

HARDCASTLE RESTAURANTS PRIVATE LIMITED

DIRECTORS' ANNUAL REPORT 2010-2011

To
The Members,

Your Directors have pleasure in presenting their Report on the working of the Company for the year ended 31st March, 2011 together with the Statements of Accounts for the year ended on that date.

1. FINANCIAL RESULTS

	Year ended 31st March, 2011	Year ended 31st March, 2010
	(Rs.)	(Rs.)
System-wide Sales*	3,904,213,955	2,885,878,014
Franchised Sales* (by Franchisee-operated restaurants)	139,568,646	140,968,246
Sales Turnover (by Company-operated restaurants)	3,764,645,309	2,744,909,768
Other Income	55,442,638	31,420,701
Expenditure	3,436,180,228	2,773,181,595
Profit Before Depreciation and Taxation	383,907,719	3,148,874
Less : Depreciation	196,117,439	192,229,807
Profit / (Loss) After Depreciation	187,790,280	(189,080,933)
Tax Expenses	-	-
Net Profit / (Loss) After Taxation	187,790,280	(189,080,933)
Loss brought forward from last year	(1,617,794,707)	(1,428,713,774)
Loss carried forward to next year	(1,430,004,427)	(1,617,794,707)

*While franchised sales are not recorded as revenue by the Company, Management believes they are important in understanding the Company's performance because these sales are the basis on which the Company calculates and records franchised revenues and are indicative of the financial health of the franchisee base.

In view of the accumulated losses, no dividend is being recommended.



2. OPERATIONS

Your Directors take pleasure in reporting that the Company opened 21 new restaurants ('stores') during the year under review.

It is worth noting that while the Informal Eating Out (IEO) industry grew on average by 20% in 2010-11, the Company grew by 35%. This significantly above-average growth was achieved through a combination of new stores as well as same-store sales growth. (Stores open for over 12 months)

The Company provided value to its customers through attractive pricing and offers. The Company's Happy Price menu provided customers an opportunity to experience brand McDonald's as well keep coming back to celebrate their small joys. With 60% of India's population aged lower than 30 years, your Directors are confident of tapping more and more new customers from this very large customer base to the extent it is present in its markets of West and South India. The fact that brand McDonald's is ranked 6th in the entire world amongst the best brands world-wide, and that McDonald's globally is ranked 10th in the Fortune top 50 most-admired companies in the world add to such confidence.

In an ever-busy world, the Company's customers demand convenience. Your Directors are happy to report that the Company has been able to provide convenience not only by means of new store openings, but also through its business models of home delivery and kiosks, which help take brand McDonald's to where the customers are located.

In 2010-11, the year under review, the Company faced pressures from inflation and increasing food costs, however it maintained prices at reasonable levels, increasing them by just 3.5%. Most of the improvement in profits came from increasing sales and improving efficiencies and productivity. These measures resulted in a favourable swing in profits to the extent of over Rs. 37 crores, comparing 2010-11 with the previous year 2009-10, which is a growth of over 200%.

It is expected that further store openings, the Company's marketing strategies and relentless focus on improving efficiencies will help the company maintain its leadership position in the QSR industry.

During the year under review, the Company took effective steps to improve the levels of Quality, Service, Cleanliness and Value at its stores, and is in the process of intensifying its cost optimisation steps for further aggressive growth.

Effective 16th May, 2010, the status of the Company has changed from a joint venture company to a master franchisee of McDonald's India Private Limited. This has no material or adverse effect on the Company's operations, which continue as before.



3. **DIRECTORS**

During the year under review, Ms Aysel Melbye and Mr Robert Dale Larson ceased to be directors of the Company, and Mr Amit Jatia ceased to be Managing Director of the Company. Your Directors place on record their appreciation of the valuable services rendered to the Company by the aforesaid.

Further, during the year under review, the said Mr Amit Jatia and Ms Smita Jatia were appointed to the Board as Additional Directors, and are eligible to be appointed Directors of the Company at the forthcoming Annual General Meeting. Your Directors commend such appointment for your approval.

4. **AUDITORS**

Members are requested to appoint auditors to hold office from the conclusion of the ensuing Annual General Meeting until the conclusion of the next Annual General Meeting.

5. **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO.**

As no manufacturing activities were carried on during the year under review, there are no particulars to be disclosed under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988. Expenditure in foreign currency amounted to Rs. 11,754,462 and foreign exchange earning was NIL.

6. **PUBLIC DEPOSITS**

The Company did not accept any deposits from the public.

7. **PARTICULARS OF EMPLOYEES.**

Particulars of employees covered by Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are as provided in the Annexure hereto.

8. **EMPLOYEE RELATIONS**

Relations with employees during the year continued to be cordial.

9. **AUDITOR'S REPORT**

Observations as per point (x) of the Annexure to the Auditor's Report are self-explanatory.



10. **DIRECTORS' RESPONSIBILITY STATEMENT:**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, your Directors state as under:

- a. in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. the Directors have selected such accounting policies and applied them consistently and made judgements 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 of the Company for that period;
- c. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting frauds and other irregularities;
- d. the Directors have prepared the annual accounts on a going concern basis.

11. **ACKNOWLEDGEMENTS**

The Board takes this opportunity to express its sincere gratitude to Government, Municipal and other authorities, McDonald's, banks, all associates of the Company and the employees for their valuable support and cooperation.

On Behalf of the Board


B. L. Jatia
Director


Amit Jatia
Director

Place: Mumbai

Date: August 10, 2011



Annexure

Particulars of employees

Name	Age (Years)	Designation	Total Remuneration (Rs)	Qualifications	Total Work Experience (in years)	Date of Commencement of Employment	Previous Employment
Mr Amit Jatia	44	Executive Director & Additional Director; Vice-Chairman	15,703,673	B.B.A (USA)	23	22-Dec-2010 (see note 5 below)	Hardcastle Restaurants Pvt Ltd - Managing Director

Notes:

1. Remuneration includes salary and company's contribution to provident fund.
2. The employment mentioned above is contractual.
3. Mr Amit Jatia is a relative of Mr B. L. Jatia, Director and of Ms Smita Jatia, Additional Director.
4. Nature of duties is indicated by the designation.
5. For the period 8th August, 1995 to 22nd December, 2010, Mr Amit Jatia had been employed as Managing Director of the Company. Prior to that, he had been employed as Managing Director of Houghton Hardcastle (India) Ltd. The current position held by him with the Company has been held by him from 22nd December, 2010 onwards.



Auditors' Report**To****The Members of Hardcastle Restaurants Private Limited**

1. We have audited the attached Balance Sheet of Hardcastle Restaurants Private Limited ('the Company') as at March 31, 2011 and also the Profit and Loss account and the Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956.
 - v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;
 - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;



Hardcastle Restaurants Private Limited
Audit Report for the Year ended March 31, 2011
Page 2 of 5

- b) in the case of the profit and loss account, of the profit for the year ended on that date; and
- c) in the case of the cash flow statement, of the cash flows for the year ended on that date.

S. R. Batliboi & Co.

For S. R. Batliboi & Co.

Firm Registration No.: 301003E

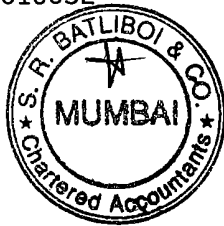
Chartered Accountants

Ravi Bansal

per Ravi Bansal

Partner

Membership No. 49365



Hend Ant
10/8/11

Mumbai

Date: August 10, 2011

Annexure referred to in paragraph 3 of our report of even date**Re: Hardcastle Restaurants Private Limited ('the Company')**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All the fixed assets have not been physically verified by the management during the year, but there is a regular program of verification which, in our opinion is reasonable having regard to the size of the Company and nature of its assets.
- (c) There was no substantial disposal of fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (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 were noticed on physical verification.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, provisions of clause 4(iii) (b), (c) and (d) of the Companies (Auditor's Report) order, 2003 (as amended) are not applicable to the Company.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Hence clause 4(iii) (f) and (g) of the Companies (Auditors Report) Order, 2003 (as amended) are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, 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. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.
- (v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under section 301 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) The Company has not accepted any deposits from the public.



- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) Undisputed statutory dues including sales tax, value added tax, income tax, provident fund, employees' state insurance, service tax, professional tax and other material statutory dues applicable have generally been regularly deposited with the appropriate authorities.
Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, excise duty and custom duty on account of any dispute, are as follows:

Name of the Statute	Nature of Dispute	Amount (Including Penalty)	Period to which amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty demand	44,746,633	2000 - 2006	Central Excise and Service Tax Appellate Tribunal,
Central Excise Act, 1944	Excise Duty demand	319,200	2006	Commissioner (Appeals)
Local Sales Act, VAT Act and Central Sales Tax Act	Sales Tax Demand	4,062,344	2003-04 & 2004-05	Commissioner of Sales Tax
Service Tax Chapter V of the Finance Act, 1994	Service Tax liability	2,449,964	2007-2011	High Court of Bombay

- (x) The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has not incurred cash losses in the current and immediately preceding financial year.



- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks. The company does not have any borrowings from financial institutions or by way of debentures.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment..
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The company has not raised any money through a public issue during the year
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

S.R. Batliboi & Co.

For S.R. Batliboi & Co.

Firm Registration No.:301003E

Chartered Accountants

R. Bansal

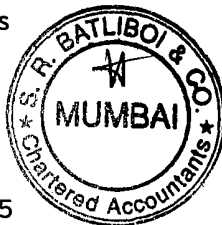
per Ravi Bansal

Partner

Membership No. 49365

Mumbai

Date: August 10, 2011



HARDCASTLE RESTAURANTS PRIVATE LIMITED

BALANCE SHEET

	Schedules	As at March 31, 2011 Rs	As at March 31, 2010 Rs
<u>SOURCES OF FUNDS</u>			
Shareholders' Funds			
Share Capital	1	1,235,000,000	1,235,000,000
Loan Funds			
Unsecured Loans	2	2,375,000,000	1,827,665,171
Total		3,610,000,000	3,062,665,171
<u>APPLICATION OF FUNDS</u>			
Fixed Assets	3		
Gross Block		2,499,399,633	1,968,792,921
Less: Accumulated Depreciation / Amortisation		858,471,000	683,323,115
Net Block		1,640,928,633	1,285,469,806
Capital work in progress including capital advances		149,191,690	113,654,520
		1,790,120,323	1,399,124,326
Long Term Deposits		279,806,619	236,300,994
Investments	4	17,752,106	-
Current Assets, Loans and Advances			
Inventories	5	117,296,680	69,774,848
Cash and Bank Balances	6	391,801,330	21,765,693
Sundry Debtors	7	21,692,969	17,366,965
Loans and Advances & Other Current Assests	8	172,917,307	157,238,628
(A)		703,708,286	266,146,134
Less : Current Liabilities and Provisions			
Current Liabilities	9	566,463,153	421,091,651
Provisions	10	44,928,608	35,609,339
(B)		611,391,761	456,700,990
Net Current Assets (A) - (B)		92,316,525	(190,554,856)
Profit and Loss account		1,430,004,427	1,617,794,707
Total		3,610,000,000	3,062,665,171

Notes to accounts

16

Schedules referred to above and notes to accounts form an intergral part of the Balance Sheet.

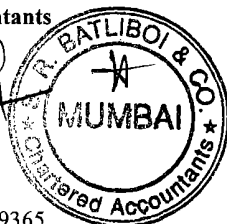
As per our report of even date

S. R. Batliboi & Co.
For S.R. Batliboi & Co.

Firm Registration No. 301003E

Chartered Accountants

R. Bansal
per Ravi Bansal
Partner
Membership No. 49365



For and on behalf of the Board of Directors
Hardcastle Restaurants Private Limited

Amit Jatia
Amit Jatia
Executive Director

B L Jatia
B L Jatia
Director

Dr. Shatadru Sengupta
Dr. Shatadru Sengupta
Company Secretary



Place :- Mumbai
Date :- August 10, 2011

HARDCASTLE RESTAURANTS PRIVATE LIMITED

PROFIT & LOSS ACCOUNT

	Schedules	For the year ended March 31, 2011 Rs	For the year ended March 31, 2010 Rs
Income			
Sales		3,764,645,309	2,744,909,768
Other Income	11	55,442,638	31,420,701
Total		3,820,087,947	2,776,330,469
Expenditure			
Materials Consumed	12	1,637,320,886	1,201,792,675
Personnel Expenses	13	521,084,073	372,629,596
Operating and Other Expenses	14	1,264,010,474	1,081,704,278
Depreciation/ Amortisation	3	196,117,439	192,229,807
Financial Expenses	15	13,764,795	117,055,046
Total		3,632,297,667	2,965,411,402
Profit/(Loss) before Tax		187,790,280	(189,080,933)
Provision for Tax (Refer note 6 of Schedule 16)		-	-
Net Profit/(Loss) after tax		187,790,280	(189,080,933)
Net loss brought forward from previous year		(1,617,794,707)	(1,428,713,774)
Net loss carried to Balance Sheet		(1,430,004,427)	(1,617,794,707)
Earning Per Share			
Basic & Diluted Profit/(Loss) per Share (Rs)		606	(610)
Weighted average number of shares used in computing earning per share		310,000	310,000
Nominal Value per Share (Rs)		1,000	1,000

Notes to accounts

16

Schedules referred to above and notes to accounts form an integral part of the Profit & Loss Account.

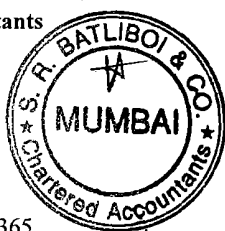
As per our report of even date

S. R. Batliboi & Co.
For S.R. Batliboi & Co.

Firm Registration No. 301003E

Chartered Accountants

R. Bansal
per Ravi Bansal
Partner
Membership No. 49365



Place :- Mumbai
Date :- August 10, 2011

Hemant S. S.
10/8/11

For and on behalf of the Board of Directors
Hardcastle Restaurants Private Limited

Amit Jatia
Amit Jatia
Executive Director

B L Jatia
B L Jatia
Director

Dr. Shatadru Sengupta
Dr. Shatadru Sengupta
Company Secretary



HARDCASTLE RESTAURANTS PRIVATE LIMITED

CASH FLOW STATEMENT

	For the year ended 31 March 2011 Rs	For the year ended 31 March 2010 Rs
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit/ (Loss) before taxation	187,790,280	(189,080,933)
Adjustments for :		
Assets written off	23,230,149	50,804,567
(Profit)/Loss on sale of fixed assets, scrap sold etc	(235,532)	2,960,165
Interest expense	13,764,795	117,055,046
Income from Investments	(24,743,554)	(59,144)
Depreciation	196,117,439	192,229,807
Write back of provisions	-	(592,881)
Unrealised (Gain)/Loss	(93,570)	(166,869)
Operating profit before working capital changes	395,830,007	173,149,758
Movements in Working Capital		
Decrease/(Increase) in inventories	(47,521,832)	9,125,787
Decrease/ (Increase) in Sundry Debtors	(4,326,004)	-
Decrease/ (Increase) in loans and advances	(17,380,315)	22,225,623
(Decrease)/Increase in creditors	151,501,710	171,625,249
(Decrease)/Increase in provisions	7,120,531	4,169,151
Cash generated from operations	485,224,097	380,295,568
Taxes Refund Received / (Taxes Paid)	1,688,965	(4,717,722)
NET CASH FROM OPERATING ACTIVITIES	486,913,062	375,577,846
B CASH FLOW FROM INVESTING ACTIVITIES		
Additions to fixed assets	(608,337,230)	(313,354,642)
Proceeds from sale of fixed assets	440,586	1,803,089
(Decrease)/Increase in creditors for capital goods	(5,024,397)	(4,991,923)
Income from Interest on Fixed Deposits and Others	10,127,221	59,144
Income from Investment in Mutual Funds	14,616,333	-
Investment in Mutual Fund	(1,024,487,637)	-
Proceeds from Mutual Fund	1,006,735,531	-
Investment in Fixed Deposits with Bank (With original maturity of three months or more)	(293,150,000)	-
(Increase)/Decrease in long term deposits	(43,505,625)	(28,545,003)
NET CASH FROM INVESTING ACTIVITIES	(942,585,218)	(345,029,335)
C CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from Inter Corporate Deposits	2,375,000,000	86,515,283
Repayment of Borrowings	(1,827,665,171)	-
Interest paid	(14,777,036)	(117,870,374)
NET CASH USED IN FINANCING ACTIVITIES	532,557,793	(31,355,091)
Net Increase in Cash and Cash Equivalents	76,885,637	(806,580)
Cash and Cash Equivalents at the beginning of the year	21,765,693	22,572,273
Cash and Cash Equivalents at the end of the year	98,651,330	21,765,693
Net Increase in Cash and Cash Equivalents	76,885,637	(806,580)
Components of cash and cash equivalents as at	31 March 2011	31 March 2010
	Rs	Rs
Cash and Bank Balances (as per Schedule 6)	391,801,330	21,765,693
Less: Not Considered as cash and cash equivalents		
Fixed deposit with original maturity of more than three months	293,150,000	-
Cash and Cash equivalent considered above	98,651,330	21,765,693

S. R. Batliboi & Co.

Firm Registration No - 301003E

Chartered Accountants

per Ravi Bansal
Partner
Membership No. 49365Place :- Mumbai
Date :- August 10, 2011For and on behalf of the Board of Directors of
Hardcastle Restaurants Private LimitedAmit Jatia
Executive DirectorB L Jatia
DirectorDr. Shatadru Sengupta
Company Secretary

As at
March 31, 2011
Rs

As at
March 31, 2010
Rs

Schedule 'I'
Share Capital

Authorised Share Capital

315,000 (Previous Year 315,000) Equity Shares of Rs 1,000 each
925,000 (Previous Year 925,000) Cumulative Redeemable Preference Shares
of Rs 1,000 each.

315,000,000
925,000,000

1,240,000,000 **1,240,000,000**

Issued, Subscribed & Paid-up Capital

310,000 (Previous Year 310,000) Equity Shares of Rs 1000 each fully paid up
Of the above 309,650 (Previous Year - 154,750) Equity Shares are held by
Triple A Foods Private Limited, Holding Company

310,000,000 310,000,000

925,000 (Previous Year 925,000) Cumulative Redeemable Preference Shares
of Rs 1,000 each fully paid up
(Refer note - 4 of Schedule 16)

925,000,000 925,000,000

1,235,000,000 **1,235,000,000**

Schedule '2'
Unsecured Loans

From Banks

Bank Overdraft

- 42,665,171

Short Term Loans

- 1,785,000,000

[Due within one year Nil (Previous Year Rs 1,785,000,000)]

From Others

Inter Corporate Deposits

2,375,000,000 -

[Due within one Year Nil (Previous Year Nil)]

2,375,000,000 **1,827,665,171**



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Hardcastle Restaurants Private Limited
Schedules attached to and forming part of the Balance Sheet

Schedule '3'
FIXED ASSETS

	Gross Block (At Cost)				Depreciation / Amortisation				Net Block	
	As on April 1, 2010	Additions during the year	Deductions	As at March 31, 2011	As on April 1, 2010	For the year	Deletion	Upto March 31, 2011	As at March 31, 2011	As at March 31, 2010
TANGIBLE ASSETS										
Lease hold Land	10,495,865	-	-	10,495,865	1,322,794	174,931	-	1,497,725	8,998,140	9,173,071
Building	145,739,281	1,099,593	-	146,838,874	54,409,007	5,520,624	-	59,929,631	86,909,243	91,330,274
Leasehold Improvements	717,593,583	246,860,513	(29,698,236)	934,755,860	187,328,616	57,456,062	(12,093,183)	232,691,495	702,064,365	530,264,967
Restaurant Equipments	700,439,831	213,156,627	(8,134,865)	905,461,593	283,353,406	81,516,572	(5,115,475)	359,754,503	545,707,090	417,086,425
Furniture & Fixtures	138,957,677	55,414,800	(1,908,653)	192,463,824	72,293,620	26,396,661	(1,346,007)	97,344,274	95,119,550	66,664,057
Office Equipments	9,113,137	482,814	(147,224)	9,448,727	4,729,080	1,650,017	(110,519)	6,268,578	3,180,149	4,384,057
Computers	17,794,531	5,205,285	(2,304,370)	20,695,446	11,894,319	3,608,444	(2,304,370)	13,198,393	7,497,053	5,900,212
Motor Vehicles	24,238,410	6,307,058	-	30,545,468	12,669,010	6,735,532	-	19,404,542	11,140,926	11,569,400
INTANGIBLE ASSETS										
Initial Location & Licence Fee	169,019,748	42,536,203	-	211,555,951	28,563,851	9,398,838	-	37,962,689	173,593,262	140,455,897
Computer Software	35,400,858	1,737,167	-	37,138,025	26,759,412	3,659,758	-	30,419,170	6,718,855	8,641,446
TOTAL	1,968,792,921	572,800,060	(42,193,348)	2,499,399,633	683,323,115	196,117,439	(20,969,554)	858,471,000	1,640,928,633	1,285,469,806
Previous Year	1,770,265,749	329,087,534	(130,560,362)	1,968,792,921	591,695,070	192,229,807	(100,601,762)	683,323,115	1,285,469,806	

(figures in Rupees)



As at
March 31, 2011
RsAs at
March 31, 2010
Rs**Schedule '4'****Investments (At cost or market value whichever is lower)**

Non Trade Unquoted Current Investments

274,346 (Previous Year Nil) units of Rs 10 in HDFC Daily Dividend Plan

2,752,106

-

1,500,000 (Previous Year Nil) units of Rs10 in ICICI Prudential Growth Plan

15,000,000

-

17,752,106**-**

Investments purchased and sold during the year:

Particulars**Units****Amount (Rs)**

Reliance Monthly Interval Fund-Series I- Institutional Growth Plan

6,304,830

80,011,743

Reliance Monthly Interval Fund-Series II- Institutional Growth Plan

29,696,054

375,000,000

Reliance Fund Manager IP-Daily Dividend

310,798

311,223,788

Reliance MM- Growth

35,210

45,000,000

HDFC CM- Treasury Advantage Plan - Wholesale -Daily Dividend

14,005,882

140,500,000

HDFC CM- Saving plan- DDP

5,170,922

55,000,000

Schedule '5'**Inventories (at lower of cost and net realisable value)**

Food Items [include goods in transit Rs 2,987,916 (Previous Year Rs 2,485,030)]

52,483,742

30,747,873

Paper

19,992,808

12,818,379

Toys & Premiums

16,792,509

9,474,429

89,269,059

53,040,681

Less : Provision for slow moving Inventory

-

1,542,928

89,269,059

51,497,753

Stores & Spares

13,325,296

9,780,055

Others

14,702,325

8,497,040

117,296,680**69,774,848****Schedule '6'****Cash and bank balances**

Cash on Hand

37,107,152

20,055,072

Balances with Scheduled Banks

- Current Accounts

1,544,178

1,710,621

- Term Deposits

353,150,000

-

391,801,330**21,765,693****Schedule '7'****Sundry Debtors (Unsecured, Considered Good)**

Debt due more than six Months

-

-

Other Debt

21,692,969

17,366,965

21,692,969**17,366,965****Schedule '8'****Loans & Advances & Other Current Assets**

(Unsecured & Considered Good, unless otherwise stated)

Advances recoverable in cash or in kind or for value to be received (Refer Note 23 of Schedule 16)

116,647,478

110,572,946

VAT Credit Receivables

6,459,002

6,459,002

Advances to suppliers

11,208,694

5,108,384

Sundry Deposits (Refer Note 11 of Schedule 16)

22,958,455

23,970,250

Advance Tax (Net of Provision)

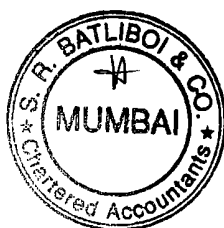
9,426,410

11,128,046

Interest accrued on Fixed Deposit

6,217,268

-

172,917,307**157,238,628**

As at
March 31, 2011
Rs

As at
March 31, 2010
Rs

Schedule '9'

Current Liabilities

Sundry Creditors

a) Total outstanding dues of Micro, Small & Medium Enterprises
(Refer Note 22 of Schedule 16)

b) Total outstanding dues of creditors other than Small Enterprises

Book Over Draft

Interest Accrued but not due on Loans

Other Liabilities

-	-
478,552,360	360,412,814
50,574,736	22,659,582
-	1,012,241
37,336,057	37,007,014
566,463,153	421,091,651

Schedule '10'

Provisions

Provision for Wealth Tax

Provision for Gratuity (Refer Note 14 of Schedule 16)

Provision for Leave Encashment

Provision for Fixed Assets write off

35,740	12,671
15,008,668	11,188,044
8,670,547	5,393,709
21,213,653	19,014,915
44,928,608	35,609,339



Schedule '11'
Other Income

Conducting Fees	5,102,382	6,006,018
Franchising Income	9,271,426	9,186,747
Space Rental	11,172,516	8,064,675
Profit on Sale of Asset (Net)	235,532	-
Scrap Sales	3,154,187	2,401,793
Foreign Exchange Gain (Net)	1,094,413	1,222,344
Dividends Income (Non Trade)	1,796,669	-
Profit on Sale of Investment	12,819,664	-
Interest Income		
(i) Bank Deposits (Tax deducted at source Rs 500 Previous Year Nil)	9,893,293	-
(ii) Others	233,928	59,144
Miscellaneous Income	668,628	4,479,980
	55,442,638	31,420,701

Schedule '12'
Food, paper and beverages consumed

Stock at commencement of the year	53,040,681	66,644,086
Add : Purchases during the year	1,673,549,264	1,188,189,270
	1,726,589,945	1,254,833,356
Less : Stock at close of the year	89,269,059	53,040,681
	1,637,320,886	1,201,792,675

Schedule '13'
Personnel Expenses

Salaries, Wages and Bonus	466,961,274	331,776,670
Contribution to Provident Fund	33,140,928	23,066,600
Gratuity expense (Refer Note 14 of Schedule 16)	4,820,624	4,028,711
Staff welfare expenses	16,161,247	13,757,615
	521,084,073	372,629,596

Schedule '14'
Operating, General and Administrative Expenses

Training & Development	7,285,618	3,592,659
Repairs & Maintenance - Restaurant equipment	56,858,341	40,059,206
Repairs & Maintenance - Others	58,904,236	45,216,543
Outsourced services	107,396,687	76,058,409
Telephone Expenses	8,757,302	8,049,640
Insurance	6,758,712	5,034,894
Electricity, Gas & other utilities	305,028,622	245,567,855
Rates & Taxes	6,931,065	8,245,184
Conducting Charges	263,655,880	189,525,047
Rent	17,024,555	18,067,374
Travelling & Conveyance	29,634,941	20,797,338
Advertising & Promotional Expenses (Net of Expenses recovered)	190,542,761	160,381,498
Royalty	94,102,571	147,869,823
Legal & Professional Fees (refer Note 15 of Scheule 16)	39,983,968	23,672,844
Printing & Stationery	11,993,692	9,334,903
Donations	311,217	292,200
Fixed Assets written off	23,832,260	50,804,567
Loss on Sale of Asset	-	2,960,165
Provision for Inventory	-	1,542,928
Miscellaneous Expenses	35,008,046	24,631,201
	1,264,010,474	1,081,704,278

Schedule '15'
Financial Expenses

Interest		
- on bank overdraft	631,143	1,109,286
- on short term bank loans	10,989,035	115,538,014
Bank Charges	2,144,617	407,746
	13,764,795	117,055,046



SCHEDULE '16'

NOTES TO ACCOUNTS

1. Nature of Operations:

Hardcastle Restaurants Private Limited ('the Company') was incorporated on August 7, 1995. The Company is engaged in operating McDonald's chain of restaurants in the Western and Southern Regions of India.

2. Statement of Significant accounting policies :

Basis of Preparation

The financial statements have been prepared to comply in all material respects with the Notified Accounting Standards issued by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act 1956. The Financial Statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

Fixed Assets and Depreciation

(i) Fixed Assets are stated at cost less accumulated depreciation and impairment losses (if any). Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the period till such assets are ready to be put to use. Further contribution received from landlords in respect of leasehold improvements carried out to leasehold premises is deducted from leasehold improvements cost.

(ii) Depreciation is provided on Straight Line Method on a pro-rata basis from the date of use. The rates of depreciation are based on technical evaluation of the economic life of assets by the management, which are as follows, and are equal to or greater than the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

Assets	Economic Life (Years)
Building	28
Leasehold Improvements	15
Restaurant Equipments	5-10
Furniture and Fixtures	5-10
Office Equipments	5
Mobile phones	3
Laptop	3
Computers	5
Motor Vehicles	4

Leasehold Land is amortized over the period of the lease.

Fixed Assets below Rs. 5000 are fully depreciated in the year of purchase.



Intangible Assets

Initial Location & License fees for stores opened up to May 15, 2010, are amortised on a straight line basis over the period of twenty years. For stores opened after May 15, 2010, Initial Location & License fees are amortised on a straight line basis over the remaining period of underlying Agreement.

Software are depreciated over 5 years.

Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments. Current investments are carried 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 such investments.

Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

Inventories

Inventories (comprising of Food, Paper, Toys and Premiums, Stores, Spares and Others) are valued at lower of cost (determined on First In First Out basis) and net realizable value. Net realizable 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.

Revenue Recognition

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

Revenue for food items is recognized when sold to the customer over the counter and are net of VAT.

Royalty income and conducting fees are recognized on an accrual basis in accordance with terms of relevant agreement.

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

Borrowing Costs

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 capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds

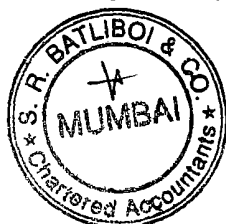
Foreign Currency Transactions

(a) Initial Recognition :-

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

(b) Conversion :-

Foreign currency monetary items are reported using the closing rate.



(c) Exchange Differences :-

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

(d) Forward Exchange Contracts :-

The premium or discount arising at the inception of forward exchange contracts is amortized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognized as income or as expense for the year.

Retirement and other employee's benefits

Retirement benefits in the form of Provident Fund are a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions are due. There are no other obligations.

Gratuity liability is defined benefit obligation and is provided for on the basis of an actuarial valuation done by an independent actuary on projected unit credit method made at the end of each financial year.

Short term compensated absences are provided for based on details of leave balance and applicable salary rate.

Actuarial gains/losses are immediately taken to profit and loss account and are not deferred.

Income Tax

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, 1961.

Deferred Income tax reflects the impact of current years timing difference between taxable and accounting income for the year and reversal of timing difference of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted at the balance sheet date. Deferred tax assets are recognized 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 realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

Unrecognized deferred tax assets of the earlier years are reassessed and recognized 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 can be realized.

MAT credit is recognized 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 Minimum Alternate Tax (MAT) credit becomes eligible to be recognized as an asset in accordance with the recommendation contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of credit to the Profit and Loss account and shown as MAT credit entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT credit entitlement to the extent there is no longer convincing evidence to the effect that the Company will pay normal Income Tax during the specified period.

Earnings per Share

Basic earnings are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, the net profit or loss for the 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.



Lease

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 Profit and Loss account on a straight – line basis over the lease term for fixed rent agreements and as a percentage of revenue for variable rent agreements.

Provisions

A provision is recognized when the company has a present obligation as a result of past event; 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 their 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.

Cash and Cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

3. Segment Reporting :

As the Company's business activity primarily falls within a single business and geographical segment, there are no additional disclosures to be provided under Accounting Standard 17 – "Segment Reporting", other than those already provided in the financial statements.

The Company has McDonald's chain of restaurants in Western and Southern India and the management considers that these restaurants constitute a single business segment, since the risk and rewards from these are not different from one another.

4. Preference Share Capital:

The Company has issued 925,000 Cumulative Redeemable Preference Shares of Rs 1,000 each. Of these 824,546 Preference Shares are redeemable at par on or before August 22, 2023 and the remaining are redeemable at par on or before September 27, 2025. As per the terms of the agreement, the Company shall declare and pay the dividends and all unpaid dividends, if any, subject to the company having distributable profits in accordance with the provisions of Section 205 of the Companies Act, 1956. The dividend rate shall be subject to revision every year on the basis of the Bank Rate prevailing as on 31st day of the month of March immediately preceding the date of meeting of the board at which the Balance Sheet and Profit and Loss account pertaining to the relevant financial year are approved by the Board. The rate of dividend will be such Bank Rate plus 3%, provided that in no case the dividend rate shall exceed 11% p.a.

5. Change In Estimates:

Until the year March 31, 2009, the Company was depreciating Leasehold Improvements over the estimated useful life of 20 years. However, during the year ended March 31, 2010, the Company has revised the estimated useful life of the Leasehold Improvements at 15 years.

Accordingly, for the year ended March 31, 2010, the unamortized depreciable amount of those fixed assets had been charged to the Profit & Loss Account based on the revised estimated useful life. Consequently, the depreciation charged to the Profit and Loss account for the year ended March 31, 2010 was higher by Rs. 35,386,028, with a corresponding increase in Loss before Tax for that year and a reduction in written down value of Fixed Assets as at March 31, 2010.



6. **Income Taxes:**

The Company has accumulated carried forward losses up to March 31, 2011. However, the deferred tax asset on unabsorbed carried forward loss has been recognized only to the extent of net deferred tax liability.

Break-up of Deferred Tax Assets and Liabilities:-

Particulars		2010-11	2009-10
		Rs	Rs
Deferred Tax liability recognized for timing differences due to:			
Depreciation	(A)	20,249,547	19,241,889
Deferred tax assets recognized due to:			
a. Expenses allowable in Income Tax on payment basis		11,828,085	7,034,982
b. Unabsorbed depreciation and carried forward losses		8,421,462	12,206,907
Total	(B)	20,249,547	19,241,889
Net deferred tax	(A) – (B)	Nil	Nil

7. **Going Concern:**

The Company has earned a profit of Rs 187,790,280 during the year (previous year loss of Rs 189,080,933), however total accumulated losses of the Company are Rs 1,430,004,427 as on March 31, 2011 (Rs 1,617,794,707 as on March 31, 2010). In spite of these losses eroding fully the net worth, the financial statements have been prepared on a going concern basis in view of the management's plan for the period from Financial year 2011-12 to 2014-15 showing an improvement in the operations in the coming years due to increase in turnover.

8. **Contingent Liability not provided for in the accounts:**

(a) Claims against the Company not acknowledged as debt:

- The Company has preferred an appeal before the Appellate Tribunal against a demand of Rs 44,261,582 (Previous Year: Rs 44,261,582) for earlier years by the Central Excise Department on account of excise duty and penalties, which appeal is pending before the said Tribunal. The Company has deposited a sum of Rs 1,000,000 as pre-deposit in compliance with the order passed by the Appellate Tribunal, which has stayed the recovery of the remaining amount till the matter is finally decided.
- The Company has preferred an appeal before the Appellate Tribunal on 16.02.2010 against a demand of Rs 485,051 (Previous Year: Rs 485,051) for earlier years by the Central Excise Department on account of excise duties and penalties. The appeal is pending. The Company has deposited a sum of Rs. 12,500 as pre-deposit in compliance with the order passed by the Tribunal, which has stayed the recovery of the remaining amount till the matter is finally decided.
- The Company has preferred an Appeal before the Commissioner (Appeals), Central Excise, Mumbai against demand of Rs 319,200 (Previous Year Rs 319,200) made by the Central Excise Department on account of excise duty and penalty, which appeal is pending disposal.
- The Company has preferred an appeal before the Joint Commissioner of Sales Tax (Appeal II) against a demand of Rs 4,062,344 (Previous Year: Nil) as per assessment order passed by the assessing officer on account of disallowance of resale sale for the year 2003-04 and 2004-05. The Company has deposited a sum of Rs 1,426,000 as a part payment fixed by the said authority. The said appeal is pending.

(b) Cumulative Preference Dividend Arrears: Rs 614,386,056. (Previous Year: Rs 531,136,056)



9. Estimated amount of contracts remaining to be executed on capital account, net of advances and not provided for is Rs 92,909,681 (Previous Year Rs 58,344,238)
10. The Company had in accordance with the advice of its lawyers, filed a petition in the Bombay High Court challenging the amendment in law pertaining to levy of service tax on renting of immovable property retrospectively from June 1, 2007 effected by the Finance Act 2010. The Hon'ble Court had restrained the Union of India from taking any coercive step in relation to recovery of the said tax. As a matter of abundant caution, however, an amount of Rs 25,344,469 (Previous Year Rs 9,840,039), representing liability, has been provided in the financial statements during the year and the balance as at March 31, 2011 is Rs 35,184,508 (previous year Rs 9,840,039). However, subsequent to the year end, the Hon'ble Court has dismissed the petition. The Company is in the process of evaluating its options in the matter.
11. Sundry Deposits include Rs 11,156,000 (Previous Year Rs 12,556,000) deposited with companies in which a director is interested. Maximum balance outstanding during the year is Rs. 11,156,000 (previous year Rs 12,556,000).

12. **Managerial Remuneration:**

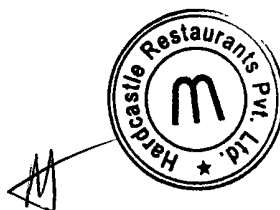
Amit Jatia (Managing Director till December 21, 2010 & Executive Director from December 22, 2010)

Particulars	2010-11 Rs	2009-10 Rs
Salary & Bonus	15,317,718	14,527,496
Contribution to Provident Fund	1,206,399	1,253,144
Total	16,524,117	15,780,640

Smita Jatia (Additional Director from December 22, 2010)

Particulars	2010-11 Rs	2009-10 Rs
Salary & Bonus	1,633,504	-
Contribution to Provident Fund	26,614	-
Total	1,660,118	-

Note: - As future liability for gratuity is provided on an actuarial basis for the Company as a whole, the amount pertaining to the directors is not separately ascertainable and, therefore, not included in the above.



Hardcastle Restaurants Private Limited
Schedule forming part of the accounts as at March 31, 2011
SCHEDULE - 16: NOTES TO ACCOUNTS

13. Related Party disclosure

Related party disclosures, as required by Accounting Standard-18 - "Related Party Disclosures" issued by the Institute of Chartered Accountants of India, are given below:-

Particulars	McDonald's India Private Limited 2010-11	2009-10	McDonald's Corporation, USA 2010-11	2009-10	Bungee Fashions Pvt Ltd 2010-11	2009-10	Vishvas Investments & Trading Company Private Limited 2010-11	2009-10	West Pioneer Properties (India) Private Ltd 2010-11	2009-10	Triple A Foods Private Limited 2010-11	2009-10	Hardcastle & Waud Mfg. Co. Ltd 2010-11	2009-10	Smriti Jaita (as a relative of Key Managerial person up to December 31, 2010)	2010-11	2009-10
Salaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,901,729	-	3,584,812
Rent	20,844,658	133,502,001	-	-	-	-	10,099,068	10,099,068	4,253,864	3,458,696	-	-	-	-	-	-	-
Electricity Charges Paid	-	-	-	-	-	-	1,460,900	1,382,916	-	21,835	-	-	-	-	-	-	-
Water Charges Paid	-	-	-	-	-	-	51,771	33,968	-	-	-	-	-	-	-	-	-
Loan Taken	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Initial Location License Fees	4,315,691	31,867,655	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rent Recovered	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advertisement expenses Recovered	-	-	14,806,444	73,343,281	1,654,500	1,285,400	-	-	-	-	-	-	-	-	-	-	-
Research & Development Expenses Recovered	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses by the Co.	-	-	-	440,790	-	-	-	-	-	-	-	-	10,085	-	-	-	-
Purchase of Assets	-	-	-	-	-	-	-	-	-	-	-	-	2,401,875	-	-	-	-
Other Expenses Recovered	-	-	-	1,650,428	415,749	245,309	-	-	28,019	8,253	-	-	-	-	-	-	12,734
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance Payable at the year end	8,916,048	15,364,106	-	-	-	-	-	-	235,202	228,493	2,375,000,000	-	-	-	-	-	-
Balance Receivable at the year end	-	-	1,985,926	15,416,312	671,660	766,328	9,156,000	9,156,000	2,000,000	3,400,000	-	-	-	-	-	-	12,734

(A) Where control exists:

a) Holding Company

Triple A Foods Private Limited (from May 16, 2010)

(B) Others

a) Investing Parties:

McDonald's India Private Limited (up to May 15, 2010)
McDonald's Corporation, USA (up to May 15, 2010)
Triple A Foods Private Limited (up to May 15, 2010)

b) Key Management Personnel:

Mrs. Smriti Jaita, Additional Director from December 22, 2010 (Managerial Remuneration is disclosed in Note 12)
Mr. Anit Jaita, Managing Director up to December 21, 2010 & Executive Director & Additional Director w.e.f. December 22, 2010 (Managerial Remuneration is disclosed in Note 12)

c) Relative of Key Management Personnel:

Mr. B. L. Jaita (Father of Mr. Anit Jaita)

**d) Enterprises over which
Key Management Personnel or their relatives
is/are able to exercise control:**

Hardcastle & Waud Manufacturing Company Limited
Vishvas Investments & Trading Company Pvt Limited
West Pioneer Properties (India) P Ltd
Westfield Entertainment Private Limited
Triple A Foods Private Limited
Bungee Fashions Pvt Ltd



14. Gratuity & Post Employment Benefit Plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary for each completed year of service subject to a maximum of Rs 1,000,000. The scheme is funded with Life Insurance Corporation in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognized in the profit and loss account and the funded status and amounts recognized in the balance sheet.

Profit and Loss account-

Gratuity expense (recognized in Employee Cost)

Particulars	2010-11	2009-10
	Rs	Rs
Current service cost	5,361,335	3,754,049
Interest cost on benefit obligation	1,240,313	1,168,203
Expected return on plan assets	(345,270)	(332,817)
Net Actuarial (gain) or loss recognized in the year	(1,435,754)	(1,418,960)
Past Service Cost – Vested Benefit Recognized During the period	NIL	858,236
Expense recognized in Profit & Loss Account	4,820,624	4,028,711
Actual return on plan assets	201,698	358,410

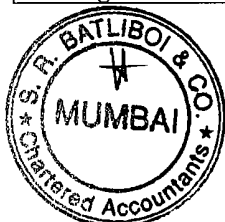
Balance sheet

Details of Provision for gratuity

Particulars	2010-11	2009-10
	Rs	Rs
Defined Benefit Obligation	19,257,254	15,503,916
Fair value of the plan assets at the end of the year	4,248,586	4,315,872
Amount recognized in balance sheet	15,008,668	11,188,044

Changes in present value of defined benefit obligation are as follows:

Particulars	2010-11	2009-10
	Rs	Rs
Opening Defined Benefit Obligation	155,03,916	11,522,290
Interest cost	1,240,313	1,168,203
Current service cost	5,361,335	3,754,049
Past Service Cost – Vested Benefit	NIL	858,236
Benefit paid	(1,268,984)	(405,495)
Actuarial (gain)/loss on obligations	(1,579,326)	(1,393,367)
Closing Defined Benefit Obligation	19,257,254	15,503,916



Changes in the fair value of plan assets are as follows:

Particulars	2010-11	2009-10
	Rs	Rs
Fair value of plan assets at the beginning of the year	4,315,872	4,362,957
Expected return on plan assets	345,270	332,817
Contributions	1,000,000	Nil
Benefit paid	(1,268,984)	(405,495)
Actuarial gain/(loss) on plan assets	(143,572)	25,593
Fair value of plan assets at the end of the year	4,248,586	4,315,872

The Company plans to contribute Rs 500,000 to gratuity fund in the next year.

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

Particulars	2010-11	2009-10
Insurer managed funds	100%	100%

The principal assumptions used in determining gratuity benefit obligations for the Company's plans are shown below:

Particulars	2010-11	2009-10
Discount rate	8.25%	8.00%
Expected rate of return on asset	8.00%	8.00%
Salary escalation	5.50%	5.50%
Attrition Rate		
Employee in the company for more than 5 years	5.00%	2.00%
Employee in the company for less than 5 years	10.00%	2.00%
Retirement Age	58Years	58 Years

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Experience Adjustments	2010-11	2009-10
	Rs	Rs
On Plan Liability (Gain) / Loss	(2,528,040)	(1,624,537)
On Plan Assets Gain / (Loss)	(143,572)	25,593



21/04/11

15. Legal & Professional fees include auditors fees as follows

Particulars (Excluding service tax)	2010-11	2009-10
	Rs	Rs
(A) As Auditors:		
For Statutory Audit	1,600,000	1,450,000
Out Of Pocket	17,815	17,780
(B) Other Services	Nil	165,000

16. Value of Imports calculated on CIF basis

Particulars	2010-11	2009-10
	Rs	Rs
Materials (Food, Beverages & Toys)	104,813,857	81,251,341
Capital Goods	127,378,521	30,009,107

17. Earnings in foreign currency (Accrual basis)

Particulars	2010-11	2009-10
	Rs	Rs
Reimbursement of Direct Marketing Fees	14,806,444	73,34,281
Other Reimbursements	2,308,098	-

18. Expenditure in Foreign Currency (Accrual Basis)

Particulars	2010-11	2009-10
	Rs	Rs
Travel	1,371,141	762,455
Training	1,644,223	1,045,190
Software License & Maintenance	1,167,472	5,063,998
Professional Services	5,764,688	5,301,199
Others	1,806,938	1,788,488
Total	11,754,462	13,961,330

19. Particulars of Un-hedged Foreign Currency Exposure as at the Balance Sheet date :-

Particulars	2010-11	2009-10
	Rs	Rs
Import Creditors	2,802,550 (USD 62,767.08 @ Rs. 44.65 per USD)	14,834,473 (USD 328,632.53 @ Rs. 45.14 per USD)]
Advance Receivable	7,617,656 (USD 170608.20 @ Rs. 44.65 per USD)	NIL

20. Operating Leases Disclosure:

Store and Office premises are obtained on operating lease. The rentals for some of the Stores are fixed while for the others they are based on a percentage of the revenue generated by the respective Stores. There are no restrictions imposed by such lease arrangements.



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Particulars	2010-11 Rs	2009-10 Rs
Fixed Lease payments for the year	146,493,707	122,587,759
Rent based on Percentage of Revenue debited to Profit and Loss Account	134,186,728	85,004,662
	280,680,435	207,592,421

Sub Lease

Company has sub leased Sigma Mall Store to Golden Kitchen Private Limited on operating lease. The rentals are based on percentage of the revenue generated by the Store. The lease term is for 20 years. There is no escalation clause in the lease agreement. There are no restrictions imposed by the lease arrangement.

Particulars	2010-11 Rs	2009-10 Rs
Rent based on Percentage of Revenue credited to Profit and Loss Account	5,102,382	6,006,017

21. Details of Sales & Purchases –

The Company is in the business of operating and running quick service restaurants, whereby it deals in various categories/ sizes of various food items. Hence, furnishing of Installed capacity details is not feasible.

(a). Quantitative Information:-

(i) Production, Purchases, Sales and Stocks of Finished Goods/ Goods Purchased for Sale

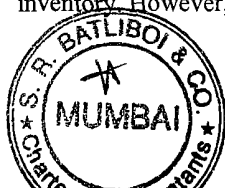
Sr.no.	Items	Production	Opening Stock	Purchases	Sales	Closing Stock
	Description	Units	Units	Value Rs	Units	Value Rs
A	Manufactured Goods					
	Meals	15,897,535	-	-	15,897,535	1,499,983,080
		(10,325,787)	(-)	(-)	(10,325,787)	(965,679,196)
	Burger	44,841,150	-	-	44,841,150	1,542,705,314
		(37,919,657)	(-)	(-)	(37,919,657)	(1,201,640,862)
	Fries	5,232,191	-	-	5,232,191	205,660,586
		(4,929,391)	(-)	(-)	(4,929,391)	(170,921,588)
	Beverages	10,887,485	-	-	10,887,485	196,956,672
		(8,821,104)	(-)	(-)	(8,821,104)	(164,294,840)
	Others					295,383,832
						(224,299,490)
B	Income From Services		-	-		23,955,825
						(18,073,792)
	Total					3,764,645,309
						(2,744,909,768)

Previous year Figures are given in brackets

(ii) Consumption

Particulars	2010-11		2009-10	
	No of Cases	Rs	No of Cases	Rs
Beverages/Desert	214,281	211,404,997	170,109	152,079,042
Buns	896,153	169,521,703	713,440	122,695,805
Fries	221,480	193,355,193	170,231	149,721,811
Patty	264,179	470,195,525	189,778	303,082,477
Others*		592,843,468		474,213,540
TOTAL		1,637,320,886		1,201,792,675

*In view of large number of items it is not feasible to furnish quantitative information in respect of other items of inventory. However, value of none of the individual items is greater than 10% of total consumption.



(b). Value of all Imported and indigenous Raw Materials Consumed during the Year:

Particulars	2010-11		2009-10	
	Value Rs	Percentage	Value Rs	Percentage
Imported	140,557,522	8.58%	104,866,783	8.75%
Indigenous	1,496,763,364	91.42%	1,096,925,892	91.25%
TOTAL	1,637,320,886	100.00%	1,201,792,675	100.00%

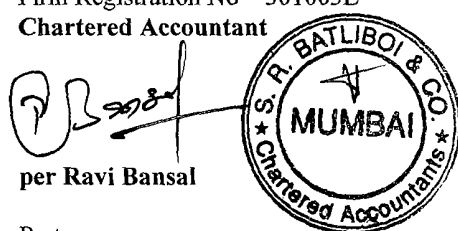
22. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act 2006:

Particulars	2011	2010
	Rs	Rs
The principal amount and the interest due thereon (to be shown separately) remaining unpaid to any supplier as at the end of each accounting year	-	-
The amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under Micro Small and Medium Enterprises Development Act, 2006.	-	-
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	-	-

23. "Advance Recoverable in cash or in kind or for value to be received" includes an amount of Rs. 1,163,196 (Previous year Rs. 1,114,169) recoverable from Connaught Plaza Restaurants Private Limited, a company under the same management till May 15, 2010. The Maximum amount outstanding during the year is Rs. 1,611,526 (Previous year Rs. 8,003,551)

24. Previous year's figures have been regrouped / reclassified wherever necessary.

S. R. Batliboi & Co.
For S. R. Batliboi & Co.
Firm Registration No – 301003E
Chartered Accountant



per Ravi Bansal

Partner
Membership no: 49365
Place: Mumbai
Date: August 10, 2011

For and on behalf of the Board of Directors of
Hardcastle Restaurants Private Limited

Amit Jatia
Executive Director

B L Jatia
Director

Dr. Shatadru Sengupta
Company Secretary



Registration No.	11-91422	State Code	11
Balance sheet date	31	03	2011
	date	month	year

Public issue	Rights issue
Nil	Nil
Bonus issue	Private placement
Nil	Nil




Total Liabilities	Total Assets
4,221,392	4,221,392

Paid-Up Capital	Reserves and Surplus
1,235,000	Nil
Secured Loans	Unsecured Loans
Nil	2,375,000

Net Fixed Assets Including CWIP	Investments
1,790,120	17,752
Long Term Deposits	Net Current Assets
279,807	92,317
Misc. Expenditure	Accumulated losses
-	1,430,004

		Turnover			Total Expenditure
		3,764,645			3,632,298
+	-	Profit before Tax	+	-	Profit after Tax
		187,790			187,790
		Earnings per share in Rs.			Dividend %
		606.00			Nil

Item Code No. (ITC Code)	NA
Product Description	Food Products

Amit Jatia **B L Jatia** **Dr. Shatadru Sengupta**
Executive Director Director Company Secretary