	7.53%	7.54%

49. Pursuant to transfer pricing legislations under the Income-tax Act, 1961, the Company is required to use specified methods for computing arm's length price in relation to specified international and domestic transactions with its associated enterprises. Further, the Company is required to maintain prescribed information and documents in relation to such transactions. The appropriate method to be adopted will depend on the nature of transactions/ class of transactions, class of associated persons, functions performed and other factors, which have been prescribed. The Company is in the process of updating its transfer pricing documentation for the current financial year. Based on the preliminary assessment, the management is of the view that the update would not have a material impact on the tax expenses recorded in these financial statements. Accordingly, these financial statements do not include any adjustments for the transfer pricing implications, if any.

VARUN BEVERAGES LIMITED

Summary of significant accounting policies and other explanatory information for the year ended 31 December 2015

50. During the year ended 31 December 2015, the Company acquired beverages manufacturing units in Sathariya (Uttar Pradesh), Panipat (Haryana), Bazpur (Uttarakhand) and Jainpur (Uttar Pradesh) including franchisee rights for Punjab, Chandigarh, Himachal Pradesh, part of Haryana, part of Uttarakhand and eastern and central Uttar Pradesh territory from PepsiCo India Holdings Private Limited and Aradhana Drinks and Beverages Private Limited for a total consideration of ₹ 12,685 million* as per the terms of business transfer agreements.

Fixed assets acquired under the aforesaid acquisition have been recorded based on the fair valuation of respective assets as assessed by the independent valuers as on the date of the acquisition and the current assets and liabilities taken over have been recorded at carrying value.

Details of fixed assets acquired: (refer note 13 and 14)	(₹ in Million)
	Amount
Tangible fixed assets	9,738.39
Intangible assets	2,946.61
Net assets taken over	12,685.00

*excluding receivable of ₹ 80 million on account of net working capital adjustment.

51. During the current year and subsequent to 31 December 2015, the Company has executed certain Share Purchase Agreements ('SPA') to acquire controlling stakes (subject to completion of relevant closing terms / regulatory approvals) in entities which own manufacturing facilities and distribution rights of carbonated drinks of Pepsi brand in the Republics of Mozambique, Zambia and Zimbabwe. The total monetary commitment for these acquisitions aggregates to approximately USD 25 million. Certain closing terms / regulatory approvals of the SPAs executed during the current year were pending for completion as at 31 December 2015.

52. In accordance with the provisions of Section 135 of the Companies Act, 2013, the Board of Directors of the Company had constituted a Corporate Social Responsibility ('CSR') Committee. In terms with the provisions of the said Act, the Company has spent whole of the amount required to be spent amounting to ₹ 0.92 million towards CSR activities during the year ended 31 December 2015.

53. Previous year amounts have been regrouped/ reclassified wherever considered necessary.

This is the summary of significant accounting policies and other explanatory information referred to in our report of even date

For Walker Chandiok & Associates
Chartered Accountants
Firm Registration No.: 001329N

For O.P. Bagla & Co.
Chartered Accountants
Firm Registration No.: 000018N

**For and on behalf of the Board of Directors of
Varun Beverages Limited**

per **Nitin Toshniwal**
Partner
Membership No.: 507568

per **Neeraj Kumar Agarwal**
Partner
Membership No.: 094155

Varun Jaipuria
Whole-time Director
DIN : 02465412

Raj P. Gandhi
Whole-time Director
DIN : 00003649

Place : Gurgaon
Date : 29 February 2016

Kamlesh Kumar Jain
Chief Financial Officer

Mahavir P. Garg
Company Secretary
Membership No. F3490

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

DIRECTORS' REPORT

The Directors' have pleasure in presenting the 1st January, 2015 to 31st December, 2015 Report together with the accounts of the Company for the period ending 31st December, 2015.

FINANCIAL RESULTS

	NPR in Million	
	Current Year	Previous Year
Income	3682.80	3401.03
Profit before Interest & Depreciation	641.92	563.77
Interest	75.05	85.48
Depreciation	200.04	276.62
Net Profit / (Loss)	213.25	201.67
Cash Profit	413.29	478.29

OPERATION

This year Income is NPR 3682.80 Millions which is showing increase from NPR 3401.03 Millions in previous year. This happened because of proper plan and execution by the team despite of massive earthquake occurred in the country. Since we have provisioned for contingent liability of NPR 203.67 millions against different cases related to Govt. dues so this year Cash Profit is NPR 413.29 millions and showing decrease from NPR 478.29 Millions in previous year but this year Net Profit is NPR 213.25 millions and showing increase from NPR 201.67 Millions in previous year.

Our performance is still not up to plan and will do better in coming years.

PROSPECTS

Our Company's Prospects in the current financial year was good till now, as market has well accepted Company's product. The Company has made efforts to reach the product in various new outlets which have also started yielding results. Further, the Company opened new small distributor points at various places in Kathmandu valley to expand distribution reach as well as tap virgin markets. This focus would continue current year also. 250 ML & PET products has a huge market in the country and with these products we will be able to capture more market share of soft drink industry.

ACKNOWLEDGEMENT

The Directors wish to place on record their deep appreciation made by the employees at all levels of operations of the Company. The Company is grateful for the support and co-operation of Government of Nepal and the bankers of the Company.

For and on behalf of the Board

Vinod Singh

Director

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF VARUN BEVERAGES (NEPAL) PVT. LTD.

We have audited the accompanying financial statements of **Varun Beverages (Nepal) Pvt. Ltd.** which comprise the Statement of Financial Position as at 31st December 2015 and the related Statement of Profit or Loss, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we considered the internal control relevant to Company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view, in all material respects the financial position of **Varun Beverages (Nepal) Pvt. Ltd.** as at 31st December 2015 and of the results of its Financial performance and its cash flows for the year then ended and in accordance with Accounting Standards and Companies Act.

Report on Other Legal and Regulatory Requirements

On the basis of our examination and explanations given to us, we would like to report that:

- i. We have obtained all the information and explanations, which were considered necessary for the purpose for our audit.
- ii. Company has kept proper books of accounts as required by law, in so far as it appears from our examination of those books of account.
- iii. The Statement of Financial Position, Statement of Profit or Loss, Statement of Cash Flow Statement, Statement of Changes in Equity dealt with by this report is in agreement with the books of account maintained by the Company.

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

- iv. During our examination of the books of account of the Company, we have not come across the cases where the Board of Directors or any member of there or any representative or any office holder or any employee of the Company has acted contrary to the provisions of law or caused loss or damage to the Company, and
- v. We have not come across any fraudulence in the accounts.

Kathmandu
Date: 15.02.2016

For Subhash & Co.
Chartered Accountants

CA S.K. Jhunjhunwala
Partner

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

BALANCE SHEET AS AT 31ST DECEMBER, 2015

(Fig in NPR)

Particulars	Note	As at 31.12.2015	As at 31.12.2014
Equity and Liabilities			
Shareholders' funds			
Share capital	2	76,250,000	76,250,000
Reserves and surplus	3	448,836,071	540,586,688
		525,086,071	616,836,688
Non-current liabilities			
Long-term borrowings	4	-	255,488,027
Deferred tax Liabilities/(Asset) (Net)	5	(41,445,650)	(40,346,744)
Other long-term liabilities	6	177,348,023	-
Long-term provisions	7	49,140,931	41,493,865
		185,043,303	256,635,148
Current liabilities			
Short-term borrowings	8	993,765,145	962,203,804
Trade payables	9	383,039,718	269,477,012
Other current liabilities	10	516,431,719	476,561,559
Short-term provisions	11	295,049,548	4,834,346
		2,188,286,130	1,713,076,721
		2,898,415,504	2,586,548,557
Assets			
Non-current assets			
Fixed assets			
Tangible assets	12	990,592,485	992,175,952
Intangible assets	13	-	-
Capital work-in-progress	14	94,252,498	122,951,416
Non-current investments	15	-	-
Long-term loans and advances	16	33,494,952	2,535,280
Other non-current Assets	17	8,129,003	32,290,803
		1,126,468,938	1,149,953,451
Current assets			
Current investments	18	-	-
Inventories	19	233,752,357	356,666,626
Trade receivables	20	54,920,590	27,878,227
Cash and bank balances	21	544,606,776	475,081,651
Short-term loans and advances	22	928,343,088	573,756,211
Other current assets	23	10,323,756	3,212,391
		1,771,946,567	1,436,595,107
		2,898,415,504	2,586,548,557

Significant Accounting Policies

1

The accompanying Notes form an integral part of the financial statements.

In terms of our report of even date annexed
Subhash & Co.
Chartered Accountants

Place : Kathmandu
Date : 15.02.2016

CA S.K. Jhunjunwala
Partner
ICAN Membership No. 62

Amit Gupta
Director

Rohit Satishkumar Kohli
Director

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig in NPR)

Particulars	Note	As at 31.12.2015	As at 31.12.2014
Revenue:			
Revenue from operations (gross)	24	4,064,824,834	3,690,388,108
Less: Excise duty		411,882,013	316,337,288
Revenue from operations (net)		3,652,942,820	3,374,050,820
Other income	25	29,855,906	26,982,566
Total Revenue		3,682,798,726	3,401,033,386
Expenses			
Cost of materials consumed	26	1,479,622,419	1,400,354,668
Purchases of traded goods	27	544,801	1,309,789
Changes in inventories of finished goods, work-in-progress and traded goods	28	3,551,134	(2,713,681)
Employee benefit expenses	29	242,366,520	210,865,204
Finance costs	30	75,647,449	86,370,671
Depreciation and amortisation expenses	31	200,035,677	276,620,916
Other expenses	32	1,233,397,803	1,093,046,249
Total expenses		3,235,165,802	3,065,853,817
(Loss)/Profit For The Year Before Tax and Prior Period Adjustments		447,632,924	335,179,569
Prior Period Items (Net)		80,807,112	14,582,889
(Loss)/Profit Before Tax After Prior Period Adjustments		366,825,812	320,596,680
Depreciation on Gifted Infrastructure Assets Amount Transferred from Capital Reserve		-	-
Profit before tax		366,825,812	320,596,680
Tax expense:			
Current tax		74,608,638	65,616,712
Minimum alternate tax credit entitlement			
Tax Expense Earlier Years		80,066,696	80,018,919
Deferred tax		(1,098,907)	(26,710,629)
(Loss)/Profit after tax (Before adjustment of Minority Interest)		213,249,385	201,671,679
Less : Share of profit transferred to Minority		-	-
(Loss)/Profit after tax (After adjustment of Minority Interest)		213,249,385	201,671,679

Significant Accounting Policies

1

The accompanying Notes form an integral part of the financial statements.

In terms of our report of even date annexed
Subhash & Co.
Chartered Accountants

Place : Kathmandu
Date : 15.02.2016

CA S.K. Jhunjhunwala
Partner
ICAN Membership No. 62

Amit Gupta
Director

Rohit Satishkumar Kohli
Director

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig in NPR)

Particulars	For the Year Ended	
	31.12.2015	31.12.2014
A. Cash flow from operating activities		
(Loss)/Profit before tax	447,632,924	335,179,569
Non-cash adjustments:		
Depreciation and amortisation	206,739,723	281,948,443
Provision for doubtful debts (Net Provision Written Back)	1,467,743	3,799,409
Interest expense	75,045,855	85,482,711
Interest income	(28,370,273)	(26,358,591)
Gain on sale of fixed assets	(953,567)	(382,479)
Dividend income	-	-
Loss on sale of fixed assets	-	12,772
Prior period items	(80,807,112)	(14,582,889)
Operating profit before working capital changes	620,755,292	665,098,945
Movement in working capital		
Decrease/(Increase) in inventories	122,914,270	(96,422,259)
Decrease/(Increase) in trade receivables	(28,510,106)	(23,311,374)
Decrease/(Increase) in loans and advances	(417,471,773)	(11,518,393)
Increase/(Decrease) in trade payable, other liabilities and provisions	463,933,130	(35,036,540)
Cash generated from operations	761,620,812	498,810,379
Direct taxes paid	(130,513,534)	(98,194,320)
Net cash flow from operating activities	631,107,278	400,616,058
B. Cash flow from investing activities		
Purchase of fixed assets and capital work in progress	(41,629,827)	(126,335,463)
Purchase of business for consolidated consideration	-	-
Proceeds from sale of fixed assets	1,161,000	661,328
Investment in subsidiary	-	-
Loan to subsidiary	-	-
Purchase of non-current investments	-	-
Interest received	21,258,908	36,421,941
Net cash flow used in investing activities	(19,209,919)	(89,252,194)
C. Cash flow from financing activities		
Proceeds/(repayments) of long term borrowings	(255,488,027)	(295,211,998)
Proceeds/(repayments) of short term borrowings	31,561,340	196,013,068
Dividend Paid	(289,750,000)	(144,875,000)
Taxes on Dividend Paid	(15,250,000)	(7,625,000)
Interest paid	(76,478,144)	(92,420,461)
Share application money received (pending allotment)	-	-
Net cash flow from financing activities	(605,404,832)	(344,119,391)
D. Net increase in cash and cash equivalents	6,492,528	(32,755,527)
E. Cash and cash equivalents at the beginning of the year	7,603,364	40,358,891
F. Cash and cash equivalents at the end of the year	14,095,892	7,603,364
as per balance sheet		
Components of cash and cash equivalents		
Balances with banks		
- in current accounts	12,655,200	5,783,200
- in deposit account	-	-
Cash on hand	1,440,692	1,820,164
	14,095,892	7,603,364

In terms of our report of even date annexed

Subhash & Co.

Chartered Accountants

Place : Kathmandu
Date : 15.02.2016

CA S.K. Jhunjhunwala
Partner
ICAN Membership No. 62

Amit Gupta
Director

Rohit Satishkumar Kohli
Director

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Corporate Information

Varun Beverages (Nepal) Pvt. Ltd is a private limited Company in Nepal and is incorporated under the provisions of Nepalese Companies Act, 2021(1964) (Further Amended in 2063 (2006)). The Company is engaged in the business of beverage bottling and distribution all over Nepal.

Basis of Preparation

The Financial Statements of the Company have been prepared and presented as per revised schedule VI as notified under the Companies Act, 1956 (India) in accordance with generally accepted accounting principles. The Company has prepared these Financial Statements to comply in all material respects, with the Accounting Standards and the relevant provisions of the Companies Act. The Financial Statements have been prepared on an accrual basis and under the historical cost convention.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year except for the change in accounting policy, if any explained below.

Significant Accounting Policies

1 Use of estimates:

The preparation of the Financial Statements in conformity with generally accepted accounting principles requires Management to make Judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosures relating to contingent assets and liabilities at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in material or immaterial adjustments to the carrying amounts of assets or liabilities in future periods.

2 Revenue Recognition:

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

- Sales of Products:

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the customer and are recorded inclusive of excise duty and net of VAT, Sales Returns & Trade Discount.

- Interest Income:

Interest income is recognised on a time proportion basis taking into account the amount outstanding and the applicable interest rate.

3 Borrowing Costs:

Borrowing cost includes interest, amortisation of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

4 Tangible Fixed Assets

Capitalisation & Disposal of Assets

- Property, Plant & Equipment are stated at cost inclusive of all expenses incurred in commissioning/ putting them into use, less accumulated depreciation.

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

- Capital Work In Progress is stated at cost.
- Gains 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 recognised in the statement of profit and loss when the asset is derecognised. Where as in case of Losses the same is included in depreciation i.e. added to depreciation.

Depreciation on Tangible Fixed Assets

Depreciation on Tangible Fixed Assets has been charged as per the method so stated by IFRS (IAS - 16 Property, Plant and Equipment) i.e. considering the useful life of the assets. Lifes & Rates shall be as follows:

Particular	Useful Life - Years	Depreciation Rates
Computer & Office Equipment	4.00	23.75%
Glass Bottle & Shell	6.00	15.83%
Admin Vehicle	7.00	13.57%
Visi Cooler	8.00	11.88%
Commercial Vehicle	8.39	11.32%
Furniture & Fixture	10.00	9.50%
Plant & Machinery	20.00	4.75%
Building	28.44	3.34%

Breakages of containers are being adjusted on first bought first broken basis, since it's not feasible to specifically identify the broken containers in the fixed assets records.

5 Inventories (As taken, Valued & Certified by the management as per Nepalese Income Tax Act, 2058 (2002)):

Raw Materials, Components, Stores & Spares and Work In Progress are valued at moving weighted average cost. Finished Goods (Manufactured & Traded) have been valued at lower of cost or Ex-factory Selling Price.

6 Retirement Benefits

The Company has schemes of retirement benefits for staffs in form of Provident Fund and gratuity. Contributions to Provident Fund are charged to revenue. In this financial year accumulated gratuity as well as leave encashment as on date has been provisioned as per the Company's norms in conformity with labour & gratuity laws but a fund for the same is yet to be established.

7 Going Concern

The financial statements are prepared on a going concern basis.

8 Income Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 2058 enacted in Nepal. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

In current context Income Tax & Deffered Tax relates to those provision so created for financial statement to be prepared in compliance with Laws of Land relating to Nepalese Fiscal Year - 2071|2072 (i.e. 17.07.2014 - 16.07.2015).

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

9 Provisions, Contingent Liabilities & Contingent Assets

a. Provisions

A provision is recognised when an enterprise has a present obligation as a result of past events 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.

b. Contingent Liabilities

A Contingent liability is a possible obligation that arises from the past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. Resulting contingent liabilities are:

- VAT

Company has cases related to VAT pending on different issues at different front specifically be Supreme Court - F/Y: 2060|61 to 2063|64, Revenue Tribunal - F/Y: 2062|63 to 2067|68, IRD - F/Y: 2067|68.

- INCOME TAX

Company has cases related to INCOME TAX pending on different issues at different front specifically be Supreme Court - F/Y: 2060|61 to 2063|64, Revenue Tribunal - F/Y: 2062|63 to 2066|67, IRD - F/Y: 2067|68.

- EXCISE

Company has cases related to EXCISE pending on different issues at different front specifically be Revenue Tribunal - F/Y: 2066|67 - 2068|69 & 2069|70 (Shrawan to Mangsir, 2069), IRD - F/Y: 2069|70 & 2070|71 (Poush 2069 - Magh 2070).

During the year Company has recognized partial contingent liability of Rs. 203,672,497.18 leading to a combine total provision of Rs. 298,274,305.03 for various cases related to VAT, INCOME TAX, EXCISE pending at different fronts so stated above.

Contingent assets are not recognized in the financial statement.

10 Cash and cash equivalents

Cash and cash equivalents for cash flow statement comprises cash at bank and in hand and short-term investments with an original maturity of three months or less.

11 Regrouping of Figures:

Previous Year's figures have been regrouped/rearranged as and where necessary.

12 Miscellaneous:

(i) All amounts are in Nepalese Rupees unless otherwise stated.

(ii) All figures are in the nearest rupee and rounded off.

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

Summary of Significant Accounting Policies and Other Explanatory Information for the year ended 31st December, 2015
(Fig in NPR)

Particulars	As At 31.12.2015	As At 31.12.2014
2. Share Capital		
Equity Share Capital		
<u>Authorised Share Capital</u>		
990,451 Equity shares of NPR 1000/- each	<u>990,451,000</u>	<u>990,451,000</u>
<u>Issued</u>		
250,000 Ordinary Shares of par value of NPR 1000/- each	<u>250,000,000</u>	<u>250,000,000</u>
<u>Subscribed And Fully Paid Up</u>		
68,250 Ordinary Shares of NPR 1000/- each	<u>68,250,000</u>	<u>68,250,000</u>
8,000 Bonus Shares of NPR 1000/- each	<u>8,000,000</u>	<u>8,000,000</u>
	<u>76,250,000</u>	<u>76,250,000</u>
	<u>76,250,000</u>	<u>76,250,000</u>

a) Reconciliation of Equity Share Capital

Particulars	No's	No's
Balance as at 01 January 2015	76,250	76,250
Add: Bonus shares issued	-	-
Balance as at 31 December 2015	76,250	76,250

b) Terms/Rights Attached to Equity Shares

The holders of the equity shares are entitled to receive dividends as declared from time to time, and are entitled to voting rights proportionate to their share holding at the meetings of shareholders.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

c) List of shareholders holding more than 5% of the equity share capital of the Company at the beginning and at the end of the reporting year:

Shareholders as at 31 December 2015	No's	No's
Varun Beverages Limited, India	76,250	76,250
Shareholders as at 31 December 2014	No's	No's
Varun Beverages Limited, India	76,250	76,250

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

Summary of Significant Accounting Policies and Other Explanatory Information for the year ended 31st December, 2015

Particulars	(Fig in NPR)	
	As At 31.12.2015	As At 31.12.2014
3. Reserves And Surplus		
Revaluation Reserve		
Balance at the end of the year	88,071,842	88,071,842
Securities Premium		
Balance at the end of the year	53,600,356	53,600,356
Surplus In The Statement of Profit & Loss		
Balance at the beginning of the year	398,914,489	349,742,812
Less : Utilised for issue of bonus shares		
Add: (Loss)/Profit for the year	213,249,385	201,671,679
Less : Depreciation of earlier years adjusted		
Less : Dividend Paid	(289,750,000)	(144,875,000)
Less : Taxes on Dividend Paid	(15,250,000)	(7,625,000)
	<u>307,163,874</u>	<u>398,914,490</u>
	<u>448,836,071</u>	<u>540,586,688</u>
4. Long-Term Borrowings		
Compulsorily convertible debentures (unsecured)		
Term loans (secured)		
Foreign currency loans from bank	-	-
Local currency loan from banks	-	255,488,027
Local currency loan from financial institution	-	-
Deferred value added tax (unsecured)	-	-
Local Currency Loans (unsecured)	<u>-</u>	<u>255,488,027</u>
5. Deferred Tax Liabilities (Net)		
Deferred Tax Liabilities		
Opening Balance		
Timing difference on Fixed Assets Depreciation and Amortisation		
Deferred Tax Assets		
Opening Balance	40,346,744	13,636,115
Unabsorbed depreciation and carry forward losses	(817,095)	15,808,331
Provision for Doubtful Debts	293,548	1,636,655
Provision for Retirement Benefits	1,622,453	9,265,643
Deferred tax Liability/(Asset) as at closing of the year	<u>(41,445,650)</u>	<u>(40,346,744)</u>

During the year further Deffered tax asset amount 1.09 Million has been created and accordingly Profit & Loss account has been credited.

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

Summary of Significant Accounting Policies and Other Explanatory Information for the year ended 31st December, 2015

(Fig in NPR)

Particulars	As At 31.12.2015	As At 31.12.2014
6. Other Long Term Liabilities		
Capital creditors		
Dues to others	-	-
Statutory dues payable under dispute	177,348,023	-
	177,348,023	-
7. Long Term Provisions		
Provision for employee benefits		
Provision for Gratuity	45,635,506	38,277,623
Provision for Leave Encashment	3,505,425	3,216,242
	49,140,931	41,493,865
8. Short-Term Borrowings		
Loans repayable on demand		
Working capital facility		
Secured		
-From banks	993,765,145	962,203,804
Loans from Limited companies		
Unsecured	-	-
	993,765,145	962,203,804
a) Details of securities is as under:		
Working Capital Facilities from Banks are secured by 1st charge on entire current assets of the Company ranking pari passu amongst the Banks and 2nd charge on the movable and immovable assets of the Company. Short Term Loans from banks are secured by way of 2nd charge on the movable and immovable assets of the Company pertaining to specific units.		
Note: All of the above stated Loans are further secured by personal guarantee of Mr. R.K. Jaipuria.		
b) There has been no defaults in repayment of any of the loans or interest thereon as at the end of the year.		
9. Trade Payables		
Trade Payables		
Dues to others including acceptances	294,199,060	199,324,071
Provision for Expenses	88,840,658	70,152,941
	383,039,718	269,477,012

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

Summary of Significant Accounting Policies and Other Explanatory Information for the year ended 31st December, 2015

Particulars	(Fig in NPR)	
	As At 31.12.2015	As At 31.12.2014
10. Other Current Liabilities		
Current maturities of long term debts	-	-
Interest accrued but not due on borrowings	8,723,621	10,155,910
Advances from customers and others	10,864,938	9,735,216
Staff Balances in Credit	31,424,001	24,153,993
Capital creditors	-	11,205,707
Deposits received	438,936,778	409,367,831
Statutory dues payable	26,482,381	11,942,902
	516,431,719	476,561,559
11. Short Term Provisions		
Provision for employee benefits	-	-
Provision for Gratuity	-	-
Provision for Leave Encashment	5,299,548	4,834,346
Provision for Tax	-	-
Provision for current tax (Net of Advance Tax & TDS)	-	-
Provision for proposed dividend	-	-
Additions during the year	289,750,000	-
Amounts reversed during the year	-	-
	289,750,000	-
Provision For Income Tax	-	-
Provision for tax on proposed dividend	-	-
As per last balance sheet	-	-
Provision for tax on proposed dividend Subsidiary	-	-
Amounts paid during the year	-	-
Amounts reversed during the year	-	-
	295,049,548	4,834,346

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

Summary of Significant Accounting Policies and Other Explanatory Information for the year ended 31st December, 2015

(Fig in NPR)

12. Tangible Assets

Gross block	Land Freehold	Land Lease hold	Buildings	Plant and Equipment	Furniture And Fixtures	Vehicles	Office Equipment	Computers	Containers	PM Vending Machines & Refrig (Visi Cooler)	Total	Scrap Depreciation	Total Depreciation
Balance as at 01 January 2014	94,871,275	-	193,274,845	680,479,684	33,809,579	196,876,010	3,005,299	6354,461	561,330,386	280,103,317	2,050,104,856	-	-
Additions	-	-	4,077,809	7,169,657	90,368	3,167,221	268,738	431,735	209,804,123	59,167,331	284,176,982	-	-
Disposals	-	-	-	(35,040,437)	(25,182,107)	(4,726,966)	-	-	(135,382,060)	(19,413,712)	(219,745,280)	-	-
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2014	94,871,275	-	197,352,654	652,608,904	8,717,841	195,316,265	3,274,037	6786,195	635,752,449	319,856,937	2,114,536,557	-	-
Additions	-	-	-	9,904,572.63	41,200	4,086,307	1,332,916	130,088.50	95,925,965	93,942,640	205,363,688	-	-
Disposals	-	-	-	-	-	(4,148,662)	-	-	(360,149,178)	-	(364,297,840)	-	-
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	-	-	-	-	-	-	-	-	-
- Foreign exchange fluctuation	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2015	94,871,275	-	197,352,654	662,513,477	8,759,041	195,253,910	4,606,953	6,916,284	371,529,235	413,799,576	1,955,602,405	-	-
Accumulated depreciation													
Balance as at 01 January 2014	-	-	54,744,951	314,745,231	6,161,801	133,753,791	2,436,918	4,741,381	390,680,515	152,601,235	1,059,865,822	-	-
Depreciation charge	-	-	5,499,628	18,639,665	305,539	10,480,875	167,021	781,842	74,017,498	24,460,063	134,352,132	147,596,310	281,948,443
Reversal on disposal of assets	-	-	-	(14,633,923)	(19,440,623)	(4,435,346)	-	-	(21,410,796)	(11,936,662)	(71,857,350)	-	-
Acquisitions through business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance as at 31 December 2014	-	-	60,244,579	318,750,973	(12,973,283)	139,799,321	2,603,939	5,523,223	443,287,216	165,124,636	1,122,360,605	-	-
Depreciation charge	-	-	5,509,593	19,016,884	313,770	10,690,583	380,923	531,174	25,773,160	37,426,585	99,642,671	107,097,051	206,739,723

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

Summary of Significant Accounting Policies and Other Explanatory Information for the year ended 31st December, 2015

(Fig in NPR)

Gross block	Land Freehold	Land Lease hold	Buildings	Plant and Equipment	Furniture And Fixtures	Vehicles	Office Equipment	Computers	Containers	PM Vending Machines & Refrig (Visi Cooler)	Total	Scrap Depreciation	Total Depreciation
Reversal on disposal of assets	-	-	-	-	-	(3,941,229)	-	-	(253,052,127)	-	(256,993,356)	-	-
Balance as at 31 December 2015	-	-	65,754,172	337,767,857	(12,659,512)	146,548,674	2,984,862	6,054,397	216,008,250	202,551,221	965,009,921	-	-
Net block													
Balance as at 31 December 2014	94,871,275	-	137,108,075	333,857,931	21,691,123	55,516,944	670,098	1,262,972	192,465,232	154,732,301	992,175,952	-	-
Balance as at 31 December 2015	94,871,275	-	131,598,482	324,745,620	21,418,553	48,705,235	1,622,091	861,887	155,520,985	211,248,356	990,592,485	-	-

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

Summary of Significant Accounting Policies and Other Explanatory Information for the year ended 31st December, 2015

13 Intangible assets

(Fig in NPR)

Gross block	Market Infrastructure	Franchise Rights /Trademarks	Software	Total
Balance as at 01 January 2014				-
Additions				-
Disposals				-
Acquisitions through business combinations				-
Balance as at 31 December 2014	-	-	-	-
Additions				-
Disposals				-
Acquisitions through business combinations				-
Balance as at 31 December 2015	-	-	-	-
Accumulated amortisation				
Balance as at 01 January 2014				-
Depreciation charge				-
Reversal on disposal of assets				-
Acquisitions through business combinations				-
Balance as at 31 December 2014	-	-	-	-
Depreciation charge				-
Reversal on disposal of assets				-
Balance as at 31 December 2015	-	-	-	-
Net block				
Balance as at 31 December 2014	-	-	-	-
Balance as at 31 December 2015	-	-	-	-

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

Summary of Significant Accounting Policies and Other Explanatory Information for the year ended 31st December, 2015

14. Capital Work-In-Progress

(Fig in NPR)

PARTICULARS	As at 01.01.2015	Transferred on Amalgamation	Additions	Deductions & Adjustments	Capitalised	As at 31.12.2015
Buildings	-	-	748,531	739,252	2,064,951	748,531
Plant and machinery	2,804,204	-	36,496,535	-	78,270,550	36,496,535
Visi Coolers	78,270,550	-	18,612,398	-	12,327,818	18,612,398
Plastic Shell	12,327,818	-	38,395,034	-	29,548,845	38,395,034
Glass Bottles	29,548,845	-	-	-	-	-

Expenditure pending allocation

Survey, investigation, consultancy and supervision charges

Expenditure during construction period

	122,951,416	-	94,252,498	739,252	122,212,164	94,252,498
Construction stores (net of provision)						
Current Year	122,951,416	-	94,252,498	739,252	122,212,164	94,252,498

(Fig in NPR)

	As at 01.01.2015	Additions	Deductions & Adjustments	Capitalised	As at 31.12.2015
Intangible Assets Under Development	-	-	-	-	-
Software	-	-	-	-	-
Total	-	-	-	-	-
Previous year	-	-	-	-	-

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

Summary of Significant Accounting Policies and Other Explanatory Information for the year ended 31st December, 2015
(Fig in NPR)

Particulars	As At 31.12.2015	As At 31.12.2014
16. Long-term loans and advances		
(Unsecured considered good, unless otherwise stated)		
Capital advances	32,826,747	1,719,374
Security deposits	668,205	815,905
Loans		
- To Subsidiaries	-	-
	33,494,952	2,535,280
17. Other Non-Current assets		
Income Tax Advances		
(Net of admitted Income Tax Liability Pending Assessments)	8,129,002.76	5,966,328.20
MAT credit entitlement	-	-
Prepaid expenses	-	-
Balance with Statutory Authorities (Paid Under Dispute)	-	26,324,475
	8,129,003	32,290,803
19. Inventories (valued at cost or lower of net realisable value)		
Raw material	112,370,201	220,009,489
Work-in-progress	-	-
Intermediate goods		
Finished goods	27,407,835	30,958,969
Goods in transit		
Raw material in transit	-	2,918,993
Stores and spares	93,974,321	102,779,176
	233,752,357	356,666,626
Less: Provision for shortages	-	-
Less: Provision for obsolete/ unserviceable items/ diminution in value of inventory	-	-
	233,752,357	356,666,626
Detail of finished goods inventory		
Beverages	27,294,289	30,448,801
Crown	-	-
Lug cap	-	-
Others	113,547	510,168
	27,407,835	30,958,969
Detail of intermediate goods		
Preform	-	-
Crown	-	-
Cartons	-	-
	-	-

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

Summary of Significant Accounting Policies and Other Explanatory Information for the year ended 31st December, 2015
(Fig in NPR)

Particulars	As At 31.12.2015	As At 31.12.2014
Detail of work-in-progress		
Beverages	-	-
Crown	-	-
Lug cap	-	-
	-	-
Detail of raw material		
Concentrate	43,989,568	85,716,210
Sugar	25,717,760	74,570,201
Others	42,662,872	59,723,078
	112,370,201	220,009,489
20. Trade receivables		
Outstanding for a period exceeding six months from the date they are due for payment		
Unsecured considered good	1,534,197	2,379,465
Doubtful	9,651,015	8,183,273
	9,651,015	8,183,273
Less : Allowances for bad and doubtful debts	-	-
Other debts		
Unsecured considered good	53,386,392	25,498,762
	54,920,590	27,878,227
21. Cash and bank balances		
Cash and cash equivalents		
Balances with banks		
- In Current Accounts	12,655,200	5,783,200
- In deposit account (with balance maturity upto 3 months)	-	-
Cash on hand	1,440,692	1,820,164
	14,095,892	7,603,364
Other Bank Balances		
Deposits with maturity more than 3 months but less than 12 months *	530,510,883	467,478,287
Others	-	-
	544,606,776	475,081,651

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

Summary of Significant Accounting Policies and Other Explanatory Information for the year ended 31st December, 2015
(Fig in NPR)

Particulars	As At 31.12.2015	As At 31.12.2014
22. Short term loans and advances		
(Unsecured considered good, unless otherwise stated)		
Loans to others		
Advances		
Employees	4,465,268	5,356,736
Contractors and suppliers	24,681,037	104,695,264
Others	891,347,666	440,654,202
Balance with statutory authorities	-	17,753,259
Claim Receivable	2,941,841	817,375
Amount recoverable	-	-
Prepaid expenses	4,907,276	4,479,374
	928,343,088	573,756,211
23. Other current assets		
Interest accrued on:		
Loan to subsidiary	-	-
Term deposits	3,845,062	3,212,391
Others	6,478,694	-
Income Tax Advances (Net of Tax Provision) *	-	-
Mat Credit Entitlement	-	-
	10,323,756	3,212,391
24. Revenue		
Revenue from operations		
Sale of products		
Finished goods	4,054,010,055	3,680,097,291
Raw Material	1,706,255	-
Other operating revenue	-	-
Job work income	-	-
Scrap	9,108,524	10,290,817
	9,108,524	10,290,817
	4,064,824,834	3,690,388,108
Detail of Sales of Finished Goods		
Beverages	4,052,629,498	3,678,808,244
Others	1,380,557	1,289,047

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

Summary of Significant Accounting Policies and Other Explanatory Information for the year ended 31st December, 2015
(Fig in NPR)

Particulars	As At 31.12.2015	As At 31.12.2014
25. Other income		
Interest		
On bank deposits	20,748,280	22,308,591
On loan to subsidiary	-	-
Others	7,621,993	4,050,000
Additional Income	-	-
Net gain on foreign currency transactions and translations	-	-
Excess provision written back	-	-
Guarantee commission received	-	-
Grant Received	-	-
Dividend income	-	-
Gain on sale of fixed assets	953,567	382,479
Miscellaneous income	532,066	241,497
	29,855,906	26,982,566
26. Cost of materials consumed		
Raw material and packing material consumed		
Inventories at beginning of the year	220,009,489	140,556,317
Acquired on amalgamation	-	-
Purchases during the year (net)	1,371,983,131	1,479,807,840
	1,591,992,620	1,620,364,157
Sold during the year		
Inventories at end of the year	112,370,201	220,009,489
	1,479,622,419	1,400,354,668
Detail of materials consumed		
Concentrate	640,015,449	583,978,795
Sugar	452,083,715	448,547,494
Others	387,523,255	367,828,379
	1,479,622,419	1,400,354,668
27. Purchase of traded goods		
Beverages	-	-
Others	544,801	1,309,789
	544,801	1,309,789

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

Summary of Significant Accounting Policies and Other Explanatory Information for the year ended 31st December, 2015
(Fig in NPR)

Particulars	As At 31.12.2015	As At 31.12.2014
28. Changes in inventories of finished goods and work-in-progress		
As at the beginning of the year		
Finished goods	30,958,969	28,245,288
Intermediate goods	-	-
Work in progress	-	-
	30,958,969	28,245,288
Acquired on amalgamation		
Finished goods	-	-
Work in progress	-	-
	-	-
As at the closing of the year		
Finished goods	27,407,835	30,958,969
Intermediate goods	-	-
Work in progress	-	-
	27,407,835	30,958,969
	3,551,134	(2,713,681)
29. Employee benefit expense		
Salaries and wages	213,587,205	184,351,662
Contribution to provident and other funds	7,264,776	6,800,622
Staff welfare expenses	21,514,539	19,712,920
	242,366,520	210,865,204
30. Finance costs		
Interest on:		
Term loans	12,714,544	38,248,381
Working capital facilities	62,331,311	39,097,344
Others	-	8,136,986
Other borrowing costs:		
Processing fees	601,594	887,960
Upfront fees	-	-
	75,647,449	86,370,671
31. Depreciation and amortisation expense		
Depreciation on tangible assets	200,035,677	276,620,916
Amortisation of intangible assets	-	-
	200,035,677	276,620,916

VARUN BEVERAGES (NEPAL) PRIVATE LIMITED

Summary of Significant Accounting Policies and Other Explanatory Information for the year ended 31st December, 2015

Particulars	(Fig in NPR)	
	As At 31.12.2015	As At 31.12.2014
32. Other expenses		
Power & Fuel	132,371,231	137,328,431
Repairs & maintenance		
Plant and machinery	65,804,151	43,730,744
Buildings	3,918,141	1,648,161
Others	7,633,322	8,657,945
Stores and spares consumed	39,637,049	36,967,121
Rent	13,731,807	12,359,868
Rates and taxes	147,273	152,145
Insurance	8,237,213	8,433,911
Printing and stationery	1,568,733	1,852,081
Communication	3,546,493	3,483,231
Travelling	28,033,817	24,576,707
Payment to auditors		
Audit fees	300,000	300,000
Tax Audit, tax representation and certification fees		
Other Services	550,000	400,000
Vehicle running and maintenance	8,102,391	9,665,962
Lease and hire charges	12,885,937	16,886,448
Security and service charges	10,851,700	10,551,246
Professional charges and consultancy fees	78,615,424	5,344,759
Management Fee	98,084,932	36,771,427
Bank charges	562,266	531,967
Advertisement and sales promotion	363,689,221	369,760,593
Meeting and conference	1,263,430	978,047
Royalty Charges		
Freight, octroi and insurance paid (Net)	152,010,074	126,596,616
Delivery vehicle running and maintenance	142,758,826	169,616,038
Distribution Expenses	26,552,882	40,075,799
Loading and unloading expenses	13,071,806	12,542,393
Donations	250,000	353,621
Fixed Assets Written Off	6,704,045	5,327,526
Loss on Sale of Fixed assets	-	12,772
Provision for doubtful debts	1,467,743	3,799,409
General office and other expenses	2,203,061	4,341,283
License Fee	8,844,836	-
	1,233,397,803	1,093,046,249

VARUN BEVERAGES MOROCCO S.A

MANAGEMENT REPORT ON THE OPERATIONS OF THE YEAR ENDED 31.12.2015

Ladies and Gentlemen,

We have assembled you in General Meeting in accordance with the law and statutes of our society for the purpose to present you our management report and ask you to approve the accounts for the year ended on 31/12/2015.

We remind you that the invitations to this meeting you have been properly submitted, and all documents required by the law, which were also made available to you at the registered office within the time fixed by this article.

The financial statements presented to you have been prepared in accordance with the rules of presentation and evaluation methods prescribed by regulations.

I. ACTIVITY OF THE COMPANY

The result, after deduction of all charges, is a net loss of 59,949,733.89 MAD.

II. BALANCE SHEET

The total balance is 503,575,434.00 MAD, detailed as follows:

- *LIABILITES*

Equity amounted to 13,742,035.49 MAD. The debts of the current liabilities on the other hand amounted to 115,504,857.27 MAD.

- *ASSETS*

Fixed assets consist of:

Deferred Revenue Expenditure amounting to 49,121,681.30 MAD.

Fixed assets amounting to 486,315,197.36 MAD.

Receivables in current assets include the state amounting to 79,184,685.83 MAD.

Cash this in turn contains a balance of 2,390,114.23 MAD

The interest on delays payments from customers amounting to 276,765.41 MAD

(Fig. in MAD)

	A Amount of trade payables at the end A=B+C+D+E+F	B Amount of unexpired claims	Amount of outstanding claims			
			C Outstanding claims less than 30 days	D Claims due between 31 and 60 days	E Claims due between 61 and 90 days	F Outstanding claims more than 90 days
Closing date year N-1	64,307,023.76	32,177,166.41	205,642.82	9,869,902.17	1,958,933.42	20,095,378.94
Closing date year N	67,945,216.36	33,343,840.23	2,042,710.44	5,476,838.84	2,417,367.45	24,664,459.40

VARUN BEVERAGES MOROCCO S.A

(Fig. in MAD)

	A Amount of trade payables at the end A=B+C+D+E+F	B Amount of unexpired debt	Amount of outstanding debts			
			C Outstanding debts less than 30 days	D Debts due between 31 and 60 days	E Debts due between 61 and 90 days	F Outstanding debts more than 90 days
Closing date year N-1	63,179,786.54	36,080,800.25	11,162,591.18	10,101,991.79	992,800.18	4,841,603.14
Closing date year N	82,572,358.41	35,397,443.78	11,303,470.74	11,938,298.70	8,092,553.63	15,840,591.56

III. FUTURE TREND AND OUTLOOK

The Company will continue operations during 2016.

IV. PRESENTATION OF THE ANNUAL ACCOUNTS AND APPROPRIATION OF PROFIT

We present the annual accounts for the year ended on 31/12/2015 and the assessment of their key positions.

- 1) Balance sheet: The main balance sheet items listed below in the appendix.
- 2) Statement of income and expenses: The statement of income and expenses for the year is reproduced below in the appendix.
- 3) Result-assignment: The year ended on 31/12/2015 revealed a net loss of 59,949,733.89 MAD, we propose to carry forward.

The Board of Directors

Rajendra Kumar Dubey
Director

VARUN BEVERAGES MOROCCO S.A

GENERAL REPORT OF AUDIT FOR THE YEAR ENDED 31 DECEMBER 2015

Shareholders,

Accordance with the terms of our accord by your General Meeting, we audited the financial statements of the Company **VARUN BEVERAGES MOROCCO S.A** attached, which comprise the balance sheet, statement of income and expenses, the state management balances, the cash flow statement and statement of additional information (ETIC) for the year ended 31 December 2015. These financial statements show a amount of equity to 13.742.035,49 MAD and include a loss of -59.949.733,89 MAD.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these states synthesis, in accordance with accepted accounting standards in Morocco. This responsibility includes, implementing and maintaining internal control relevant to the preparation and presentation of summary statements having no abnormality significant, and the accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the standards in Morocco. These standards require us to comply with ethical requirements, plan and realize the audit to obtain reasonable assurance whether the financial statements do not contain material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the summary statements. The choice of procedures depend on the judgment of the listener, as well as risk assessment that states synthetic material misstatement. In making those risk assessments, the auditor considers internal control relevant to the entity on the compilation and presentation of summary statements to define procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of it.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the summary statements. We believe that the audit evidence obtained is sufficient and appropriate to our opinion.

OPINION ON THE FINANCIAL STATEMENTS

1. The Company VBM has a loan from the parent Company amounting to 268 million MAD. Due to fluctuation of the USD/MAD exchange rate at 31/12/2015, the Company had to book a reserve representing the risk of exchange loss, which was not done.

Except for the impact of the situation described in paragraph 1, we certify that the statements referred to in the first paragraph above are regular and sincere and fairly, in all material respects, fairly the result of operations for the year then ended, the financial position and assets of the Company **VARUN BEVERAGES MOROCCO S.A** at 31 December 2015 in accordance with accounting standards admitted in Morocco.

Without qualifying our opinion above, we inform you that the annual accounts show a net situation lower than the quarter of the share capital. However, the financial statements attached were prepared on a continued activity and do not include any adjustments that may be required if the Company were to cease its activity.

SPECIFIC VERIFICATIONS AND INFORMATION

We have also performed the specific verifications required by law and we ensured including the consistency of the information given in the management report to shareholders with the financial statements of the Company.

Ahmed CHAHBI

Casablanca February 23, 2016

VARUN BEVERAGES MOROCCO S.A

BALANCE SHEET (ASSETS) (NORMAL PATTERN)

FROM 01-01-2015 TO 31-12-2015

(Fig. in MAD)

ASSETS	YEAR			PREVIOUS YEAR
	Gross	Depreciations and provisions	Net	Net
PROPERTY VALUE IN NO (A)	49,121,681.30	39,168,225.09	9,953,456.21	8,947,083.82
. preliminary expenses	41,202.00	41,202.00	-	8,240.40
. Accrued Deferred	49,080,479.30	39,127,023.09	9,953,456.21	8,938,843.42
. Bond redemption premiums	-	-	-	-
INTANGIBLE ASSETS (B)	1,478,338.46	1,343,135.14	135,203.32	422,345.00
. Capital Research & Development	-	-	-	-
. Patents, trademarks, rights and similar	1,478,338.46	1,343,135.14	135,203.32	422,345.00
. goodwill	-	-	-	-
. Other intangible assets	-	-	-	-
PROPERTY & EQUIPMENT (C)	486,315,197.36	130,555,636.76	355,759,560.60	373,999,923.75
. grounds	53,561,350.00	-	53,561,350.00	53,561,350.00
. constructions	38,779,190.00	9,682,838.00	29,096,352.00	31,035,311.50
. Plant, machinery and equipment	378,123,292.64	108,663,008.26	269,460,284.38	283,759,692.09
. transportation equipment	10,812,237.11	9,428,318.85	1,383,918.26	3,491,211.54
. Furniture, office equipment & facilities	-	-	-	-
various	5,039,127.61	2,781,471.65	2,257,655.96	2,152,358.62
. Other tangible assets	-	-	-	-
. Assets under construction	-	-	-	-
FINANCIAL ASSETS (D)	1,610,120.62	-	1,610,120.62	1,633,960.62
. term loans	-	-	-	-
. Other financial receivables	1,610,120.62	-	1,610,120.62	1,633,960.62
. Equity securities	-	-	-	-
. Other investments	-	-	-	-
TRANSLATION ADJUSTMENTS - ASSETS (E)	-	-	-	-
. Decrease in nonperforming loans	-	-	-	-
. Increase in borrowings	-	-	-	-
TOTAL I (A+B+C+D+E)	538,525,337.74	171,066,996.99	367,458,340.75	385,003,313.19
STOCKS (F)	56,700,571.91	-	56,700,571.91	48,712,287.19
. goods	-	-	-	-
. Consumable materials and supplies	46,611,549.91	-	46,611,549.91	36,361,589.32
. Work in progress	-	-	-	-
. Intermediate products and residual products	-	-	-	-
. finished goods	10,089,022.00	-	10,089,022.00	12,350,697.87
CURRENT ASSETS (G)	79,184,685.83	2,800,895.75	76,383,790.08	86,927,750.81
. Supplier receivables, advances	31,600.00	-	31,600.00	31,600.00
. Accounts receivable	67,945,216.36	2,800,895.75	65,144,320.61	61,710,401.39
. staff	384,736.05	-	384,736.05	425,278.54
. State	10,785,343.94	-	10,785,343.94	24,623,486.59

VARUN BEVERAGES MOROCCO S.A

BALANCE SHEET (ASSETS) (NORMAL PATTERN)

FROM 01-01-2015 TO 31-12-2015

(Fig. in MAD)

ASSETS	YEAR			PREVIOUS YEAR
	Gross	Depreciations and provisions	Net	Net
. Accounts associated	-	-	-	-
. other receivables	37,789.48	-	37,789.48	125,408.49
. Accrued Assets				11,575.80
SECURITIES AND INVESTMENT SECURITIES (H)	-	-	-	-
TRANSLATION ADJUSTMENTS-ASSETS (I)	642,617.03	-	642,617.03	64,754.16
(Circulating items)	642,617.03	-	642,617.03	64,754.16
TOTAL II (F+G+H+I)	-	2,800,895.75	133,726,979.02	135,704,792.16
CASH - ASSETS	2,390,114.23	-	2,390,114.23	1,093,525.94
. Checks and cash values ...	1,383,441.60	-	1,383,441.60	509,739.60
. Bank T.G. and C.C.P.	945,341.91	-	945,341.91	573,179.47
. Cash, Imprest and flow-	61,330.72	-	61,330.72	10,606.87
TOTAL III	2,390,114.23	-	2,390,114.23	1,093,525.94
TOTAL GENERAL I + II + III	540,915,451.97	173,867,892.74	503,575,434.00	521,801,631.29

VARUN BEVERAGES MOROCCO S.A

BALANCE SHEET (LIABILITIES) (NORMAL PATTERN)

FROM 01-01-2015 TO 31-12-2015

(Fig. in MAD)

LIABILITIES	YEAR	PREVIOUS YEAR
<u>EQUITY</u>		
. Capital or personnel (1)	294,000,000.00	207,000,000.00
. fewer shareholders, subscribed capital uncalled called capital which paid		
. Premium, merger, contribution		
. Revaluation		
. legal reserve		
. other reserves		
. Retained earnings (2)	-	-
. Net results pending allocation (2)	-220,308,230.62	-153,704,557.77
. Net profit for the year (2)	-59,949,733.89	-66,603,672.85
Total equity (A)	13,742,035.49	-13,308,230.62
ALLIED CAPITAL (B)	874,155.18	3,198,722.98
. Investment grants	874,155.18	3,198,722.98
. regulated provisions	-	-
. donations	-	-
DEBT FINANCING (C)	315,215,531.03	355,590,373.42
. bonds	-	-
. Other borrowings	315,215,531.03	355,590,373.42
Credit Conditioning Equipment	-	-
Credit Building Store	-	-
Medium Term Credit	-	-
SUSTAINABLE PROVISIONS FOR LIABILITIES AND CHARGES (D)	-	-
. Provisions for risks	-	-
. Provision for	-	-
TRANSLATION ADJUSTMENTS - LIABILITIES (E)	-	-
. Increase in nonperforming loans	-	-
. Decrease in borrowings	-	-
TOTAL I (A + B + C + D + E)	329,831,721.70	345,480,865.78

VARUN BEVERAGES MOROCCO S.A

BALANCE SHEET (LIABILITIES) (NORMAL PATTERN)

FROM 01-01-2015 TO 31-12-2015

(Fig. in MAD)

LIABILITIES	YEAR	PREVIOUS YEAR
LIABILITIES CURRENT LIABILITIES (F)	115,504,857.27	114,063,742.00
. Accounts payable	82,572,358.41	63,179,786.57
. Customers payable, advance payments	6,422,934.00	6,699,299.00
. staff	105,302.00	167,771.74
. social security	2,667,586.46	2,412,812.92
. State	16,194,872.54	31,644,721.82
. Accounts associated	7,541,803.86	9,959,349.95
. other creditors	-	-
. Adjustment accounts - liabilities	-	-
OTHER PROVISIONS FOR LIABILITIES AND CHARGES (G)	643,607.55	64,754.16
TRANSLATION ADJUSTMENTS - LIABILITIES (Elements circulating) (H)	50,660.58	16,695.11
TOTAL II (F + G + H)	116,199,125.40	114,145,191.27
CASH - LIABILITIES	-	-
. Discount credits	7,670,205.02	7,537,459.35
. Credits CASH	-	-
. Banking regulation	49,874,381.88	54,638,114.89
TOTAL III	57,544,586.90	62,175,574.24
TOTAL GENERAL I + II + III	503,575,434.00	521,801,631.29

(1) Capital personnel débiteur

(2) Bénéficiaire (+). déficitaire (-)

VARUN BEVERAGES MOROCCO S.A

PROFIT & LOSS (EXCLUDING TAXES) (NORMAL PATTERN)

FROM 01-01-2015 TO 31-12-2015

(Fig. in MAD)

NATURE	OPERATIONS		TOTAL FOR THE YEAR	TOTAL FOR THE PRECEDING YEAR
	RELATING TO THE YEAR	FOR EARLIER YEARS		
	1	2	3=1+2	4
I OPERATING INCOME				
. Sales of goods (as is)	2,465,035.34	-	2465,035.34	3370,843.17
. Sales of goods and services produced				
Turnover	288,598,550.73	-	288,598,550.73	247,667,190.63
. Change in product inventory (+ -) 1)	2,261,675.87	-	2,261,675.87	(1,994,551.15)
. Produced by capital				
the Company itself	-	-	-	-
. Operating subsidiaries	14,584,518.20	-	14,584,518.20	18,084,739.33
. Other operating income	-	-	-	-
. Operating times, transfers				
charges	-	-	-	-
TOTAL I	307,909,780.14	-	307,909,780.14	267,128,221.98
II OPERATING EXPENSES				
. Purchases resold (2) merchandise	2,086,659.24	-	2,086,659.24	2,893,265.80
. Purchases consumed (2) materials and				
supplies	137,070,560.99	-	137,070,560.99	118,524,179.94
. Other external expenses	88,774,760.11	-	88,774,760.11	81,604,299.04
. Taxes	24,757,740.24	-	24,757,740.24	22,765,418.14
. Staff costs	48,039,447.40	-	48,039,447.40	45,787,330.02
. Other operating expenses	-	-	-	-
. Operating allowances	40,584,700.07	-	40,584,700.07	41,398,730.57
TOTAL II	341,313,868.05	-	341,313,868.05	312,973,223.51
III OPERATING INCOME (I-II)	-	-	-33,404,087.91	-45,845,001.53
IV FINANCIAL PRODUCTS				
. Income from equity securities and				
other investments	-	-	-	-
. Foreign exchange gains	115,079.10	-	115,079.10	201,047.70
. Interest and other financial products	276,765.41	-	276,765.41	1,062,482.13
. Financial times, transfers				
charges	-	-	-	1,868.61
TOTAL IV	391,844.51	-	391,844.51	1,265,398.44
V FINANCIAL CHARGES				
. Interest expense	18,031,538.27	-	18,031,538.27	22,805,078.20
. Leasing charges	-	-	-	-
. Losses	9,846,936.83	-	9,846,936.83	423,113.03
. Other financial expenses	-	-	-	-
. financial allocations	578,853.39	-	578,853.39	64,754.16
TOTAL V	28,457,328.49	-	28,457,328.49	23,292,945.39

VARUN BEVERAGES MOROCCO S.A

PROFIT & LOSS (EXCLUDING TAXES) (NORMAL PATTERN)

FROM 01-01-2015 TO 31-12-2015

(Fig. in MAD)

NATURE	OPERATIONS		TOTAL FOR THE YEAR	TOTAL FOR THE PRECEDING YEAR
	RELATING TO THE YEAR	FOR EARLIER YEARS		
	1	2	3=1+2	4
VI FINANCIAL RESULTS (IV - V)			-28,065,483.98	-22,027,546.95
VII CURRENT INCOME (III + VI)			-61,469,571.89	-67,872,548.48
VII PROFIT (reports)			-61,469,571.89	-67,872,548.48
VIII NON-CURRENT ACCRUALS				
. Proceeds from sale of capital	11,699.99	-	11,699.99	7,099,996.70
. Balancing subsidy	-	-	-	-
. Reversal of capital grants	2,324,567.80	-	2,324,567.80	2,324,567.80
. Other non-current	3,607,106.49	-	3,607,106.49	-
. Non-current times, transfers charges	-	-	-	-
TOTAL VIII	5,943,374.28		5,943,374.28	9,424,564.50
IX NON-RECURRING EXPENSES				
. Net value of depreciation assets sold	359,406.58	-	359,406.58	6,660,658.65
. grants	-	-	-	-
. Other non-current expenses	2,776,759.70	-	2,776,759.70	148,410.22
. Allocations to non-current amortization and provisions	-	-	-	-
TOTAL IX	3136,166.28		3,136,166.28	6,809,068.87
X Non-operating income (VIII-IX)	2807,208.00		2,807,208.00	2,615,495.63
XI PROFIT BEFORE TAXES (+ VII - X)			-58,662,363.89	-65,257,052.85
XII CORPORATE INCOME TAX			1,287,370.00	1,346,620.00
XIII NET (XI-XII)			-59,949,733.89	-66,603,672.85
XIV TOTAL INCOME				
(I + IV + VIII)			314,244,998.93	277,818,184.92
XV TOTAL EXPENSES				
(II + V + IX + XII)			374,194,732.82	344,421,857.77
XVI NET				
(total revenue - total expenses)			-59,949,733.89	-66,603,672.85

1) Change in inventories: ending inventory - beginning inventory, increase (+), decrease (-)

2) Purchases resold or consumed, s: Purchasing - changes in stocks

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

AUDITOR'S REPORT TO THE SHAREHOLDERS OF VARUN BEVERAGES LANKA (PRIVATE) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Varun Beverages Lanka (Private) Limited ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("Group") which comprise the statement of financial position as at 31st December 2015 and the statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give true and fair view in accordance with Sri Lanka Accounting Standard for Small and Medium sized Entities (SLFRS for SME's), and for such internal controls as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As stated in Note 2.1.1 'Basis of preparation', the Company deviates from the local accounting standards, SLFRS for SMEs in the following three instances to be in line with the group accounting policies.

1. As disclosed in note 10.1 to the financial statements, borrowing cost incurred to acquire property, plant and equipment in 2013 has been capitalized during the said period in these financial statements; this practice is not in compliance with the requirements of Section 25 of the SLFRS for SMEs. Accordingly, the total comprehensive income for the year 2015 is understated by Rs.13.7 million in respect of the depreciation charged on the capitalized borrowing cost.

Further, borrowing cost capitalized during the period 2013 include net exchange loss of Rs. 83.5 million that arose due to conversion of monetary assets and liabilities into presentation currency at the project capitalization date.

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

2. As discussed in note 15 to the financial statements, the Company's zero rated redeemable preference shares, carried at the cost of Rs. 908.4 million is accounted under equity. According to Section 22 of SLFRS for SMEs, this instrument should initially be measured at fair value of the future cash payments which amounts to Rs. 412.3 million. The difference of Rs. 496 million should be classified under equity. Accordingly, equity is overstated by Rs. 412.3 million in the years 2011, 2012, 2013 and 2014 and in 2015, since 2,271,000 shares have been redeemed the equity is overstated by Rs. 285.7 million. The profit for the year and retained earnings as of 31st December 2015 is overstated by Rs. 88.9 million and Rs. 372.8 million respectively, due to the non-recognition of interest expense on the liability component of the redeemable preference shares.

Further the Company has issued zero rated redeemable preference shares twice during the year and recorded same at the cost of Rs. 745.7 million under equity. According to Section 22 of SLFRS for SMEs, these instruments should initially be measured at fair value of the future cash payments which amounts to Rs. 424 million. The difference of Rs. 321.5 million should be classified under equity. Accordingly, equity is overstated by Rs. 424 million in the year 2015 and the profit for the year is overstated by Rs. 20.7 million, due to the non-recognition of interest expense on the liability component of these redeemable preference shares.

3. Exchange loss of Rs.154.5 million as of 31st December 2015 on conversion of the US \$ loan into LKR, has been capitalized under Building and Plant & Machinery. This is not in compliance with Section 17 and 30 of the SLFRS for SMEs. As a result the Building and Plant & Machinery is overstated and the total comprehensive income is overstated by the said amount.

Qualified Opinion

In our opinion, except for the effects of the matters referred to in the preceding paragraphs (1), (2) and (3) in the basis for qualified opinion, the consolidated financial statements present fairly, in all material respects of the financial position of Varun Beverages Lanka (Pvt.) Ltd., as at 31st December 2015, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium Sized Entities (SLFRS for SME's).

Report on Other Legal Requirements

As required by Section 163(2) of the Companies Act No. 07 of 2007, we state the following;

- a) The basis of opinion, scope and limitations of the audit are as stated above.
- b) In our opinion:
- Except for the above matters discussed in paragraphs (1) to (3), we have obtained all the information and explanations that were required for the audit and so far as appears from our examination, proper accounting records have been kept by the Company,
 - The financial statements of the Company and the Group give a true and fair view of its financial position as at 31st December 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standard for Small and Medium Sized Entities (SLFRS for SME's).
 - The financial statements of the Company, and the Group comply with the requirements of Sections 151 and 153 of the Companies Act.

SJMS ASSOCIATES
Chartered Accountants
Colombo

16th February 2016

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Note	Company Year Ended 31.12.2015	Group Year Ended 31.12.2015	Company Year Ended 31.12.2014	Group Year Ended 31.12.2014
Revenue	4	583,468,488	3,177,564,570	305,682,809	2,467,073,388
Cost of sales	5	(464,353,917)	(2,039,307,240)	(300,614,519)	(1,716,178,979)
Gross profit		119,114,571	1,138,257,330	5,068,290	7,508,94,409
Other income	6	460,906,068	251,768,198	402,178,540	2,325,52,403
		580,020,639	1,390,025,528	407,246,830	983,446,812
Less: Expenditure					
Administrative expenses		(204,069,428)	(264,322,351)	(199,789,048)	(238,944,435)
Selling and distribution expenses		(307,624,084)	(1,128,680,814)	(311,250,466)	(709,118,006)
Profit/(loss) from operations		68,327,127	(2,977,638)	(103,792,684)	35,384,370
Finance and other costs	8	(283,924,628)	(415,168,110)	(312,478,292)	(417,310,896)
Profit/(loss) before tax	7	(215,597,501)	(418,145,748)	(416,270,976)	(381,926,526)
Income tax expense/(reversal)	9	(13,572,560)	(24,202,806)	(1,477,893)	(27,624,552)
Profit/(loss) for the year		(229,170,061)	(442,348,554)	(417,748,869)	(409,551,078)
Other Comprehensive income/(expense)		-	-	-	-
Actuarial gain/(loss) on employee benefit obligations		409,391	784,408	4,751,471	12,207,821
Total Comprehensive income/(expense) for the year		(228,760,670)	(441,564,146)	(412,997,398)	(397,343,257)
Attributable to :					
Owners of the parent		(228,760,670)	(441,564,146)	(412,997,398)	(397,343,257)
Non-controlling interest		(228,760,670)	(441,564,146)	(412,997,398)	(397,343,257)

The accounting policies and notes from 01 to 26 form an integral part of these financial statements.

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2015

(Fig. in LKR)

	Note	Company Year Ended 31.12.2015	Group Year Ended 31.12.2015	Company Year Ended 31.12.2014	Group Year Ended 31.12.2014
ASSETS					
Non Current Assets					
Property, plant and equipment	10	3,271,791,530	5,150,797,556	3,275,305,998	5,055,360,659
Capital work-in-progress	11	-	-	-	4,234,649
Deferred tax asset	9.1	-	60,405,855	-	69,690,340
		<u>3,271,791,530</u>	<u>5,211,203,411</u>	<u>3,275,305,998</u>	<u>5,129,285,648</u>
Investment in subsidiary - Ole Springs Bottlers (Pvt.) Ltd.		1,116,373,170	-	1,116,373,170	-
Current Assets					
Inventories	12	170,979,543	484,211,273	136,239,367	404,328,468
Trade and other receivables	13	510,673,056	1,323,529,880	371,502,525	1,450,554,678
Amounts due from related parties	23	51,710,382	51,710,381	129,861,137	9,173,393
Cash and cash equivalents	14	34,751,220	64,427,405	4,842,838	18,611,929
		<u>768,114,201</u>	<u>1,923,878,939</u>	<u>642,445,867</u>	<u>1,882,668,468</u>
Total Assets		<u>5,156,278,901</u>	<u>7,135,082,350</u>	<u>5,034,125,035</u>	<u>7,011,954,116</u>
Equity and Liabilities					
Equity					
Stated capital	15	1,994,807,600	1,994,807,600	1,476,150,000	1,476,150,000
Retained earnings		(319,298,814)	(314,664,228)	(90,538,143)	126,899,918
Total Equity		<u>1,675,508,786</u>	<u>1,680,143,372</u>	<u>1,385,611,857</u>	<u>1,603,049,918</u>
Non Current Liabilities					
Deposit payable	16	5,425,854	338,788,721	-	311,035,314
Borrowings	17	1,273,099,155	1,421,852,704	1,726,527,474	1,726,527,474
Retirement benefit obligations	18	6,002,302	68,457,012	3,743,209	58,556,600
Lease creditors	19	-	-	-	-
		<u>1,284,527,311</u>	<u>1,829,098,437</u>	<u>1,730,270,683</u>	<u>2,096,119,388</u>
Current Liabilities					
Borrowings	20	1,253,067,912	2,182,165,074	878,559,193	1,661,464,474
Lease creditors	19	-	-	2,692,841	2,692,841
Trade and other payables	21	139,385,857	589,027,215	458,458,430	774,612,320

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2015

(Fig. in LKR)

	Note	Company Year Ended 31.12.2015	Group Year Ended 31.12.2015	Company Year Ended 31.12.2014	Group Year Ended 31.12.2014
Amounts due to related parties	23	512,350,048	290,629,921	133,947,721	183,426,608
Bank overdraft	22	291,438,987	564,018,331	444,584,310	690,588,567
Total Current Liabilities		2,196,242,804	3,625,840,541	1,918,242,495	3,312,784,810
Total Equity and Liabilities		5,156,278,901	7,135,082,350	5,034,125,035	7,011,954,116

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

Vishal Jain

Finance Controller

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board

Ajay Kumar Bhartia
Director

Vishal Jain
Director

Date: 16th February 2016

Date: 16th February 2016

The accounting policies and notes from 01 to 26 form an integral part of these financial statements.

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2015 (Fig. in LKR)

	Stated Capital	Retained Earnings	Total
Company			
Balance as at 01.01.2014	1,476,150,000	322,459,255	1,798,609,255
Profit/(loss) for the year	-	(417,748,869)	(417,748,867)
Other comprehensive income/(loss) for the year	-	4,751,471	4,751,471
Balance as at 31.12.2014	1,476,150,000	(90,538,143)	1,385,611,858
Balance as at 01.01.2015	1,476,150,000	(90,538,143)	1,385,611,857
Preference shares issued	745,757,600	-	745,757,600
Preference shares redeemed	(227,100,000)	-	(227,100,000)
Profit/(loss) for the year	-	(229,170,061)	(229,170,061)
Other comprehensive income/(loss) for the year	-	409,391	409,391
Balance as at 31.12.2015	1,994,807,600	(319,298,814)	1,675,508,786
Group			
Balance as at 31.12.2013	1,476,150,000	524,243,174	2,000,393,174
Total comprehensive income for the period			
Profit/(loss) for the year	-	(409,551,078)	(409,551,078)
Other comprehensive income	-	12,207,821	12,207,821
Balance as at 31.12.2014	1,476,150,000	126,899,918	1,603,049,918
Preference shares issued	745,757,600	-	745,757,600
Preference shares redeemed	(227,100,000)	-	(227,100,000)
Profit/(loss) for the year	-	(442,348,554)	(442,348,554)
Other comprehensive income/(loss) for the year	-	784,408	784,408
Balance as at 31.12.2015	1,994,807,600	(314,664,228)	1,680,143,372

The accounting policies and notes from 01 to 26 form an integral part of these financial statements.

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Company 31.12.2015	Group 31.12.2015	Company 31.12.2014	Group 31.12.2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating profit/ (loss) before Interest and Taxation	68,327,127	(2,977,638)	(103,792,684)	35,384,370
Adjustment for:				
Depreciation	274,872,693	393,564,718	261,713,052	378,019,339
Gain/(loss) on disposal of property, plant and equipment	-	(67,745)	-	(11,607)
Provision for bad and doubtful debt	95,137	10,970,601	-	-
Trade equipment damaged	1,597,471	8,873,416	-	5,030,579
Provision for gratuity	2,668,484	11,589,208	2,348,716	10,505,077
Operating profit before working capital changes	347,560,912	421,952,561	160,269,084	428,927,757
Working Capital Changes				
(Increase)/decrease in inventories	(34,740,175)	(79,882,805)	(32,243,594)	(66,373,383)
Increase/ (decrease) in amounts due from related party	78,150,755	107,203,313	186,554,131	122,125,082
(Increase)/decrease in amounts due to related parties	378,402,327	(42,536,988)	72,646,195	(11,593,926)
(Increase)/decrease in accounts receivable	(139,265,668)	114,411,540	(6,163,256)	(412,848,378)
Increase/(decrease) in accounts payable	(313,646,719)	(157,831,699)	129,370,342	259,785,999
Cash generated from/ (used in) operations	316,461,432	363,315,922	510,432,902	320,023,152
Income tax paid	(13,572,560)	(13,275,665)	(1,477,893)	(7,340,676)
Interest paid	(283,741,288)	(414,984,770)	(3,119,27,143)	(416,759,746)
Gratuity paid	-	(904,388)	-	(2,380,166)
Cash flows from operating/ (used in) activities	19,147,584	(65,848,901)	197,027,866	(106,457,436)
Cash Flows from Investing Activities				
Acquisition of property, plant and equipment	(385,724,971)	(493,640,391)	(152,776,946)	(155,077,737)
Expenditure on capital work in progress	-	-	-	(258,375)
Proceeds on sale of property, plant and equipment	112,769,274	67,745	-	11,607
Disposal of Investment	-	-	-	-
Net cash used in investing activities	(272,955,697)	(493,572,646)	(152,776,946)	(155,324,504)

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Company 31.12.2015	Group 31.12.2015	Company 31.12.2014	Group 31.12.2014
Cash Flows from Financing Activities				
Net borrowings	(78,919,601)	216,025,840	(370,920,402)	17,124,550
Share issue	745,757,600	745,757,600	-	-
Share reduction	(227,100,000)	(227,100,000)	-	-
Lease payments	(2,876,181)	(2,876,181)	(3,137,653)	(3,137,652)
Net cash flow from investing activities	436,861,818	731,807,259	(374,058,055)	13,986,898
Net increase/decrease in cash and cash equivalents	183,053,706	172,385,712	(329,807,134)	(247,795,043)
Cash and cash equivalents at the beginning of the period	(439,741,473)	(671,976,638)	(109,934,339)	(424,181,595)
Cash & cash equivalents at the end of the year (Note 14, 22)	(256,687,768)	(499,590,926)	(439,741,473)	(671,976,638)
Analysis of cash and cash equivalents at the end of the year				
Cash in hand and cash at bank	34,751,219	64,427,405	4,842,837	18,611,929
Bank overdraft	(291,438,987)	(564,018,331)	(444,584,310)	(690,588,567)
	(256,687,768)	(499,590,926)	(439,741,473)	(671,976,638)

The accounting policies and notes from 01 to 26 form an integral part of these financial statements.

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

1. General

1.1 Reporting Entity

Varun Beverages Lanka (Private) Limited (the “Company”) is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office of the Company and the principal place of business is located at No.140, Low Level Road, Embulgama, Ranala.

1.2 Principal Activities and Nature of Operations

The principle activity of the Company is to manufacture and sell Agro Processing Beverages and Mineral water.

1.3 Parent and Ultimate Parent Enterprises

The Company’s parent undertaking is Varun Beverages Limited and in the opinion of the Directors, the Company’s ultimate parent undertaking is RJ Corp Limited. Both intermediate parent and ultimate parent are incorporated in India.

1.4 Date of Authorization for Issue

The financial statements were approved for issue by the Board of Directors on 16th February 2016.

2.1.1 Basis of Preparation and Summary of Significant Accounting Policies

These consolidated financial statements have been prepared in compliance with the Sri Lanka Accounting Standard for Small and Medium-Sized Entities (SLFRS for SMEs) laid down by The Institute of Chartered Accountants of Sri Lanka except for Notes 2.2.1, 2.4.1 and 2.7.2. These three policies which deviate from SLFRS for SMEs, are adopted to be in line with group accounting policies. All values presented in these financial statements are in Sri Lankan Rupees (Rs.) rounded to the nearest rupee. The measurement basis used is the historical cost basis.

Previous year’s figures and phrases are rearranged wherever necessary to confirm to the current year presentation.

2.1.2 Going Concern

When preparing the financial statements the Directors have assessed the ability of the Company to continue as a going concern. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future even though the Company has negative net assets during to early stages of the business operations. The Company does not foresee a need for liquidation or cessation of trading, taking into account all available information about the future and accordingly, they continue to adopt the going concern basis in preparing these financial statements.

2.1.3 Consolidation

2.1.3.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date the control ceases.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized is recorded as goodwill.

All intragroup transactions, balances, income and expenses are eliminated on consolidation. Intra-group losses are also eliminated but may indicate an impairment that requires recognition in the consolidated financial statements.

Appropriate adjustments have been made where necessary to ensure consistency with the policies adopted by the group.

2.2 Functional and Presentation Currency

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

2.2.1 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of such transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit or loss.

The Company has capitalized the exchange loss on translation of USD loan into LKR, obtained for property, plant and equipment.

2.3 Revenue

2.3.1 Goods Sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

2.3.2 Other Income

2.3.2.1 Grants

Grants and subsidies are recognized in the financial statements at their fair value. When the grant or subsidy relates to an expense it is recognized as income over the period necessary to match it with the costs, which it is intended to compensate for on a systematic basis.

2.3.2.2 Rent Income

Rent income arise from both related party and third parties are recognized on an accrual basis.

2.4 Expenditure Recognition

Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to revenue in arriving at the profit/ (loss) for the year.

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

2.4.1 Borrowing Costs

The borrowing cost related to property, plant and equipment are capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.5 Leases

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

Rights to assets held under finance leases are recognized as assets of the Company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the commencement of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property, plant and equipment and depreciated and assessed for impairment losses in the same way as owned assets. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

2.6 Income Tax Expense

2.6.1 Company

For a period of six (06) years reckoned from the year of assessment as may be determined by the Board of Investment of Sri Lanka (BOI) ("tax exception period") the provisions of the Inland Revenue Act No. 10 of 2006 relating to the imposition, payment and recovery of income tax in respect of the profits and income of the Enterprise shall not apply to the profit and income of the Enterprise.

For the above purpose the year of assessment shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date of commencement of commercial operations, whichever year is earlier, as specified in a certificate issued by the Board of Investment of Sri Lanka (BOI).

After the aforesaid tax exemption period referred to above, the profits and income of the Enterprise shall be charged at the rate of fifteen per centum (15%).

Deferred Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

2.6.2 Subsidiary

The provision for income tax is based on the elements of income and expenditures as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act. No 10 of 2006 subsequent amendments.

The Company's liability to taxation has been computed in accordance with the provision of the Inland Revenue Act No. 10 of 2006, and amendments thereto.

Tax expense represents the aggregate amount included in profit or loss for the period in respect of the current tax and deferred tax.

Current tax is the amount of income tax payable or refundable in respect of the taxable profit or loss for the current or prior periods.

2.7 Stated Capital

2.7.1 Ordinary shares

Ordinary shares are classified as equity.

2.7.2 Redeemable preference shares

The Company has classified redeemable preference shares into the equity and measured at cost.

2.8.1 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred. Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method is as follows:

Assets	Rate (%)
Computers	25.00
Furniture and Fittings	10.00
Motor Vehicles	14.29
Trade Equipment	12.50
Office Equipment	25.00
Buildings	3.34
Plant and Machinery	4.75
Tools and Equipment	4.75
Bottles and Crates	12.50

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. 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.

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other gains/ (losses) – net' in the statement of comprehensive income.

2.8.2 Capital Work-In-Progress

Capital work-in-progress are carried at cost. In respect of Projects under construction, incidental and attributable expenses (net of incidental income) including interest expenses is carried as part of Incidental Expenditure During Construction to be allocated on major immovable Project Assets other than Land and infrastructural facilities, on commissioning of the Project.

2.9 Investment Property

The group owns a freehold land that is held to earn long-term rental income and for capital appreciation. The property is occupied by the group. Investment property is carried cost less accumulated depreciation and any accumulated impairment losses as the fair value of the building cannot be reliably determined without undue cost or effort due to a lack of reliable evidence about comparable market transaction. The cost represents the historical cost of acquisition.

2.10 Intangible Assets

2.10.1 Computer Software

Purchased computer software is stated at cost less accumulated depreciation and any accumulated impairment losses. It is amortized over its estimated life of five years using the straight-line method. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

2.11 Impairment of Non-Financial Assets

At each reporting date, property, plant and equipment, investment property, intangible assets, and investments in associates are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss for a non-financial asset other than goodwill subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.1 Financial Instruments

Trade and other receivables are initially recognized at the transaction price. All sales are made on the basis of normal credit terms, and the receivables do not bear interest. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

Investment in subsidiary is recognized at cost less impairment losses.

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

Financial liabilities are initially recognized at the transaction price (including transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortized cost using the effective interest method.

3.2 Defined Benefit Plan – Gratuity

Gratuity is a defined benefit plan. In order to meet this liability, a provision is carried forward in the Statement of financial position. The provision is made on the basis of an actuarial valuation as recommended by the Sri Lanka Accounting Standards for SMEs considering the Projected Unit Credit (PUC) method and premium for the year is charge as an expense to the Income Statement in the period which is relate. The fund is not externally funded.

However, as per the Payment of Gratuity Act No. 12 of 1983, the liability arises only upon the completion of five years of continuous service.

3.3 Defined Contribution Plan - EPF & ETF

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the income statement as in the periods during which services are rendered by employees.

Employees' Provident Fund

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

Employees' Trust Fund

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

3.4 Judgments and Key Sources of Estimation Uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

3.5 Events after the reporting Period

All material events after the reporting period are considered and where necessary adjustments have been made in the financial statements.

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Company Year Ended 31.12.2015	Group Year Ended 31.12.2015	Company Year Ended 31.12.2014	Group Year Ended 31.12.2014
4. Revenue				
Local sales	535,266,892	3,637,961,649	271,258,167	2,852,176,723
Export sales	58,852,872	66,745,435	39,873,928	39,873,928
	<u>594,119,765</u>	<u>3,704,707,084</u>	<u>311,132,095</u>	<u>2,892,050,651</u>
Nation Building Tax	(10,651,277)	(71,958,419)	(5,449,286)	(52,161,545)
Excise duty	-	(455,184,095)	-	(372,815,718)
	<u>583,468,488</u>	<u>3,177,564,570</u>	<u>305,682,809</u>	<u>2,467,073,388</u>
5. Cost of Finished Goods Manufactured				
Finished goods at the at the beginning of the year	45,606,250	96,786,671	40,469,960	80,158,566
Finished goods purchase	-	47,191,032	-	41,785,274
Factory cost transferred (Note 5.1)	468,605,813	2,011,881,707	305,750,809	1,691,021,810
Finished goods at the end of the year	(49,858,146)	(116,552,170)	(45,606,250)	(96,786,671)
	<u>464,353,917</u>	<u>2,039,307,240</u>	<u>300,614,519</u>	<u>1,716,178,979</u>
5.1 Factory Cost Transferred				
Raw materials at the beginning of the year	73,312,979	221,861,356	61,126,521	218,333,125
Raw material purchase	342,817,343	1,512,994,360	182,511,442	1,196,651,094
Raw material at the end of the year	(110,558,102)	(285,303,149)	(73,312,979)	(221,861,356)
Raw material consumed	305,572,220	1,449,552,568	170,324,984	1,193,122,862
Production overheads (Note 5.2)	163,033,593	562,329,139	135,425,826	497,898,947
	<u>468,605,813</u>	<u>2,011,881,707</u>	<u>305,750,809</u>	<u>1,691,021,810</u>
5.2 Production Overheads				
Salaries	35,801,884	89,594,464	33,488,330	83,349,451
Wages	8,585,185	20,590,271	4,779,034	9,806,928
Overtime	9,788,563	29,796,888	4,615,692	16,470,037
Bonus	4,540,017	12,321,778	2,793,764	8,650,906
Allowance	2,075,232	2,376,032	1,948,594	2,172,294
Employees' provident fund	4,297,078	10,752,188	4,021,048	10,004,382
Employees' trust fund	1,074,270	2,688,047	1,005,262	2,501,096
Staff welfare	1,141,457	7,699,452	1,537,868	7,531,719
Medical	558,019	1,326,792	537,384	1,635,693
Terminal gratuity	712,989	3,173,573	693,257	3,435,468

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Company Year Ended 31.12.2015	Group Year Ended 31.12.2015	Company Year Ended 31.12.2014	Group Year Ended 31.12.2014
Fuel	10,927,351	47,445,148	13,192,657	47,853,427
Chemicals	11,709,180	39,696,178	8,456,432	36,049,840
Breakages	2,220,075	20,725,142	6,534,093	17,643,779
Lab consumables	-	1,891,961	-	732,504
Lab testing charges	1,559,622	1,559,622	2,159,303	2,159,303
Staff uniforms	-	1,543,150	-	1,316,895
Foreign travelling	1,137,862	1,137,862	683,930	683,930
Electricity	41,978,730	91,760,501	31,891,226	80,902,544
Postage and courier charges	425,965	425,965	589,480	589,480
Telephone	107,635	485,970	183,149	777,096
General insurance	1,504,984	2,871,989	1,186,623	3,315,716
Printing and stationary	458,833	458,833	267,166	267,166
Security charges	2,459,373	12,481,465	2,417,290	11,032,864
Motor vehicle fuel	-	439,772	-	404,127
Depreciation - Factory building	-	5,510,674	-	5,492,386
- Plant and machinery	-	20,362,883	-	20,301,400
- Office equipment	-	7,641	-	7,651
- Furniture and fittings	-	321,841	-	313,838
- Motor vehicles and forklift	-	235,176	-	235,661
- Computers	-	219,969	-	173,501
- Trade equipment	-	-	-	-
- Bottles and crates	-	86,995,701	-	83,903,866
Building repair and maintenance	3,457,126	8,791,225	55,165	5,786,196
Equipment maintenance	16,266,453	36,036,332	11,901,729	31,834,255
Travelling and transport	245,710	245,710	487,350	487,350
Loading charges	-	358,945	-	76,200
	163,033,593	562,329,139	135,425,826	497,898,947

6. Other Income

Exchange gain	5,206,417	6,113,045	3,429,798	3,429,798
Vehicle rent income	2,750,593	2,750,593	3,396,296	3,396,296
Grant from abroad	232,370,096	232,370,096	190,078,152	196,639,663

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Company Year Ended 31.12.2015	Group Year Ended 31.12.2015	Company Year Ended 31.12.2014	Group Year Ended 31.12.2014
Blow molding income	46,828,194	-	29,534,951	-
Administration services income	43,200,000	-	43,200,000	-
Disposal of property, plant and equipment	67,745	67,745	-	11,607
Scrap sales	840,772	8,693,719	2,897,096	6,327,144
Rent income	129,642,252	720,000	129,642,248	21,541,054
Bad debt recover	-	57,144	-	-
Miscellaneous income	-	-	-	796,883
Interest income from banks	-	995,857	-	409,957
	460,906,068	251,768,198	402,178,540	232,552,403

7. Profit/(Loss) before Tax is Stated after charging all Expenses Including the following:

Personnel cost	21,471,890	31,487,481	19,158,273	25,408,011
Defined contribution plan costs - EPF & ETF	1,879,240	868,553	1,661,523	2,388,422
Provision for gratuity	2,294,163	5,733,548	2,100,062	5,318,643
Bonus	1,415,502	2,615,316	3,459,079	4,028,334
Depreciation	274,872,694	393,564,718	261,713,052	378,019,339
Insurance	3,073,240	4,440,245	1,937,980	1,937,980
Auditor's fees	590,539	1,358,289	458,184	1,154,059

8. Finance Cost

Bank overdraft interest	34,215,164	58,489,361	45,178,381	74,316,064
Lease interest	157,665	157,665	561,021	561,021
Lease rental	1,970,000	-	1,320,000	-
Long term loan interest	113,554,256	121,662,582	150,206,243	150,206,243
Short term loan interest	36,832,062	120,863,999	22,489,702	89,494,991
Bank charges	465,473	7,066,278	1,155,936	6,227,788
Vehicle loan interest	14,034,495	14,034,495	15,686,467	15,686,467
Bank guarantee fee	62,089,597	62,089,597	64,471,832	64,471,832
Exchange loss	20,231,594	24,948,472	11,160,057	11,160,057
Interest on gratuity	374,321	5,855,660	248,654	5,186,434
	283,924,628	415,168,110	312,478,292	417,310,896

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Company Year Ended 31.12.2015	Group Year Ended 31.12.2015	Company Year Ended 31.12.2014	Group Year Ended 31.12.2014
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9. Taxation

Income tax expenses

A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

Deferred tax (Note 9.1)	-	9,284,485	-	16,486,640
Income tax expenses - current year	-	1,642,656	-	3,797,236
Tax payment for previous year	13,572,560	13,275,665	1,477,893	7,340,676
	13,572,560	24,202,806	1,477,893	27,624,552

	Property, plant & equipment	Retirement benefit obligation	Unused tax losses	Total
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9.1 Group

Deferred tax balances

Balance as at 1 st January 2014	(188,020,398)	15,818,192	258,379,186	86,176,980
Recognised in profit or loss	(9,027,277)	(470,442)	(6,988,921)	(16,486,640)
Balance as at 31 st December 2014	(197,047,675)	15,347,750	251,390,265	69,690,340
Recognised in profit or loss	92,707,142	(5,979,543)	(96,012,084)	(9,284,485)
Balance as at 31 st December 2015	(104,340,533)	9,368,207	155,378,181	60,405,855

	Company 31.12.2015	Group 31.12.2015	Company 31.12.2014	Group 31.12.2014
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10. Property, Plant and Equipment

Freehold property, plant and equipment (Note 10.1 and 10.3)

3,271,791,530 5,150,797,556 3,268,643,461 5,048,698,121

Leasehold property, plant and equipment (Note 10.2 and 10.4)

- - 6,662,537 6,662,537

3,271,791,530 5,150,797,556 3,275,305,998 5,055,360,658

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

Description	Balance at the beginning of the year	Additions	Disposals/Write off	Transfers	Balance at the end of the year
10.1 Company					
Freehold Property, Plant and Equipment					
Cost					
Blow molding	129,238,128	-	-	-	129,238,128
Building	767,451,446	54,655,246	-	(294,298)	821,812,394
Computer	7,532,733	985,850	-	(286,588)	8,231,995
Furniture & fittings	2,404,093	359,247	-	-	2,763,340
Machinery and other equipment	1,670,007,572	178,494,883	-	286,588	1,848,789,042
Motor vehicles	157,616,953	1,583,826	-	9,680,000	168,880,780
Office equipment	919,274	1,012,987	-	-	1,932,261
Trade equipment	1,081,109,593	148,907,077	(131,563,277)	-	1,098,453,393
Total	3,816,279,792	385,999,116	(131,563,277)	9,385,702	4,080,101,332
Accumulated Depreciation					
Blow molding	23,509,931	6,126,174	-	-	29,636,105
Buildings	28,222,167	25,585,659	-	(20,153)	53,787,673
Computer	3,023,447	1,543,548	-	(28,382)	4,538,613
Furniture & fittings	256,813	255,556	-	-	512,369
Machinery and other equipment	98,957,059	80,664,175	-	28,382	179,649,616
Motor vehicles	49,806,923	18,100,956	-	4,110,017	72,017,895
Office equipment	455,549	175,982	-	-	631,530
Trade equipment	343,404,442	141,328,091	(17,196,532)	-	467,536,001
Total	547,636,332	273,780,139	(17,196,532)	4,089,864	808,309,803
Written Down Value	<u>3,268,643,461</u>				<u>3,271,791,530</u>

Note: Borrowing cost amounting to Rs. 412,633,912 on the acquisition of property, plant & equipment has been capitalized.

(Fig. in LKR)

Description	Balance at the beginning of the year	Additions	Transfers	Balance at the end of the year
10.2 Company				
Leasehold Property, Plant and Equipment				
Cost				
Motor vehicles	9,680,000	-	9,680,000	-
Total	9,680,000	-	9,680,000	-
Accumulated Depreciation				
Motor vehicles	3,017,463	1,092,554	4,110,017	-
Total	3,017,463	1,092,554	4,110,017	-
Written Down Value	<u>6,662,537</u>			<u>-</u>

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

Description	(Fig. in LKR)				Balance at the end of the year
	Balance at the beginning of the year	Additions	Disposals/Write Off	Transfers	
10.3 Group					
Freehold property, plant and equipment					
Cost					
Land	970,795,875	-	-	-	970,795,875
Buildings	855,956,111	57,599,064	-	(294,298)	913,260,877
Blow molding	129,238,128	-	-	-	129,238,128
Computers	32,126,202	3,681,150	-	(286,588)	35,520,764
Furniture & fittings	12,282,688	496,979	-	-	12,779,668
Motor vehicles	180,753,782	1,583,826	-	9,680,000	192,017,608
Machinery and other equipment	1,670,007,572	178,494,883	-	286,588	1,848,789,042
Office equipment	7,181,854	1,487,436	-	-	8,669,290
Plant & machinery	413,307,018	7,500,152	-	-	420,807,170
Tools & equipment	5,886,844	80,258	-	-	5,967,102
Trade equipment	2,249,954,956	247,225,430	(21,518,078)	-	2,475,662,308
Total	6,527,491,030	498,149,177	(21,518,078)	9,385,702	7,013,507,832

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

Description	(Fig. in LKR)				Balance at the end of the year
	Balance at the beginning of the year	Additions	Disposals/Write Off	Transfers	
Accumulated Depreciation					
Buildings	52,474,477	32,096,199	-	(20,153)	84,550,523
Computers	27,083,875	2,203,455	-	(28,382)	29,258,949
Blow molding	23,509,931	6,126,174	-	-	29,636,105
Furniture & fittings	7,688,804	749,666	-	-	8,438,470
Motor vehicles	70,517,691	18,806,688	-	4,110,017	93,434,396
Machinery and other equipment	98,957,059	80,664,175	-	28,382	179,649,616
Office equipment	6,303,939	399,652	-	-	6,703,591
Plant & machinery	59,327,950	20,362,883	-	-	79,690,832
Tools & equipment	5,555,664	29,422	-	-	5,585,086
Trade equipment	1,127,373,520	231,033,850	(12,644,662)	-	1,345,762,708
Total	1,478,792,910	392,472,164	(12,644,662)	4,089,864	1,862,710,275

Net book value

At cost 5,048,698,120

5,150,797,556

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

Description	Balance at the beginning of the year	Additions	Transfers	Balance at the end of the year
10.4. Group				
Leasehold Property, Plant and Equipment				
Cost				
Description				
Motor vehicles	9,680,000	-	(9,680,000)	-
Plant & machinery	-	-	-	-
Total	9,680,000	-	(9,680,000)	-
Accumulated Depreciation				
Description				
Motor vehicles	3,017,463	1,092,554	(4,110,017)	-
Plant & machinery	-	-	-	-
Total	3,017,463	1,092,554	(4,110,017)	-
Written Down Value	6,662,537			-
11. Capital Work-In-Progress				
11.1 Company				
Description				
Buildings	-	-	-	-
	-	-	-	-
11.2 Group				
Description				
Buildings	4,234,649	-	(4,234,649)	-
	4,234,649	-	(4,234,649)	-

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Company 31.12.2015	Group 31.12.2015	Company 31.12.2014	Group 31.12.2014
12. Inventories				
Finished goods	49,858,146	116,552,170	45,606,250	96,786,670
Raw materials	82,923,573	185,283,233	50,722,145	134,003,821
Semi finish goods	-	-	-	-
Packing materials	27,634,529	100,019,915	22,590,834	87,857,535
Chemicals and fuel	6,794,096	19,329,035	4,868,913	16,898,455
Goods in transit	-	8,606,917	5,622,681	23,473,745
Spare parts	3,769,198	54,420,003	6,828,544	45,308,241
	170,979,543	484,211,273	136,239,367	404,328,468

13. Trade and Other Receivables

Trade debtors	70,027,771	524,160,884	46,565,759	683,034,559
Less: Impairment provision for trade debtors	(95,137)	(12,833,168)	-	(1,862,567)
	69,932,634	511,327,716	46,565,759	681,171,993
Bottle deposit -Others	-	290,393,751	-	300,013,820
Other receivables	175,141,810	184,789,848	33,429,946	121,257,389
Turnover tax receivables	-	-	-	8,013,228
Deposits and prepayments	10,333,855	28,707,203	9,850,586	19,432,189
VAT receivable	252,513,066	275,408,691	279,959,593	295,332,755
Staff loans and festival advances	897,541	1,618,355	1,060,785	2,011,774
Income tax and Economic Service Charge receivables	1,854,151	31,284,316	635,856	23,321,530
	510,673,056	1,323,529,880	371,502,525	1,450,554,677

	Company 31.12.2014	Group 31.12.2014	Company 31.12.2013	Group 31.12.2013
14. Cash and Cash Equivalentents				
State Bank of India-Colombo -01	-	-	1,780,473	1,780,473
Standard Chartered Bank-FCBU	30,664,713	30,664,713	2,865,753	2,865,753
AXIS Bank -DBU	4,086,507	5,931,028	196,612	196,612
Hatton National Bank - Kaduwela	-	895,089	-	-
Standard Chartered Bank 3- Fort Branch	-	273,139	-	325,356
Saving account	-	26,271,436	-	13,371,640
Cash in hand	-	392,000	-	72,096
	34,751,220	64,427,405	4,842,838	18,611,929

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

		Company 31.12.2015	Group 31.12.2015	Company 31.12.2014	Group 31.12.2014
15. Stated Capital					
Issued and Fully Paid					
Ordinary shares					
Varun Beverages Limited	No. of Shares				
Ordinary shares	56,775,000	56,775,000	567,750,000	567,750,000	567,750,000
Redeemable preference shares	14,270,576	1,427,057,600	1,427,057,600	908,400,000	908,400,000
		<u>1,994,807,600</u>	<u>1,994,807,600</u>	<u>1,476,150,000</u>	<u>1,476,150,000</u>

Note

The Company had issued 9,084,000 zero rated redeemable preference shares, with a par value of 100 Rupees, at zero premium per share, on 6th June 2011. The preference shares will be redeemable in four equal instalments as on 6th of June each year from 2015 to 2018. Accordingly 2,271,000 preference shares have been redeemed in 2015.

The Company has further issued 5,379,966 and 2,077,610 zero rated redeemable preference shares on 15th June 2015 and 21st September 2015 respectively. The preference shares will be redeemable in four equal instalments as on 15th June and 21st September respectively in each year from 2019 to 2022.

The Company classified the total cost of the above zero rated redeemable preference shares under equity.

(Fig. in LKR)

	Company 31.12.2015	Group 31.12.2015	Company 31.12.2014	Group 31.12.2014
16. Deposit Payable				
Bottle deposit payable	5,425,854	319,572,625	-	311,035,314
Cash deposit payable	-	19,216,096	-	-
	<u>5,425,854</u>	<u>338,788,721</u>	<u>-</u>	<u>311,035,314</u>

17. Borrowings

Long term loans

People's Bank	166,433,709	232,825,492	243,420,832	243,420,832
Hatton National Bank PLC	180,940,000	180,940,000	170,620,000	170,620,000
National Development Bank	52,209,451	52,209,451	62,114,691	62,114,691
People's Leasing and finance PLC	36,053,566	36,053,566	45,000,000	45,000,000
Melsta Regal Finance Ltd	22,917,443	22,917,443	-	-
Comercial Bank of Ceylon PLC	-	99,152,350	-	-
Sampath Bank PLC	-	46,874,000	-	-

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Company 31.12.2015	Group 31.12.2015	Company 31.12.2014	Group 31.12.2014
Standard Chartered Bank	1,512,630,000	1,512,630,000	1,821,575,540	1,821,575,540
	1,971,184,169	2,183,602,302	2,342,731,063	2,342,731,063
Short term portion payable within one year	(698,085,015)	(761,749,598)	(616,203,589)	(616,203,589)
Long term portion payable after one year	1,273,099,154	1,421,852,704	1,726,527,474	1,726,527,474

Securities Pledged for Long Term Loans

17.1 People's Bank

Concurrent Mortgage (with HNB Bank) over movable Fixed assets, empties, shells and other assets Corporate Guarantee from Varun Beverages Ltd. Mortgage over property at No. 140, Embulgama, Ranala.

Hatton National Bank Ltd.

Existing Secondary concurrent mortgage bond for Rs. 400 Mn (HNB & PB Rs. 200 Mn each) over immovable property and plant and machinery at Embulgama, Ranala, Corporate guarantee from Varun Beverages Ltd.

National Development Bank- Vehicle loan

Primary Mortgage Over Vehicles, Personal Guarantee from Directors.

People's Leasing-Term Loan

Mortgage Over Vehicles.

Standard Chartered Bank- Term loan

Charge on imported Plant & Machinery & Corporate Guarantee of Varun Beverages Ltd.

Sampath Bank

Loan Agreement for Rs. 50 Mn and Corporate Guarantee from Varun Beverages Lanka (Pvt.) Ltd.

Melsta Regal Finance Ltd

Mortgage Over Husky Machinery Spares

Commercial Bank

Corporate Guarantee of Varun Beverages Lanka (Pvt.) Ltd. for Rs. 125 Mn.

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Company 31.12.2015	Group 31.12.2015	Company 31.12.2014	Group 31.12.2014
18. Retirement Benefit Obligations				
Balance at the beginning of the year	3,743,209	58,556,600	6,145,964	62,639,510
Current service cost	2,294,163	5,733,548	2,100,062	5,318,643
Interest charge for the year	374,321	5,855,660	248,654	5,186,434
	6,411,693	70,145,808	8,494,680	73,144,587
(Gains)/losses arising from changes in actuarial assumptions	(409,391)	(784,408)	(4,751,471)	(12,207,821)
Payments during the year	-	(904,388)	-	(2,380,166)
Balance at the end of the year	6,002,302	68,457,012	3,743,209	58,556,600
The following assumptions were used in determining the post employment benefit obligation.				
Expected future salary increment	9%	9% and 13%	9%	9% and 13%
Discount rate	10%	10%	10%	10%
19. Lease Liability				
Balance at the beginning of the year	2,876,181	2,876,181	6,013,833	6,013,833
Lease obtained during the year	-	-	-	-
Repayments during the year	(2,876,181)	(2,876,181)	(3,137,652)	(3,137,652)
	-	-	2,876,181	2,876,181
Interest in suspense	-	-	(183,340)	(183,340)
	-	-	2,692,841	2,692,841
Payable within one year	-	-	(2,692,841)	(2,692,841)
Payable after one year	-	-	-	-
20. Short Term Borrowings				
People's Bank	50,170,637	271,241,253	59,008,490	276,928,821
Hatton National Bank PLC	37,270,000	193,945,620	49,949,883	230,049,202
Standard Chartered Bank	72,873,490	72,873,490	125,000,000	125,000,000
National Development Bank PLC	-	143,378,156	28,397,231	140,895,782
Sampath Bank PLC	-	32,837,598	-	81,302,160
Accor Developer (Pvt.) Ltd.	394,668,771	394,668,771	-	-
Nations Trust Bank PLC	-	-	-	20,054,036
Melsta Regal Finance Ltd.	-	-	-	25,000,000
Orient Finance PLC	-	85,864,981	-	100,197,550
Accor Industries (Pvt.) Ltd.	-	181,077,829	-	-

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Company 31.12.2015	Group 31.12.2015	Company 31.12.2014	Group 31.12.2014
Softlogic Finance PLC	-	44,527,778	-	45,833,333
Short term portion of long term liability (Note 18)	698,085,015	761,749,598	616,203,589	616,203,589
	1,253,067,912	2,182,165,074	878,559,193	1,661,464,474

21. Trade and Other Payables

Trade payables	18,228,142	255,867,427	1,643,677	216,949,913
Stamp duty	29,600	95,350	23,300	45,375
Excise duty	-	90,071,540	-	64,132,109
Nation building tax	-	1,601,500	2,449,116	2,782,762
Accrued and other payables	10,021,859	129,573,046	13,811,106	13,811,103
Deposit payables	248,147	248,147	283,789	283,789
Other creditors	110,658,109	110,658,109	440,247,440	476,607,268
Bonus payable	200,000	912,096	-	-
	139,385,857	589,027,215	458,458,430	774,612,320

22. Bank Overdraft

Peoples' Bank - Corporate Division	45,654,158	83,459,198	50,465,245	95,899,048
Hatton National Bank PLC - Kaduwela	67,832,554	179,249,666	54,725,051	161,150,635
Standard Chartered Bank-Fort	168,012,557	168,012,557	329,016,435	329,016,435
Peoples' Bank - Hanwella	-	7,852,876	-	22,295,628
Sampath Bank	-	90,246,238	-	71,341,558
National Development Bank	9,939,718	10,952,429	10,377,580	10,885,263
Commercial Bank of Ceylon PLC	-	24,245,367	-	-
	291,438,987	564,018,331	444,584,310	690,588,567

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

22.1 Securities Pledged for Short term Loans and Bank Overdrafts

Facility

a) People's Bank Ltd.	<p>Corporate guarantee from Varun Beverages Ltd., India</p> <p>Secondarily Concurrent Mortgage over property, plant & Machinery for Rs. 200 Mn Concurrent Mortgage over moveable fixed assets and other assets (Empties shells) for Rs.150 Mn</p> <p>Mortgage over property Plant & Machinery and empty bottles at No. 140, Low Level Road, Embulgama, Ranala. Documents of titled of goods shipped, Indemnity of the Company</p>
b) Hatton National Bank	<p>Concurrent mortgage or property No. 140, Low Level Road Embulgama, Ranala for Rs. 367 Mn (People's Bank - Rs.197 Mn, HNB - Rs. 170 Mn) on 1st Pari Passu basis</p> <p>First pari passu charge for Rs. 367 Mn on the immovable Plant & Machinery at No. 140, Low Level Road, Embulgama, Ranala (People's Bank - Rs.197 Mn, HNB - Rs. 170 Mn)</p> <p>Corporate guarantee of Varun Beverages Ltd., India</p> <p>Documents of title of goods. Existing registered primary floating mortgage bond over stock and debtors for 100 Mn at No. 140, Low Level Road, Embulgama, Ranala</p>
c) Standard Chartered Bank	<p>Primary concurrent mortgage over stocks and receivables of Varun Beverages Lanka (Pvt.) Ltd. and Ole Springs Bottlers (Pvt.) Ltd. for Rs. 450 Mn</p> <p>Corporate Guarantee from Varun Beverages Ltd. for Rs. 260 Mn</p>
d) Sampath Bank	<p>Short Term Import loan agreement for Rs. 50 Mn + Overdraft agreement for Rs.100 Mn + Short Term Loan Agreement for Rs. 30 Mn + Hypothecation Bond Over stock and book debts for Rs. 100 Mn + Corporate guarantee of Varun Beverages Lanka (Pvt.) Ltd. for Rs.100 Mn</p>
e) National Development Bank	<p>Primary Mortgage stocks and book debts of Varun Beverages Lanka (Pvt.) Ltd. and Ole Springs Bottlers (Pvt.) Ltd. for Rs. 150 Mn, Personal Guarantee of Director for Rs. 150 Mn</p>
f) Orient Finance PLC	<p>Post Dated cheques, Documents Title of Saloon Cars and Invoice factoring</p>
g) Soft Logic Finance PLC	<p>Mortgage of Machinery worth of Rs. 90 Mn + Corporate Guarantee from Varun Beverages Lanka (Pvt.) Ltd.</p>
h) Commercial Bank	<p>Corporate Guarantee of Varun Beverages Lanka (Pvt.) Ltd. for Rs. 125 Mn</p>

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

23. Related Party Transactions

Identification of Related Parties

Related parties include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

During the year Mr. Ravi Kant Jaipuria , Mr. Vishal Jain, Mr. Ajay Kumar Bhartia and Mr.Tilak de Zoysa were the Directors of the Company.

	Amount due from related parties		Amount due to related parties	
	Company	Group	Company	Group
	31.12.2015	31.12.2015	31.12.2015	31.12.2015
Ole Springs Bottlers (Pvt.) Ltd.	-	-	297,309,561	-
Varun Beverages Ltd.	-	-	215,040,487	290,629,921
Varun Beverages Mozambique Limitada	11,072,018	11,072,018	-	-
Varun Beverages (Zambia) Limited	40,638,364	40,638,363	-	-
	51,710,381	51,710,381	512,350,048	290,629,921

	Amount due from related parties		Amount due to related parties	
	Company	Group	Company	Group
	31.12.2014	31.12.2014	31.12.2014	31.12.2014
Ole Springs Bottlers (Pvt.) Ltd.	120,687,745	-	-	-
Varun Beverages Ltd.	-	-	133,947,721	183,426,608
Varun Beverages Mozambique Limitada	9,173,393	9,173,393	-	-
	129,861,137	9,173,393	133,947,721	183,426,608

During the year, the Company entered into the following transactions with the related parties.

	Sales		Other transactions	
	Year Ended	Year Ended	Year Ended	Year Ended
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Ole Springs Bottlers (Pvt.) Ltd.	386,260,128	148,501,964	(804,257,429)	(346,650,021)
Varun Beverages Mozambique Limitada	14,862,687	13,821,842	-	-
Varun Beverages Ltd.	6,392,050	19,745,053	(81,092,765)	72,646,195
Varun Beverages Zambia Ltd.	44,850,059	6,307,033	-	-
	452,364,925	188,375,892	(885,350,194)	(274,003,826)

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

24. Remuneration to Key Management Personnel

Key management personnel include members of the Board of Directors of the Company and its subsidiaries, and the ultimate parent Company, RJ Corp Limited, India.

There was no compensation paid to key management personnel during the year other than the following:

Name of the Director	Company	Group	Company	Group
	Year Ended 31.12.2015	Year Ended 31.12.2015	Year Ended 31.12.2014	Year Ended 31.12.2014
Directors emoluments	13,281,788	13,281,788	10,583,652	10,583,652
	-	-	-	-

25. Capital Commitments and Contingencies

The Department of Inland Revenue has issued an assessment for income tax filed for the year of assessment 2010/11 of the amount of Rs. 60,675,578/- and the Company has appealed against the assessment and settlement which is still pending.

Sri Lanka Customs has filed a case against Ole Springs Bottlers (Pvt.) Ltd. imposing a penalty of Rs. 11,742,202/- regarding the preform clearance and still trials are in progress.

Estimated amount of the contracts remaining to be executed on capital account not provided for (net of advance) Rs.35,633,063.-

Apart from the above, there were no significant contingent liabilities and capital commitments as at the reporting period end that would require adjustments to/or disclosure in the group financial statements.

26. Events after the Reporting Period End

There were no significant events after the reporting period end which require adjustments to or disclosure in the financial statements.

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

DETAILED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Company Year Ended 31.12.2015	Group Year Ended 31.12.2015	Company Year Ended 31.12.2014	Group Year Ended 31.12.2014
1. Administrative Expenses				
Salaries - staff	20,669,991	28,963,885	19,067,269	23,913,263
Overtime	801,899	2,513,596	91,004	1,494,748
Staff training expenses	-	10,000	-	-
Allowances	-	289,763	-	-
Bonus	1,415,502	2,615,316	1,326,898	1,896,153
Compensation	-	235,915	-	151,950
Tea and fooding	-	1,469,136	-	445,779
Medical expenses	847,769	1,116,574	579,854	579,854
Terminal gratuity	411,640	791,020	394,720	661,235
Employees' provident fund	1,259,140	1,772,710	1,112,149	1,693,668
Employees' trust fund	620,100	868,553	549,374	694,754
Foreign travelling	2,799,939	11,999,545	2,290,295	6,841,277
External auditors' remuneration	590,539	1,358,289	458,184	1,154,059
Internal auditors' remuneration	2,166,693	2,166,693	1,084,352	1,084,352
Telephone	743,790	2,244,946	760,541	2,594,082
Printing and stationery	95,673	4,925,743	55,020	2,331,623
Postage and telegrams	-	339,875	-	206,947
Stamp duty	4,095,288	5,071,648	576,875	1,288,775
Repairs and maintenance - vehicles	189,429	7,639,479	335,720	5,388,745
Depreciation				
- Building	25,585,659	26,614,947	24,772,202	25,798,074
- Furniture and fittings	255,556	427,825	105,597	273,582
- Office equipment	175,982	392,011	127,895	344,186
- Motor vehicle	19,193,510	19,664,066	18,938,268	19,409,795
- Computer	1,543,548	1,983,487	984,095	1,331,098
- Blow molding	6,126,174	6,126,174	6,138,811	6,138,811
- Plant and machinery	80,664,175	80,664,175	78,411,728	78,411,728
Computer maintenance	853,125	2,975,736	9,168,144	10,235,280
Fees and penalties	-	196,172	3,000	1,008,510
Motor vehicle insurance	114,927	550,591	28,654	343,916

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

DETAILED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Company Year Ended 31.12.2015	Group Year Ended 31.12.2015	Company Year Ended 31.12.2014	Group Year Ended 31.12.2014
Staff welfare	4,276,058	4,288,153	2,235,263	2,318,397
Equipment repairs and maintenance	403,889	403,889	3,492,207	3,492,207
Consultancy fee	-	-	-	5,305,305
Rent and accommodation charges	8,563,119	8,563,119	7,822,862	7,822,862
Survey/ valuation fee	328,850	328,850	354,381	354,381
Courier charges	565,035	565,035	282,722	282,722
Legal fee	281,000	1,431,550	762,350	2,122,210
Staff recruitment	114,360	114,360	82,250	82,250
Subscriptions and periodicals	771,467	1,074,491	547,717	960,222
Entertainment	212,735	305,835	25,000	25,000
Electricity charges	445,275	445,275	1,546,823	1,546,823
BOI charges	298,002	298,002	299,185	299,185
Insurance staff	1,568,256	1,568,256	1,937,980	1,937,980
Other allowance to staff	2,164,318	2,164,318	1,361,720	1,361,720
Motor vehicle license fees	108,700	108,700	65,110	65,110
NBT expenses	4,447,303	4,447,303	4,116,743	4,116,743
Professional charges	3,319,353	5,994,707	2,401,820	2,401,820
Accounting charges	-	488,356	-	546,634
Travelling and transport	558,634	1,194,925	142,644	220,744
Other taxes	3,133,244	12,327,231	4,189,850	4,189,850
Other Clearing Charges	309,731	309,731	-	-
Wages	955,071	1,618,850	571,199	571,199
Sundry written off	(200)	(200)	106,523	106,523
Water	25,184	25,184	84,048	84,048
Tax in default	-	101,792	-	2,269,756
Fuel	-	166,770	-	744,500
	204,069,429	264,322,351	199,789,048	238,944,435

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

DETAILED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Company Year Ended 31.12.2015	Group Year Ended 31.12.2015	Company Year Ended 31.12.2014	Group Year Ended 31.12.2014
2. Selling and distribution expenses				
Salaries - staff	58,726,808	71,831,156	48,889,544	52,705,292
Wages	474,265	534,715	7,773,996	9,312,021
Overtime	1,195,307	2,627,898	627,691	1,341,566
Bonus	5,678,473	7,574,178	4,352,899	4,801,131
Employees' provident fund	5,749,562	6,489,466	4,446,894	4,904,784
Employees' trust fund	1,761,484	2,154,615	1,487,967	1,602,439
Medical expenses	1,831,580	2,007,389	1,270,054	1,270,054
Conference and meeting expenses	1,600,528	1,868,830	846,217	846,217
Terminal gratuity	1,169,535	1,768,955	1,012,085	1,221,939
Telephone	2,493,352	2,493,352	1,970,947	1,970,947
Electricity	-	75,791	-	4,906
Printing and stationery	295,039	295,039	202,982	202,982
Sales promotion and discounts	31,304,631	495,309,641	66,943,799	380,055,312
Meals expenses	5,425,689	5,425,689	4,077,981	4,077,981
Direct operation expenses	2,309,955	34,659,371	-	-
Other allowance to staff	8,115,052	14,959,481	8,842,185	8,842,185
Staff Incentive	498,346	17,774,368	-	1,637,299
Rent and accommodation expenses	686,694	686,694	2,651,980	2,651,980
Staff welfare	81,750	87,350	30,000	44,165
Travelling expenses	1,311,514	1,311,514	645,880	645,880
Transport expenses	12,186,174	192,565,030	4,382,111	59,327,709
Foreign travelling	2,095,416	2,095,416	1,815,884	1,815,884
Vehicle Maintenance Expenses	15,859,512	15,859,512	12,125,384	12,125,384
Motor vehicle fuel	-	11,870,269	-	-
Tea and fooding - field expenses	-	12,242,750	-	-
Staff recruitment charges	570,436	570,436	70,000	70,000
Export handling charges	2,643,777	2,867,561	3,538,930	3,572,980
Leakage and breakage	35,978	23,738,692	10,600	8,049,457
Contract outlet expenses	2,100,002	34,705,982	1,000,000	2,183,275
Repair and Maintenance	-	-	-	-
Bad debt write off	-	-	-	135,557

VARUN BEVERAGES LANKA (PRIVATE) LIMITED

DETAILED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Company Year Ended 31.12.2015	Group Year Ended 31.12.2015	Company Year Ended 31.12.2014	Group Year Ended 31.12.2014
Provision for Doubtful Debtors	95,137	10,970,601	-	-
Sundry written off	-	-	-	4,019,041
Depot rent	-	2,986,640	-	350,160
Loading unloading charges	-	-	-	750,000
Trade equipment maintenance	-	4,234,285	-	2,695,717
Depreciation - trade equipment	141,328,091	144,038,149	132,234,456	135,883,761
	307,624,085	1,128,680,814	311,250,466	709,118,006

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Ole Springs Bottlers (Pvt) Ltd, ("the Company"), which comprise the statement of financial position as at 31st December 2015, and the statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standard for Small and Medium sized Entities (SLFRS for SME's), and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility,

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for qualified opinion

As disclosed in Note 13 to the financial statements, the Company's redeemable preference shares, carried at a cost of Rs. 175,544,380, is accounted for under equity. According to Section 22 of the SLFRS for SMEs, this instrument should initially be measured at the fair value of the future cash payments. However, due to the non-availability of the terms and conditions, the impact cannot be quantified.

Qualified Opinion

In our opinion, except for the possible effects arising from the matter referred to in the preceding paragraph, under basis for qualified opinion these financial statements give a true and fair view of the financial position of the Company as at 31st December 2015, and of its financial performance and cash flows for the year then ended in accordance with the Sri Lanka Accounting Standard for Small and Medium-sized Entities (SLFRS for SMEs).

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

- a) The basis of qualified opinion, scope and limitations of the audit are as stated above.
- b) In our opinion:
 - except for above matter referred to in the basis for qualified opinion, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
 - the financial statements of the Company, comply with the requirements of Section 151 of the Companies Act.

SJMS ASSOCIATES
Chartered Accountants
Colombo
16th February 2016

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Note	31.12.2015	31.12.2014
Revenue		2,980,356,210	2,286,339,236
Cost of sales		(2,005,061,167)	(1,569,836,781)
Gross profit		975,295,043	716,502,455
Other income	4	12,502,575	34,071,061
Administrative expenses		(103,452,922)	(82,355,387)
Selling and distribution expenses		(950,698,981)	(527,509,789)
Profit/(loss) from operations	5	(66,354,284)	140,708,340
Finance and other costs	6	(133,213,482)	(106,152,604)
Profit/(loss) before tax		(199,567,767)	34,555,736
Income tax (expense)/reversal	7	(10,630,246)	(26,146,659)
Profit/(loss) for the year		(210,198,013)	8,409,077
Other Comprehensive Income/Expenses			
Actuarial gain on employee benefit obligations, net of tax		375,017	7,456,350
Total Comprehensive Income /(Expenses) for the year		(209,822,996)	15,865,427

The accounting policies and notes from 01 to 22 form an integral part of the financial statements.

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2015

(Fig. in LKR)

	Note	31.12.2015	31.12.2014
ASSETS			
Non Current Assets			
Property, plant and equipment	8	1,501,006,026	1,402,054,659
Investment property	9	378,000,000	378,000,000
Capital work-in progress		-	4,234,649
Deferred tax	7.3	60,405,855	69,690,340
		<u>1,939,411,881</u>	<u>1,853,979,648</u>
Current Assets			
Inventories	10	316,423,508	268,300,401
Trade and other receivables	11	794,483,479	1,069,470,548
Amount due from related parties	20	297,309,553	-
Deposits and prepayments	12	18,373,348	9,581,602
Cash and cash equivalents		29,676,185	13,769,091
		<u>1,456,266,073</u>	<u>1,361,121,642</u>
Total Assets		<u>3,395,677,954</u>	<u>3,215,101,290</u>
EQUITY AND LIABILITIES			
Equity			
Stated capital	13	978,416,450	978,416,450
Retained earnings		145,783,079	355,606,071
Total Equity		<u>1,124,199,529</u>	<u>1,334,022,521</u>
Non Current Liabilities			
Deposits payable	14	333,362,864	311,035,314
Borrowings	15	148,753,550	-
Retirement benefit obligations	16	62,454,712	54,813,393
	-	<u>544,571,126</u>	<u>365,848,707</u>
Current Liabilities			
Borrowings	15	63,664,583	-
Short term loans	17	865,432,579	782,905,279
Trade and other payables	18	449,641,359	316,153,893
Amounts due to related parties	20	75,589,435	170,166,633
Bank overdrafts	19	272,579,343	246,004,257
Total Current Liabilities		<u>1,726,907,299</u>	<u>1,515,230,062</u>
Total Equity and Liabilities		<u>3,395,677,954</u>	<u>3,215,101,290</u>

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

Vishal Jain
Head of Finance

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

Ajay Kumar Bhartia
Director
16th February 2016

Vishal Jain
Director
16th February 2016

The accounting policies and notes from 01 to 22 form an integral part of the financial statements.

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2015

(Fig. in LKR)

	Stated Capital	Retained Earnings	Total
Balance as at 01.01.2014	978,416,450	339,740,644	1,318,157,094
Total comprehensive income for the year			
Profit for the period	-	8,409,081	8,409,081
Other comprehensive Income for the period	-	7,456,350	7,456,350
Balance as at 31.12.2014	978,416,450	355,606,075	1,334,022,525
Total comprehensive income for the year			
Loss for the period	-	(210,198,013)	(210,198,013)
Other comprehensive Income for the period	-	375,017	375,017
Balance as at 31.12.2015	978,416,450	145,783,079	1,124,199,529

The accounting policies and notes from 01 to 22 form an integral part of the financial statements.

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2015 (Fig. in LKR)

	Year Ended 31.12.2015	Year Ended 31.12.2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit/(loss) before interest and taxation	(66,354,284)	140,708,340
Adjustments for:		
Depreciation	118,692,024	116,306,287
Gain on disposal of property, plant and equipment	-	(11,607)
Bottles and crates damaged	7,275,945	5,030,579
Provision for doubtful debts	10,875,464	-
Provision for gratuity	8,920,724	8,156,362
Operating profit before working capital changes	79,409,873	270,189,960
(Increase)/decrease in inventories	(48,123,107)	(34,341,085)
(Increase)/decrease in trade and other receivables	262,468,949	(405,529,889)
(Increase)/decrease in deposits and prepayments	(8,791,746)	(1,155,217)
Increase/(decrease) in intercompany receivables	(297,309,553)	-
Increase/(decrease) in trade and other payables	155,815,016	130,415,654
Increase/(decrease) in intercompany payables	(94,577,198)	(148,669,171)
Cash generated from operations	48,892,234	(189,089,748)
Income tax paid	296,895	(5,862,783)
Interest paid	(133,213,481)	(106,152,604)
Gratuity paid	(904,389)	(2,380,164)
Cash flows from operating activities	(84,928,741)	(303,485,299)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment	(220,684,686)	(2,559,167)
Proceeds on sale of property, plant and equipment	-	11,609
Net cash utilized in investing activities	(220,684,686)	(2,547,558)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings	294,945,435	388,044,949
Net cash utilized in financing activities	294,945,435	388,044,949
Net increase in cash and cash equivalents	(10,667,992)	82,012,092
Cash and cash equivalents at the beginning of the period	(232,235,166)	(314,247,258)
Cash and cash equivalents at the end of the period	(242,903,158)	(232,235,166)
Analysis of cash and cash equivalents at the end of the period		
Cash in hand and cash at bank	29,676,185	13,769,091
Bank overdraft	(272,579,343)	(246,004,257)
	(242,903,158)	(232,235,166)

The accounting policies and notes from 01 to 22 form an integral part of the financial statements.

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST DECEMBER 2015

1. General

1.1 Reporting entity

Ole Springs Bottlers (Pvt) Limited (the “Company”) is a limited liability Company incorporated and domiciled in Sri Lanka. The registered office and the principle place of business is located at 140, Low Level Road, Embulgama, Ranala.

1.2 Principal activities and nature of operations

The Company is engaged in the business of manufacturing, selling and distribution of non-alcoholic beverages.

1.3 Parent and ultimate parent enterprises

The Varun Beverages Lanka (Private) Limited is the parent Company and the Company’s ultimate parent undertaking is RJ Corp Ltd. Intermediate parent and ultimate parent incorporated in Sri Lanka and India respectively.

1.4 Date of authorization for issue

The financial statements were approved for issue by the Board of Directors on 16th February 2016.

2.1 Basis of Preparation and Summary of Significant Accounting Policies

The financial statements have been prepared on a going concern basis and in compliance with the Sri Lanka Accounting Standard for Small and Medium-Sized Entities (SLFRS for SMEs) laid down by The Institute of Chartered Accountants of Sri Lanka except for Note 2.8.2. All values presented in the financial statements are in Sri Lanka Rupees (Rs.) Rounded to the nearest rupee. The measurement basis used is the historical cost basis.

Previous year’s figures and phrases are rearranged wherever necessary to confirm to the current year’s presentation.

2.2 Foreign currency and presentation currency

The financial statements are presented in Sri Lankan rupees, which is the Company’s functional and presentation currency. All financial information presented has been rounded to the nearest rupee, unless otherwise stated.

2.3 Revenue

2.3.1 Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

2.3.2 Interest

Interest income is recognized on an accrual basis.

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

2.3.3 Other gains and losses

Net gains and losses of a revenue nature arising from disposal of plant and equipment and other non-current assets are accounted for in the income statement after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

2.3.4 Others

Other income is recognized on an accrual basis.

2.4 Expenditure recognition

Expenses are recognized in the statement of comprehensive income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency have been charged to revenue in arriving at the profit/ (loss) for the year.

2.5 Leases

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

Rights to assets held under finance leases are recognized as assets of the Company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the commencement of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property, plant and equipment, and depreciated and assessed for impairment losses in the same way as owned assets. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

2.6 Borrowing cost

All borrowing costs are recognized in profit or loss in the period in which they are incurred

2.7.1 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current Tax

The provision for income tax is based on the elements of income and expenditures as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act. No 10 of 2006.

Deferred Tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences). Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.8 Stated Capital

2.8.1 Ordinary shares

Ordinary shares are classified as equity.

2.8.2 Redeemable preference shares

The Company has classified redeemable preference shares as equity and measured of cost.

2.9.1 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The group adds to the carrying amount of an item of property, plant and equipment the cost of replacing parts of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred. Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method is as follows:

Assets	Rate (%)
Computers	25.00
Furniture and Fittings	10.00
Motor Vehicles	14.29
Trade Equipment	12.50
Office Equipment	25.00
Buildings	3.34
Plant and Machinery	4.75
Tools and Equipment	4.75
Bottles and Crates	12.50

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. 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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other gains/ (losses) – net' in the statement of comprehensive income.

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

2.9.2 Investment property

The Company owns a freehold land that is held to earn long-term rental income and for capital appreciation. The property is occupied by the group. Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses as the fair value of the building cannot be reliably determined without undue cost or effort due to a lack of reliable evidence about comparable market transaction. The cost represents the fair value at the transition date.

2.9.3 Impairment of non-financial assets

At each reporting date, property, plant and equipment, investment property and intangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss for a non-financial asset other than goodwill subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss recognized for the asset (or group of related assets) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.1 Financial instruments

Trade and other receivables are initially recognized at the transaction price. All sales are made on the basis of normal credit terms, and the receivables do not bear interest. At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss.

Financial liabilities are initially recognized at the transaction price (including transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortized cost using the effective interest method.

3.2.1 Defined benefit plan – Gratuity

The cost of the defined benefit plan, the gratuity obligation, is determined using the projected unit credit method which involves making assumptions regarding discount rates and future salary increases. Due to the long-term nature of these plans, such estimates are subject to uncertainty. All assumptions are reviewed at each reporting date.

3.2.2 Defined contribution plan - EPF & ETF

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the Income Statement as in the periods during which services are rendered by employees.

Employees' Provident Fund

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

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

Employees' Trust Fund

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

3.3 Judgments and key sources of estimation uncertainty

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

3.4 Inventories

Inventories are measured at the lower of cost and net realizable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale. The costs incurred in bringing the inventories to its present location and condition, are accounted for as follows:

Raw materials - On actual cost on a weighted average basis

Finished goods - Valued at standard cost basis

Other inventories – On actual cost on a weighted average basis

3.5 Events after the reporting period date

All material events after the reporting period date are considered and where necessary adjustments have been made in the financial statements.

3.6 Capital commitments and contingencies

Capital expenditure and contingent liabilities as at the reporting period date are disclosed in the notes to the accounts.

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

Notes to the Financial Statements for the Year Ended 31st December 2015

(Fig. in LKR)

	Year Ended 31.12.2015	Year Ended 31.12.2014
4. Other Income		
Disposal of property, plant and equipment	-	11,607
Scrap sales	7,852,948	3,430,049
Rent income	2,690,000	22,861,054
Miscellaneous Income	-	796,882
Grant from abroad	-	6,561,512
Exchange rate gain	906,627	-
Bad debt Recover reversal	57,144	-
Interest income from saving account	995,857	409,957
	<u>12,502,575</u>	<u>34,071,061</u>

5. Profit/(Loss) before tax is stated after charging all expenses including the following:

Personnel cost	74,815,788	61,273,033
Defined contribution plan costs - EPF & ETF	7,217,133	6,710,233
Provision for gratuity	3,439,385	3,218,581
Bonus	8,981,574	6,426,397
Depreciation	118,692,024	116,306,287
Auditor's fees - audit related	767,750	695,875

6. Finance and Other Costs

Bank overdraft interest	24,274,196	29,137,683
Bank charges	6,600,805	5,071,852
Long term loan Interest	8,108,326	-
Exchange rate loss	4,716,878	-
Trust receipt loan interest	84,031,937	67,005,288
Interest charge gratuity	5,481,339	4,937,781
	<u>133,213,481</u>	<u>106,152,604</u>

7. Taxation

7.1 Income Tax Expense

The components of income tax expense for the periods ended 31st December 2015 and 31st December 2014 are Current taxes on income for the reporting period.

Deferred tax provision/(reversal)	9,284,485	16,486,640
Income tax expense -Current period	198,872	3,797,236
-Deemed dividend tax	1,443,784	-
-Previous year assessed	(296,895)	5,862,783
	<u>10,630,246</u>	<u>26,146,659</u>

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

Notes to the Financial Statements for the Year Ended 31st December 2015

(Fig. in LKR)

	Year Ended 31.12.2015	Year Ended 31.12.2014
7.2 Reconciliation of the total tax charge		
A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:		
Accounting profit/(loss) as per income tax computation	(199,567,767)	34,555,736
Allowable credits	(119,081,267)	(162,290,239)
Non- deductible expenses	180,805,373	146,557,191
Adjusted profit/(loss)	(137,843,660)	18,822,688
Income from trade	-	18,822,688
Interest income	1,092,702	409,957
Tax loss claimed up to 35%	(382,446)	(6,731,426)
Taxable income	710,256	12,501,219
Tax at the applicable tax rate of 28%	198,872	3,500,341

(Fig. in LKR)

	Property, plant & equipment	Retirement benefit obligation	Unused tax losses	Total
7.3 Deferred Tax Balances				
Balance as at 1st January 2014	(188,020,398)	15,818,192	258,379,186	86,176,980
Recognized in profit or loss	(9,027,277)	(470,442)	(6,988,921)	(16,486,640)
Balance as at 31st December 2014	(197,047,675)	15,347,750	251,390,265	69,690,340
Recognized in profit or loss	92,707,142	(5,979,543)	(96,012,084)	(9,284,485)
Balance as at 31st December 2015	(104,340,533)	9,368,207	155,378,181	60,405,855

(Fig. in LKR)

	As At 31.12.2015	As At 31.12.2014
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8. Property, Plant and Equipment

Freehold property, plant and equipment (Note 8.1)	1,501,006,026	1,402,054,659
	<u>1,501,006,026</u>	<u>1,402,054,659</u>

8.1 Freehold property, plant and equipment

(Fig. in LKR)

	Balance as at 01.01.2015	Additions	Disposals/ Write Off	Balance as at 31.12.2015
Land	592,795,875	-	-	592,795,875
Buildings	88,504,665	2,943,817	-	91,448,482
Plant & machinery	413,307,018	7,500,152	-	420,807,170
Office equipment	6,262,580	474,449	-	6,737,029
Furniture & fittings	9,878,595	137,733	-	10,016,328
Computers	24,593,469	2,695,300	-	27,288,769
Trade equipment	321,440,354	76,960,453	-	398,400,807

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

	(Fig. in LKR)			
	Balance as at 01.01.2015	Additions	Disposals/ Write Off	Balance as at 31.12.2015
Tools & equipment	5,886,844	80,258	-	5,967,102
Motor vehicles	23,136,828	-	-	23,136,828
Bottle and crate	847,405,009	134,127,174	(19,769,600)	961,762,583
Total	2,333,211,238	224,919,335	(19,769,600)	2,538,360,973
Accumulated Depreciation				
Buildings	24,252,310	6,510,540	-	30,762,850
Plant & machinery	59,327,950	20,362,883	-	79,690,832
Office equipment	5,848,390	223,671	-	6,072,060
Furniture & fittings	7,431,990	494,110	-	7,926,101
Computers	24,060,428	659,908	-	24,720,336
Trade equipment	318,775,593	2,710,058	-	321,485,651
Tools & equipment	5,555,664	29,422	-	5,585,086
Motor vehicles	20,710,769	705,732	-	21,416,501
Bottle and crate	465,193,485	86,995,701	(12,493,656)	539,695,530
Total	931,156,578	118,692,024	(12,493,656)	1,037,354,947
Net book value	1,402,054,659			1,501,006,026

9. Investment Property

	(Fig. in LKR)		
	Balance as at 01.01.2015	Additions	Balance as at 31.12.2015
Land	378,000,000	-	378,000,000
	378,000,000	-	378,000,000

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

Notes to the Financial Statements for the Year Ended 31st December 2015

(Fig. in LKR)

	As At 31.12.2015	As At 31.12.2014
10. Inventories		
Finished goods	69,885,802	51,391,721
Raw materials	102,359,660	83,281,677
Packing materials	72,385,386	65,266,700
Chemicals and fuel	12,534,939	12,029,542
Spare parts	50,650,805	38,479,697
Goods in transit	8,606,917	17,851,064
	<u>316,423,508</u>	<u>268,300,401</u>
11. Trade and Other Receivables		
Trade debtors	454,133,113	636,468,800
Less: Impairment of trade debtors	(12,738,031)	(1,862,567)
	<u>441,395,082</u>	<u>634,606,234</u>
Bottle deposit	290,393,751	300,013,820
Other receivables	9,648,038	87,827,442
Turnover tax receivables	-	8,013,228
VAT	22,895,627	15,373,161.76
Receivable from CGIR - ESC & Advance tax payment	29,430,165	22,685,674
Staff loans and festival advances	720,814	950,989
	<u>794,483,479</u>	<u>1,069,470,548</u>
12. Deposits and Prepayments		
Deposits and prepayments	18,373,348	9,581,602
	<u>18,373,348</u>	<u>9,581,602</u>
13. Stated Capital	No.of shares	
Fully paid Ordinary Shares	126	1,260
Fully paid Class "A" Ordinary Shares	80,287,081	802,870,810
Fully paid Redeemable Preference Shares	17,554,438	175,544,380
		<u>978,416,450</u>
14. Deposit Payables		
Bottle deposit payable	314,146,769	311,035,314
Cash deposits from dealers	19,216,096	-
	<u>333,362,864</u>	<u>311,035,314</u>
15. Borrowings		
Long term loans		
Sampath Bank	46,874,000	-
People's Bank	66,391,783	-
Commercial Bank	99,152,350	-
	<u>212,418,133</u>	<u>-</u>
Short term portion payable within one year	63,664,583	-
Long term portion payable after one year	<u>148,753,550</u>	<u>-</u>

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

Notes to the Financial Statements for the Year Ended 31st December 2015

(Fig. in LKR)

	As At 31.12.2015	As At 31.12.2014
15.1 Securities pledged for long term loans		
a) People's Bank	Mortgage over property at No.140, Embulgama, Ranala.	
b) Sampath Bank	Loan Agreement for Rs. 50 Mn and Corporate Guarantee from Varun Beverages Lanka (Pvt.) Ltd.	
c) Commercial Bank	Corporate Guarantee of Varun Beverages Lanka (Pvt.) Ltd. for Rs. 125 Mn.	
16. Retirement Benefit Obligations		
Balance at the beginning of the year	54,813,393	56,493,546
Gratuity charge for the year	3,439,385	3,218,581
Interest charge for the year	5,481,339	4,937,781
Payments made during the year	(904,389)	(2,380,164)
Actuarial (gain) / loss	(375,017)	(7,456,350)
Balance at the end of the year	<u>62,454,712</u>	<u>54,813,393</u>
The following assumptions were used in determining the post employment benefit obligation.		
Expected future salary increment	13%	13%
Discount rate	10%	10%
17. Short Term Loans		
People's Bank	221,070,616	217,920,332
Hatton National Bank	156,675,621	180,099,319
Sampath Bank	32,837,598	81,302,160
National Development Bank	143,378,156	112,498,550
Nations Trust Bank	-	20,054,036
Orient Finance	85,864,981	100,197,550
Accor Industries (Pvt.) Ltd.	181,077,829	-
Melsta Regal Finance	-	25,000,000
Softlogic Finance	44,527,778	45,833,333
	<u>865,432,579</u>	<u>782,905,280</u>

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

17.1 Securities pledged for short term loans and bank overdrafts

Name of the bank and nature of the security

a)	Hatton National Bank	Concurrent Mortgage over property No. 140, Low Level Road, Embulgama, Ranala for Rs. 367 Mn (People's Bank Rs. 197 Mn, HNB Rs. 170 Mn) on first pari passu basis.
		First pari passu charge for Rs. 367 Mn on the immovable plant & Machinery at No. 140, Low Level Road, Embulgama, Ranala (People's Bank - Rs. 197 Mn, HNB - Rs. 170 Mn).
		Documents of title of goods. Existing registered primary floating mortgage bond over stock and debtors for 100 Mn at No. 140, low level Road, Embulgama, Ranala.
b)	People's Bank	Mortgage over property plant & Machinery and empty bottles at No. 140, Low Level Road, Embulgama, Ranala. Documents of titled of goods shipped, Indemnity of the Company.
c)	Orient Finance PLC	Post Dated cheques, Documents Title of Saloon Cars and Invoice factoring
d)	National Development Bank	Primary Mortgage stocks and book debts of Varun Beverages Lanka (Pvt.) Ltd. and Ole Springs Bottlers (Pvt.) Ltd. for Rs. 150 Mn, Personal Guarantee of Chairman for Rs. 150 Mn.
e)	Sampath Bank	Short Term Import loan agreement for Rs. 50 Mn + Overdraft agreement for Rs. 100 Mn + Short Term Loan Agreement for Rs. 30 Mn + Hypothecation Bond Over stock and book debts for Rs. 100 Mn + Corporate guarantee of Varun Beverages Lanka (Pvt.) Ltd. for Rs. 100 Mn.
f)	Commercial Bank PLC	Corporate guarantee of Varun Beverages Lanka (Pvt.) Ltd.
g)	Softlogic Finance	Mortgage of Machinery worth of Rs. 90 Mn + Corporate Guarantee from Varun Beverages Lanka (Pvt.) Ltd.

(Fig. in LKR)

	As At 31.12.2015	As At 31.12.2014
18. Trade and Other Payables		
Trade payables	237,639,285	215,306,236
Stamp duty	65,750	22,075
Excise duty	90,071,540	64,132,109
Income tax payable	-	-
Nation building tax	1,601,500	333,646
Accrued and other payables	120,263,283	36,359,827
	<u>449,641,359</u>	<u>316,153,893</u>
19. Bank Overdraft	<u>272,579,343</u>	<u>246,004,257</u>

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

19.1 Securities pledged for short term loans and bank overdrafts

Name of the bank and nature of the security

20. Related Party Transactions

20.1 Identification of related parties

Related parties include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company.

During the year, Mr. Ravi Kant Jaipuria, Mr. Vishal Jain, Mr. Ajay Kumar Bhartia were the Directors of the Company during the year.

20.2 Balance outstanding as at 31st December 2015

(Fig. in LKR)

Related party	Amount due from related parties		Amount due to related parties	
	As At	As At	As At	As At
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Varun Beverages Lanka (Pvt.) Ltd.	297,309,553	-	-	120,687,747
Varun Beverages Limited	-	-	75,589,435	49,478,887
	<u>297,309,553</u>	<u>-</u>	<u>75,589,435</u>	<u>170,166,634</u>

20.3 During the period, the Company entered into the following transactions with the related parties

(Fig. in LKR)

Related party	Goods purchased		Other transactions	
	2015	2014	2015	2014
	Varun Beverages Lanka (Pvt.) Ltd.	386,260,128	148,501,965	(804,257,429)
Varun Beverages Limited	79,422,667	63,502,953	(53,312,119)	(14,024,066)
	<u>465,682,795</u>	<u>212,004,918</u>	<u>(857,569,548)</u>	<u>(360,674,087)</u>

20.4 Remuneration to key management personnel

Key Management Personnel include members of the Board of Directors of the Company and its related companies. There was no compensation paid to key management personnel during the period.

21. Capital Commitments and Contingencies

Sri Lanka Customs has filed a case against the Company imposing a penalty of Rs. 11,742,202/- regarding the preform clearance and the trials are in progress.

Apart from the above, there were no significant contingent liabilities and capital commitments as at the reporting period end that would require adjustments to/or disclosure in the financial statements.

22. Events after the Reporting Period Date

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

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

Detailed Schedule to the Financial Statements for the Year Ended 31st December 2015

(Fig. in LKR)

	Year Ended 31.12.2015	Year Ended 31.12.2014
1. Revenue		
Local sales	3,488,954,885	2,705,867,213
Export sales	7,892,563	-
	<u>3,496,847,448</u>	<u>2,705,867,213</u>
Nation building tax	(61,307,142)	(46,712,259)
Excise duty	(455,184,095)	(372,815,718)
	<u>2,980,356,210</u>	<u>2,286,339,236</u>
2. Cost of Sales		
Finished goods at the beginning of the period	51,391,721	39,688,606
Finished goods purchase	350,464,265	94,699,994
Factory cost transferred (Note 2.1)	1,673,090,983	1,486,839,901
	<u>2,074,946,968</u>	<u>1,621,228,502</u>
Finished goods at the end of the period	(69,885,802)	(51,391,721)
	<u>2,005,061,167</u>	<u>1,569,836,781</u>
2.1 Cost of finished goods manufactured		
Raw materials at the beginning of the period	148,548,377	157,206,604
Raw material purchases	1,299,992,106	1,115,708,540
Raw materials at the end of the year	(174,745,046)	(148,548,377)
Raw materials consumed	<u>1,273,795,437</u>	<u>1,124,366,767</u>
Production overheads (Note 2.2)	399,295,546	362,473,134
	<u>1,673,090,983</u>	<u>1,486,839,901</u>
2.2 Production overheads		
Salaries	53,792,579	49,861,120
Wages	12,005,085	5,027,894
Overtime	20,008,324	11,854,345
Bonus - executives	7,781,760	5,857,142
Allowance	300,800	223,700
Employees' provident fund	6,455,110	5,983,334
Employees' trust fund	1,613,777	1,495,834
Staff welfare	6,557,994	5,993,852
Medical	768,772	1,098,309
Terminal gratuity	2,460,585	2,742,211
Fuel	36,517,797	34,660,770
Chemicals	27,986,998	27,593,408
Breakages	18,505,067	11,109,686
Lab consumables	1,891,961	732,504
Staff uniforms	1,543,150	1,316,895
Electricity	49,781,772	49,011,318
Telephone	378,335	593,947
General insurance	1,367,005	2,129,094

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

Detailed Schedule to the Financial Statements for the Year Ended 31st December 2015

(Fig. in LKR)

	Year Ended 31.12.2015	Year Ended 31.12.2014
Security charges	10,022,092	8,615,573
Motor vehicle fuel	439,772	404,127
Depreciation		
Factory building	5,510,674	5,492,386
Plant and machinery	20,362,883	20,301,400
Office equipment	7,641	7,651
Furniture and fittings	321,841	313,838
Motor vehicles and forklift	235,176	235,661
Computers	219,969	173,501
Bottles and crates	86,995,701	83,903,866
Building repair and maintenance	5,334,099	5,731,043
Equipment maintenance	19,769,879	19,932,525
Loading charges	358,945	76,200
	399,295,546	362,473,134
3. Administrative Expenses		
Salaries - staff	8,293,894	4,845,994
Wages	663,779	-
Overtime	1,711,698	1,403,744
Staff Training expenses	10,000	-
Allowance	289,763	-
Bonus	1,199,814	569,255
Employees' provident fund	513,570	581,519
Employees' trust fund	248,453	145,380
Medical	268,806	-
Staff welfare	12,095	83,134
Terminal gratuity	379,380	266,515
Tea & fooding	1,469,136	445,779
Compensation	235,915	151,950
External auditors' remuneration	767,750	695,875
Telephone	1,501,155	1,833,541
Printing and stationery	4,830,070	2,276,603
Postage and telegrams	339,875	206,947
Stamp duty	976,360	711,900
Depreciation		
- Building	1,029,289	1,025,873
- Furniture and fittings	172,269	167,985
- Office equipment	216,029	216,291
- Motor vehicle	470,556	471,527
- Computer	439,939	347,003
Computer maintenance	2,122,611	1,067,136
Fees and penalties	196,172	1,005,510
Motor vehicle insurance	435,664	315,262
Foreign travelling	9,199,606	4,550,982

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

Detailed Schedule to the Financial Statements for the Year Ended 31st December 2015

(Fig. in LKR)

	Year Ended 31.12.2015	Year Ended 31.12.2014
Expenses for administrative service	43,200,000	43,200,000
Consultancy fee	2,675,354	5,305,305
Legal fee	1,150,550	1,359,860
Subscriptions and periodicals	303,024	412,505
Motor vehicle maintenance and repairs	7,450,050	5,053,024
Motor vehicle fuel	166,770	744,500
Rent and accommodation charges	-	-
Entertainment	93,100	-
Accounting charges	488,356	546,634
Other tax	9,193,987	-
Tax in default	101,792	2,269,756
Travelling and transport	636,291	78,099
	103,452,922	82,355,388
4. Selling and Distribution Expenses		
Salaries - staff	13,104,348	3,815,748
Wages	60,450	1,538,025
Staff welfare	5,600	14,165
Allowance	6,844,429	-
Overtime	1,432,590	713,875
Bonus	1,895,705	448,233
Staff incentives	17,276,022	1,637,299
Employees' provident fund	739,904	457,890
Employees' trust fund	393,130	114,472
Terminal gratuity	599,420	209,855
Medical	175,809	-
Motor vehicle fuel	11,870,268	-
Tea & fooding	12,242,750	-
Direct operation expenses	32,349,416	754,906
Discount and other selling expenses	464,005,009	313,111,513
Depot rent	2,986,640	350,160
Conferences and meetings expenses	268,302	-
Leakage breakage	23,702,713	8,038,857
Bad debt write off	-	135,557
Sundry written off	-	4,019,041
Provision for doubtful debts	10,875,464	-
Trade equipment hire charges	129,642,252	129,642,248
Trade equipment maintenance	4,234,284	2,695,717
Freight expenses	223,784	34,050
Electricity	75,790	-
Transport charges	180,378,855	54,945,598
Contract outlet expenses	32,605,980	1,183,275

OLE SPRINGS BOTTLERS (PRIVATE) LIMITED

Detailed Schedule to the Financial Statements for the Year Ended 31st December 2015

(Fig. in LKR)

	Year Ended 31.12.2015	Year Ended 31.12.2014
Depreciation - Trade equipment	2,710,057	3,649,306
	950,698,981	527,509,789
5. Cash at Bank and Cash in Hand		
Cash at Bank		
Hatton National Bank PLC	895,089	-
Axis Bank	1,844,521	-
Standard Chartered Bank- Fort Branch 3	273,139	325,356
Saving Account - Sampath Bank PLC	26,271,436	13,371,640
	29,284,185	13,696,995
Cash in hand	392,000	72,096
	29,676,185	13,769,091
6. Bank Overdraft		
People's Bank - Hanwella	7,852,876	22,295,628
People's Bank - International	37,805,040	45,433,803
Hatton National Bank - Kaduwela	111,417,111	106,425,585
Sampath Bank - Colombo 02	90,246,238	71,341,558
National Development Bank - Colombo 02	1,012,711	507,684
Commercial Bank Ceylon	24,245,367	-
	272,579,343	246,004,257
7. Accrued and Other Payables		
Electricity	3,421,099	2,522,715
Security	700,000	765,000
Interest	4,133,230	3,436,907
Accrued others	84,470,267	27,475,485
Auditor's remuneration	679,250	600,000
Bonus payable	712,096	-
Claim payable	15,993,263	-
Telephone payable	120,000	105,000
Field expense	3,600,000	-
Wages	1,425,000	-
Unclaimed wages	860,954	625,039
Tax fee	324,996	-
Rent	-	116,720
Staff incentive	3,823,127	712,961
	120,263,283	36,359,827

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