

**Hardcastle Restaurants Private Limited**  
**CIN: U55101MH1995PTC091422**

**Financial statements**

*for the year ended 31 March 2023*

# Hardcastle Restaurants Private Limited

## Balance Sheet

as at March 31, 2023

(Rs. in millions)

	Notes	As at March 31, 2023	As at March 31, 2022
<b>I ASSETS</b>			
<b>1 Non-current assets</b>			
(a) Property, plant and equipment	4	6,591.36	5,022.10
(b) Capital work-in-progress	4(c)	566.81	355.32
(c) Right to use assets	41(i)	8,757.62	7,717.89
(d) Intangible assets	4	414.46	416.71
<b>(e) Financial assets</b>			
(i) Investments	5	533.80	474.16
(ii) Loans	6	4.78	15.58
(iii) Other financial assets	7	448.43	430.10
(f) Income tax assets (net)	12	141.55	141.55
(g) Deferred tax assets (net)	16	603.68	520.02
(h) Other assets	8	321.97	276.25
<b>Total non-current assets</b>		<b>18,384.46</b>	<b>15,369.68</b>
<b>2 Current assets</b>			
(a) Inventories	9	714.27	559.45
<b>(b) Financial assets</b>			
(i) Investments	5	645.03	916.58
(ii) Trade receivables	10	106.94	133.07
(iii) Cash and cash equivalents	11	76.39	214.10
(iv) Bank balances other than (iii) above	11	201.57	1.16
(v) Loans	6	297.50	188.32
(vi) Other financial assets	7	61.38	48.96
(c) Other assets	8	130.81	84.02
<b>Total current assets</b>		<b>2,233.89</b>	<b>2,145.66</b>
<b>TOTAL ASSETS</b>		<b>20,618.35</b>	<b>17,515.34</b>
<b>II EQUITY AND LIABILITIES</b>			
<b>1 EQUITY</b>			
(a) Equity share capital	13	873.81	873.81
(b) Other equity		4,423.13	3,290.43
<b>Total equity</b>		<b>5,296.94</b>	<b>4,164.24</b>
<b>2 LIABILITIES</b>			
<b>1 Non-current liabilities</b>			
<b>(a) Financial liabilities</b>			
(i) Lease liabilities	41(ii)	8,864.58	7,584.30
(ii) Other financial liabilities	14	2.01	2.25
(b) Provisions	15	7.76	50.30
<b>Total non-current liabilities</b>		<b>8,874.35</b>	<b>7,636.85</b>
<b>2 Current liabilities</b>			
<b>(a) Financial liabilities</b>			
(i) Borrowings	17	2,070.00	2,010.00
(ii) Lease liabilities	41(ii)	1,095.45	951.30
(ii) Trade payables	18		
Total outstanding dues of micro enterprises and small enterprises		52.34	42.60
Total outstanding dues of creditors other than to micro enterprises and small enterprises		1,816.04	1,671.65
(iii) Other financial liabilities	14	962.10	758.15
(b) Other liabilities	19	328.53	197.24
(c) Provisions	15	122.60	83.31
<b>Total current liabilities</b>		<b>6,447.06</b>	<b>5,714.25</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20,618.35</b>	<b>17,515.34</b>

Significant accounting policies

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The accompanying notes 1 - 48 are an integral part of the financial statements

As per our report of even date attached

For S R B C & Co LLP

Chartered Accountants

ICAI Firm's Registration No: 324982E/E300003

per Ravi Bansal

Partner

Membership No: 049365

Place: Mumbai

Date: May 09, 2023

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

Saurabh Kalra

Managing Director

DIN: 10057845

Saurabh Bhudolia

Chief Financial Officer

Sanjay Kumar Soni

Whole Time Director

DIN: 01048644

Radha Jain

Company Secretary

Membership No: A28006

Place: Mumbai

Date: May 09, 2023



# Hardcastle Restaurants Private Limited

## Statement of profit and loss

for the year ended March 31, 2023

(Rs. in millions)

	Notes	For the year ended March 31, 2023	For the year ended March 31, 2022
Revenue from operations	20	22,775.49	15,760.41
Other income	21	205.03	277.39
<b>Total income</b>		<b>22,980.52</b>	<b>16,037.80</b>
<b>Expenses</b>			
Cost of materials consumed	22	6,859.99	5,129.43
Employee benefits expense	23	3,105.78	2,095.33
Finance costs	24	927.47	826.29
Depreciation and amortisation expenses	25	1,521.86	1,363.97
Other expenses	26	9,063.51	6,639.20
<b>Total expenses</b>		<b>21,478.61</b>	<b>16,054.22</b>
<b>Profit / (Loss) before exceptional items and tax</b>		<b>1,501.91</b>	<b>(16.42)</b>
<b>Exceptional items</b>		<b>-</b>	<b>-</b>
<b>Profit / (Loss) before tax</b>		<b>1,501.91</b>	<b>(16.42)</b>
Tax expense			
- Current tax	27	465.60	-
- Deferred tax credit	27	(86.87)	(4.00)
<b>Total tax expense</b>		<b>378.73</b>	<b>(4.00)</b>
<b>Profit / (Loss) for the year</b>		<b>1,123.18</b>	<b>(12.42)</b>
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit and loss :</b>			
Re-measurements of defined benefit plan		12.74	(22.98)
Income tax on items that will not be reclassified to profit and loss	27	(3.22)	5.78
<b>Total other comprehensive income/(losses) for the year</b>		<b>9.52</b>	<b>(17.20)</b>
<b>Total comprehensive income/(losses) for the year</b>		<b>1,132.70</b>	<b>(29.62)</b>
Earnings per equity share :			
- Basic and Diluted (in Rs.)	39	1,285.38	(7.40)
Significant accounting policies	3		

The accompanying notes 1 - 48 are an integral part of the financial statements

As per our report of even date attached

For S R B C & Co LLP  
Chartered Accountants  
ICAI Firm's Registration No: 324982E/E300003



per Ravi Bansal  
Partner  
Membership No: 049365


Place: Mumbai  
Date: May 09, 2023




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

  
Saurabh Kalra  
Managing Director  
DIN: 10057845

  
Sanjay Kumar Soni  
Whole Time Director  
DIN: 01048644

  
Saurabh Bhudolia  
Chief Financial Officer

  
Radha Jain  
Company Secretary  
Membership No: A28006

Place: Mumbai  
Date: May 09, 2023



# Hardcastle Restaurants Private Limited

## Statement of changes in equity

for the year ended March 31, 2023

(Rs. in millions)

### (a) Equity share capital

Particulars	Note	Amount
Balance as at April 01, 2021	13	1,747.63
Changes in equity share capital during 2021-22		-
Adjustment pursuant to capital reduction order	13 (vi)	(873.82)
<b>Balance as at March 31, 2022</b>		<b>873.81</b>
Changes in equity share capital during 2022-23		-
<b>Balance as at March 31, 2023</b>		<b>873.81</b>

### (b) Other equity

for the year ended March 31, 2022

Particulars	Notes	Equity contribution	Reserves and Surplus		Total
			Securities premium	Retained earnings	
<b>Balance at the April 1, 2021</b>		2,791.33	4,032.37	(4,377.48)	2,446.23
(Loss) for the year ended March 31, 2022		-	-	(12.42)	(12.42)
Other comprehensive income/(loss)		-	-	(17.20)	(17.20)
Adjustment pursuant to capital reduction order	13	-	(3,864.21)	4,738.03	873.82
<b>Balance as at March 31, 2022</b>		<b>2,791.33</b>	<b>168.16</b>	<b>330.93</b>	<b>3,290.43</b>

for the year ended March 31, 2023

Particulars	Notes	Equity contribution	Reserves and Surplus		Total
			Securities premium	Retained earnings	
<b>Balance at the April 1, 2022</b>		2,791.33	168.16	330.93	3,290.43
Profit for the year ended March 31, 2023		-	-	1,123.18	1,123.18
Other comprehensive income/(loss)		-	-	9.52	9.52
<b>Balance as at March 31, 2023</b>		<b>2,791.33</b>	<b>168.16</b>	<b>1,463.63</b>	<b>4,423.13</b>

Gain of Rs. 9.52 million and loss of Rs. 17.20 million on remeasurement of defined benefit plan (net of tax) is recognised as part of retained earning for the year ended on March 31, 2023 and March 31, 2022 respectively.



# Hardcastle Restaurants Private Limited

## Statement of changes in equity

for the year ended March 31, 2023

(Rs. in millions)

### (b) Other equity (Continued)

#### Nature and purpose of reserves:

#### Equity contribution :

Equity contribution consists of fair valuation of long term borrowings and cumulative redeemable preference shares received from parent company.

#### Securities premium reserve:

Securities premium reserve is used to record the premium received on issue of shares by the Company. The reserve can be utilised in accordance with the provision of Section 52(2) of Companies Act, 2013.

#### Retained earnings:

The cumulative gain or loss arising from operations which is retained by the Company is recognised and accumulated under the heading of retained earnings. At the end of the year, the profit / (loss) after tax is transferred from the statement of profit and loss to the retained earnings account. Retained earnings includes re-measurement (loss)/gain on defined benefit plans, net of taxes that will not be reclassified to statement of profit and loss.

Significant accounting policies

Refer Note 3

The accompanying notes 1 - 48 are an integral part of the financial statements

As per our report of even date attached

For S R B C & Co LLP

Chartered Accountants

ICAI Firm's Registration No: 324982E/E300003



per Ravi Bansal

Partner

Membership No: 049365

Place: Mumbai

Date: May 09, 2023

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



Saurabh Kalra

Managing Director

DIN: 10057845



Sanjay Kumar Soni

Whole Time Director

DIN: 01048644



Saurabh Bhudolia

Chief Financial Officer



Radha Jain

Company Secretary

Membership No: A28006



Place: Mumbai

Date: May 09, 2023

# Hardcastle Restaurants Private Limited

## Statement of cash flows

for the year ended March 31, 2023

(Rs. in millions)

	March 31, 2023	March 31, 2022
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	1,501.91	(16.42)
<b>Adjustments for :</b>		
Depreciation and amortisation expense	1,521.86	1,363.97
Inventories written off	-	4.43
Impairment loss allowance on trade receivables	-	0.54
Property, plant and equipment written off	80.58	82.42
Finance cost	927.47	826.29
Employee share based payment expenses	71.17	4.08
Interest income	(71.46)	(54.78)
Loss on investments carried at fair value through statement of profit and loss	56.41	90.50
Profit on sale of investments	(78.61)	(170.98)
Gain on lease modification, concession and termination (net)	(39.65)	(46.14)
Miscellaneous provision written back	(103.92)	(158.77)
<b>Operating profit before working capital changes</b>	<b>3,865.76</b>	<b>1,925.14</b>
<b>B Movements in working capital</b>		
(Increase) in inventories	(154.82)	(98.59)
Decrease / (Increase) in trade receivables	26.13	(45.72)
(Increase) in other financial assets	(94.65)	(95.89)
(Increase) / Decrease in other assets	(77.11)	22.30
Increase in trade payables	258.05	30.18
Increase in other financial liabilities	78.57	40.66
(Decrease) / Increase in provisions	(17.26)	6.65
Increase / (Decrease) in other liabilities	60.12	(14.25)
<b>Cash generated from operations</b>	<b>3,944.79</b>	<b>1,770.48</b>
Income tax (paid) / refund (net)	(438.85)	(66.07)
<b>C NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<b>3,505.94</b>	<b>1,704.41</b>
<b>D CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant & equipment, intangible assets and capital work-in-progress (including capital advances)	(2,696.30)	(1,000.91)
Proceeds from sale of property, plant and equipment	5.69	1.56
(Purchase) / Proceeds from deposits placed with banks	(200.66)	0.20
Interest income	71.47	54.78
Loans to other parties (net)	(98.40)	(178.54)
Purchase of investments	(458.23)	(857.03)
Proceeds from sale of investments	692.34	1,437.20
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(2,684.09)</b>	<b>(542.74)</b>
<b>E CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds / (Repayment) of short-term borrowings (net)	60.00	(141.83)
Repayment of lease liabilities	(876.82)	(767.93)
Interest paid	(142.74)	(132.90)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(959.56)</b>	<b>(1,042.66)</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(137.71)</b>	<b>119.01</b>
Cash and cash equivalents at the beginning of the year	214.10	95.09
Cash and cash equivalents at the end of the year	76.39	214.10
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(137.71)</b>	<b>119.01</b>



# Hardcastle Restaurants Private Limited

## Statement of cash flows (Continued)

for the year ended March 31, 2023

(Rs. in millions)

	For the year ended March 31, 2023	For the year ended March 31, 2022
<b>Notes to Statement of cash flows</b>		
<b>1. Components of cash and cash equivalents</b>		
Cash and bank balances (refer note 11)	277.96	215.26
Less: Bank deposits due to mature before twelve months from the reporting date and having original maturity of more than 3 months (refer note 11)	201.57	1.16
Total cash and cash equivalents	<u>76.39</u>	<u>214.10</u>
<b>2 Reconciliation of movement in borrowings to cash flows from financing activities:</b>		
<b>Opening balance</b>		
Borrowings (other than debt securities)	2,010.00	2,151.83
<b>Cash flow movements</b>		
Proceeds from borrowings	60.00	-
Repayment of borrowings	-	(141.83)
Closing balance	<u>2,070.00</u>	<u>2,010.00</u>

3 There are no non-cash charges on account of effect of changes in foreign-exchange rates and fair values.

4 The above Statement of Cash Flows has been prepared under the "indirect method" as set out in 'Indian Accounting Standard (Ind AS) 7 – Statement of Cash Flows.

5 The accompanying notes 1 - 48 are an integral part of the financial statements

As per our report of even date attached

For **SRBC & Co LLP**  
Chartered Accountants  
ICAI Firm's Registration No: 324982E/E300003



per **Ravi Bansal**  
Partner  
Membership No: 049365

Place: Mumbai  
Date: May 09, 2023



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



**Saurabh Kalra**  
Managing Director  
DIN: 10057845



**Saurabh Bhudolia**  
Chief Financial Officer

Place: Mumbai  
Date: May 09, 2023



**Sanjay Kumar Soni**  
Whole Time Director  
DIN: 01048644



**Radha Jain**  
Company Secretary  
Membership No: A28006

# Hardcastle Restaurants Private Limited

## Notes to the financial statements

for the year ended March 31, 2023

### 1 Company background

Hardcastle Restaurants Private Limited ('the Company') is a company incorporated on August 7, 1995 under Companies Act, 1956. The Company is a private Company domiciled in India and is incorporated under the provisions of the Companies Act applicable in India. The registered office of the Company is located at 1001, Tower-3, 10th Floor, One International Center, Senapati Bapat Marg, Prabhadevi, Mumbai - 400 013, Maharashtra, India.

The Company is principally engaged in putting up and operating Quick Service Restaurants (QSR) in India i.e. McDonalds' chain of restaurants in the West and South regions of India.

The financial statements were approved for issue in accordance with a resolution of the directors on 9 May 2023.

### 2 Basis of preparation

#### A Statement of compliance

These financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) as per Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act 2013, (the 'Act') read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time and other provisions of the Act, (the 'Act') to the extent notified and applicable as well as applicable guidance notes and pronouncements of the Institute of Chartered Accountants of India (ICAI).

Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

#### B Functional and presentation currency

These financial statements are presented in Indian Rupees (Rs.), which is the Company's functional currency. All financial information presented in Indian rupee has been rounded to the nearest million unless otherwise indicated.

#### C Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following items :

Items	Measurement
Certain financial assets and liabilities	Fair value
Liabilities for share-based arrangements	Fair value
Net defined benefit (asset)/ liability less defined value of present obligation	Fair value of plan assets less present value of defined benefit obligations
Mutual Funds and Bonds	Fair value

#### D Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle,
- Held primarily for the purpose of trading,
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in normal operating cycle,
- Held primarily for the purpose of trading,
- Due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified twelve months as its operating cycle.



# Hardcastle Restaurants Private Limited

## Notes to the financial statements

for the year ended March 31, 2023

### 2 Basis of preparation (Continued)

#### E Use of estimates and judgements

The preparation of the financial statements in conformity with Ind ASs, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities and disclosure of contingent liabilities on the date of balance sheet and reported amounts of revenue and expenses for the period. Although these estimates are based on the management's best knowledge of current events and actions, actual results could differ from the estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### Assumptions and estimation uncertainties

##### Useful lives of property, plant and equipment

The Company reviews the useful life of property, plant and equipment at the end of each reporting period. This reassessment may result in change in future periods.

##### Provision for income tax and deferred tax assets

The Company uses estimates and judgement based on the relevant rulings in the areas of allowances and disallowances which is exercised while determining the provision for income tax. A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised. Accordingly, the Company exercises its judgement to reassess the carrying amount of deferred tax assets at the end of each reporting period.

##### Provisions and contingent liabilities

The reliable measure of the estimates and judgments pertaining to litigations and the regulatory proceedings in the ordinary course of the Company's business are disclosed as contingent liabilities.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

##### Impairment of non-financial assets

Assessment for impairment is done at each Balance Sheet date as to whether there is any indication that a non-financial asset may be impaired.

##### Defined benefit

The Company's gratuity plan is a defined benefit plan. The present value of the defined benefit obligation is based on actuarial valuation using the projected unit credit method. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

##### Share based payment

The Company measures share-based payments and transactions at fair value and recognises over the vesting period using Black Scholes valuation model. Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. This requires a reassessment of the estimates used at the end of each reporting period. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 38.

#### F Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The Company has an established control framework with respect to the measurement of fair values. The Company engages with external valuers for measurement of fair values in the absence of quoted prices in active markets. Significant valuation issues are reported to the Company's audit committee.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.



# Hardcastle Restaurants Private Limited

## Notes to the financial statements

for the year ended March 31, 2023

### 2 Basis of preparation (Continued)

#### F Measurement of fair values (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. This note summarises accounting policy for fair value. Other fair value related disclosures are given in the relevant notes.

- Financial instruments (including those carried at amortised cost) (refer note 28)
- Disclosures for valuation methods, significant estimates and assumptions (refer note 28)
- Quantitative disclosures of fair value measurement hierarchy (refer note 28)

### 3 Significant account policies

#### a Revenue recognition

Revenues from contracts with customers are recognised when the performance obligations towards customer ie when control has been transferred at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

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, regardless of when the payment is made. Revenue is measured at the transaction price (net of variable consideration) received or receivable, taking into account contractually defined terms of payment and net of taxes or duties collected on behalf of the government. The Company has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor in all the revenue arrangements as it has pricing latitude and is also exposed to inventory and credit risks.

No element of financing is deemed present as majority of sales are on cash basis and credit sales are made with normal credit period consistent with market practice.

Goods and Services Tax (GST) is not received by the Company on its own account. Rather, it is tax collected on value added to the commodity by the seller on behalf of the government. Accordingly, it is excluded from revenue.

The specific recognition criteria described below must also be met before revenue is recognised.

#### Sale of products

The Company recognises revenue from the sale of food and other goods through company's own stores and are recognised when the items are delivered to or carried out by customers. Revenue is measured at the fair value of the consideration received or receivable. Amount disclosed as revenue are net of customer returns, trade allowance, rebate, goods and services tax. Gift vouchers sale are recognised when the vouchers are redeemed and the goods are sold to the customers.

#### Sale of products – customer loyalty programme (deferred revenue)

For customer loyalty programmes, the fair value of the consideration received or receivable in respect of the initial sale is allocated between the award credits and the other components of the sale. The amount allocated to award credits is deferred and is recognised as revenue when the award credits are redeemed and the Company has fulfilled its obligations to supply the discounted products under the terms of the programme or when it is no longer probable that the award credits will be redeemed.

The deferred income related to loyalty credits granted has been estimated with reference to the fair value of products for which they could be redeemed. This is because the fair value of loyalty credits is not directly observable. The fair value of the customers' right to buy products at a discount for which the loyalty credits can be redeemed takes into account the amount of discount available to customers who have earned the loyalty credits remaining unutilised and the expected forfeiture rate.

#### Sale of scrap

Sale of scrap is recognised upon transfer of control of products to the customers which coincides with their delivery to customer.

#### Other operating income

Franchisee income, space rental and alliance income and conducting fees are recognised on an accrual basis in accordance with terms of relevant agreement.

#### Other income

Interest income from debt instruments is recognized using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument but does not consider the expected credit losses.

Dividends are recognised in profit or loss only when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company, and the amount of the dividend can be measured reliably.



# Hardcastle Restaurants Private Limited

## Notes to the financial statements

for the year ended March 31, 2023

### 3 Significant account policies (Continued)

#### a Revenue recognition (Continued)

##### Contract balances

##### Trade receivables

A receivable is recognised if an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section (D) Financial instruments – initial recognition and subsequent measurement.

##### Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognised as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

#### b Property, plant and equipment

- 1 Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses, if any. Cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located. Further contribution received from landlords in respect of leasehold improvements carried out to leasehold premises is deducted from leasehold improvement cost. Capital work in progress is stated at cost, net of accumulated impairment loss, if any.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labor, any other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

- 2 **Subsequent Expenditure**

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

- 3 **Depreciation**

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method, and is generally recognised in the statement of profit and loss.

Freehold land is not depreciated.

The estimated useful lives of items of property, plant and equipment are as follows:

Asset	Management estimate of useful lives	Useful life as per Schedule II
Building	28 years	30 years
Leasehold improvements (others)	15 years	-
Leasehold improvements (office)	9 years	-
Restaurant Equipments	5 -10 years	15 years
Office equipment	5 years	5 years
Furniture and fixtures	5 -10 years	10 years
Computers	3 years	3 years
Vehicles	4 years	8 years

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate. Based on technical evaluation and consequent advice, the management believes that its estimates of useful lives as given above best represent the period over which management expects to use these assets.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (up to) the date on which asset is ready for use (disposed off).



# Hardcastle Restaurants Private Limited

## Notes to the financial statements

for the year ended March 31, 2023

### 3 Significant account policies (Continued)

#### b Property, plant and equipment (Continued)

##### 4 Intangible assets

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit and loss unless such expenditure forms part of carrying value of another asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Initial location & license fees for stores opened up to May 15, 2010, are amortised on a straight line basis over a 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 the Master Franchise Agreement.

The Company also has software as an intangible asset having a useful life of 5 years.

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

##### 5 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the statement of profit and loss, except for properties previously revalued with the revaluation surplus taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation surplus.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit and loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

#### c Inventories

Inventories are valued at the lower of cost and net realizable value. Cost of materials has been determined on first-in-first out basis (FIFO). Cost of inventories comprises of all cost of purchase and other cost incurred in bringing the inventories to its present location and condition. The comparison of cost and net realizable value is made on an item by item basis. The Company periodically assesses the inventory for obsolescence and slow moving stocks.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Raw materials, components and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value.

