

**INDEPENDENT AUDITOR'S REPORT**

To the Members of  
Hardcastle Restaurants Private Limited

**Report on the Financial Statements**

We have audited the accompanying financial statements of Hardcastle Restaurants Private Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

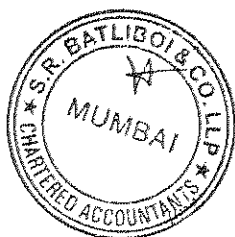
**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



# **S.R. BATLIBOI & CO. LLP**

Chartered Accountants

Hardcastle Restaurants Private Limited  
Audit report for year ended 31 March 2013  
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Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, 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.

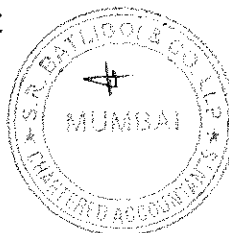
## **Report on Other Legal and Regulatory Requirements**

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
  - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
  - (e) On the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

*S. R. Batliboi & Co. LLP*  
For S.R. Batliboi & CO. LLP  
Chartered Accountants  
ICAI Firm's Registration Number: 301003E

*P Bansal*

per Ravi Bansal  
Partner  
Membership Number: 49365  
Place: Mumbai  
Date: May 15, 2013



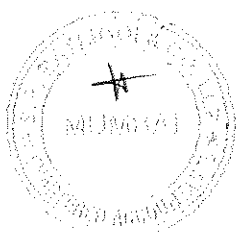
# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

Hardcastle Restaurants Private Limited  
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## **Annexure to our report of even date**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) There was no disposal of a substantial part 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) According to the information and explanations given to us, 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, the provisions of clause 4(iii) (a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (e) The Company has taken loan from a party covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year and the year-end balance of loan taken from this party was Rs.50.18 Millions.
- (f) In our opinion and according to the information and explanations given to us, the rate of interest and other terms and conditions for such loan are not prima facie prejudicial to the interest of the Company.
- (g) The loan taken is re-payable on demand. As informed to us, the lender has not demanded repayment of such loan during the year, and thus, there has been no default on the part of the Company. The payment of interest has been regular.
- (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, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.



# **S.R. BATLIBOI & CO. LLP**

Chartered Accountants

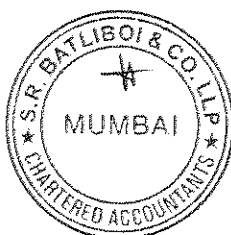
Hardcastle Restaurants Private Limited

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- (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 Companies Act, 1956 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 lacs 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 of the Company and nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed the 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 provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases. The provisions relating to excise duty are not applicable to the Company.
- (b) According to the information and explanations given to us, there are no undisputed dues 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 material statutory dues which were outstanding, at the year end, for a period of more than six months from the date they became payable except as below:

Name of the Statute	Nature of the Dues	Amount (Rs In Millions)	Period to which the amount relates	Due Date
Various Labour Welfare Fund Acts	Employer and Employee Contribution to Labour Welfare Fund	0.18	July-2011 to June-2012	January-2012 to July-2012
	Unclaimed Employee Dues	0.99	June-2006 to September-2009	June-2009 to September-2012



# **S.R. BATLIBOI & Co. LLP**

Chartered Accountants

Hardcastle Restaurants Private Limited

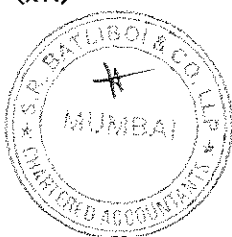
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- (c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the Statute	Nature of Dispute	Amount (Including Penalty) Rs in Millions	Period to which amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty demand	43.73	2000 - 2006	Central Excise and Service Tax Appellate Tribunal
Central Excise Act, 1944	Excise Duty demand	0.32	2006	Central Excise and Service Tax Appellate Tribunal
Local Sales Act, VAT Act and Central Sales Tax Act	Sales Tax Demand	2.54	2003-04 & 2004-05	Commissioner of Sales Tax (Appeal-II) Mumbai

- (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 loss during the current year and in the 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 any 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 before 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 (Auditors 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 bank or financial institutions.
- (xvi) Based on the information and explanations given to us by the management,



# **S.R. BATLIBOI & CO. LLP**

Chartered Accountants

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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.

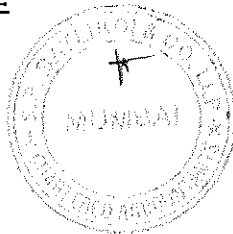
(xx) The Company has not raised money from public issues during the year. Therefore the provisions of Clause (xx) of the Companies (Auditors Report) Order, 2003 (as amended) are not applicable to the Company.

(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 year.

*S. R. Batliboi & Co. LLP*  
For S.R. Batliboi & CO. LLP  
Chartered Accountants  
ICAI Firm Registration Number: 301003E



per Ravi Bansal  
Partner  
Membership Number: 49365  
Place: Mumbai  
Date: May 15, 2013



**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
**Balance Sheet as at March 31, 2013**

	Note No.	As at March 31, 2013 (Rs in Millions)	As at March 31, 2012 (Rs in Millions)
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Shareholders' Funds</b>			
Share capital	2	1,235.00	1,235.00
Reserves and surplus	3	(697.31)	(1,004.92)
		<b>537.69</b>	<b>230.08</b>
<b>Non-current liabilities</b>			
Long-term borrowings	4	2,795.50	2,375.00
Long-term provisions	5	4.21	8.39
Other long-term liabilities	6	3.17	2.72
		<b>2,802.88</b>	<b>2,386.11</b>
<b>Current liabilities</b>			
Short-term borrowings	7	156.53	-
Trade payables	8	569.44	363.80
Other current liabilities	8	529.19	333.88
Short-term provisions	9	36.70	26.11
		<b>1,291.86</b>	<b>723.79</b>
<b>TOTAL</b>		<b>4,632.43</b>	<b>3,339.98</b>
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Fixed assets	10		
Tangible assets		2,733.44	1,849.15
Intangible assets		289.18	226.52
Capital work-in-progress		394.98	196.05
Long-term loans and advances	11	587.54	387.02
Other non-current assets	12	0.08	0.71
		<b>4,005.22</b>	<b>2,659.45</b>
<b>Current assets</b>			
Current investments	13	5.00	35.00
Inventories	14	177.33	150.31
Trade receivables	15	82.77	43.15
Cash and bank balances	16	125.16	302.76
Short-term loans and advances	17	98.78	70.46
Other current assets	18	138.17	78.85
		<b>627.21</b>	<b>680.53</b>
<b>TOTAL</b>		<b>4,632.43</b>	<b>3,339.98</b>

Summary of significant accounting policies 1.2

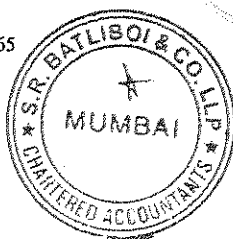
The accompanying notes are an integral part of the financial statements.

As per our report of even date

*S.R. Batliboi & Co. LLP*  
**For S.R. Batliboi & Co. LLP**  
 Firm Registration No. 301003E  
 Chartered Accountants

*P.B. & Co.*  
**per Ravi Bansal**  
 Partner  
 Membership No. 49365

Place :- Mumbai  
 Date :- May 15, 2013



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

*Banwari Lal Jatia*  
**Banwari Lal Jatia**  
 Director

*Amit Jatia*  
**Amit Jatia**  
 Director

*Dr. Shatadru Sengupta*  
**Dr. Shatadru Sengupta**  
 Company Secretary

Place :- Mumbai  
 Date :- May 15, 2013

*Very*

**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
**Statement of Profit & Loss for year ended March 31, 2013**

	Note No.	For year ended March 31, 2013 (Rs in Millions)	For year ended March 31, 2012 (Rs in Millions)
<b>Income</b>			
Revenue from operations (Net)	19		
Other income	20	6,810.34	5,444.60
<b>Total Revenue (I)</b>		<u>48.07</u>	<u>40.22</u>
		<b>6,858.41</b>	<b>5,484.82</b>
<b>Expenses</b>			
Cost of raw material consumed	21	3,083.12	2,436.61
Employee benefits expense	22	760.86	650.36
Other expenses	23	2,387.37	1,725.47
<b>Total (II)</b>		<u>6,231.35</u>	<u>4,812.44</u>
<b>Earnings before Interest, Depreciation, Tax and Amortisation (EBIDTA) (I) - (II)</b>		<b>627.06</b>	<b>672.38</b>
Depreciation and amortisation expense	10	313.36	246.58
Finance costs	24	6.09	0.72
<b>Profit before Tax</b>		<u>307.61</u>	<u>425.08</u>
<b>Tax Expenses</b>			
Current Tax		27.01	-
Less : MAT credit entitlement		(27.01)	-
Deferred Tax	33	-	-
<b>Total tax expense</b>		<u>-</u>	<u>-</u>
<b>Profit for the year</b>		<b>307.61</b>	<b>425.08</b>
<b>Earning Per Equity Share</b>			
Basic & Diluted Earning per Share (Rs)		992.29	1,371.23
Weighted average number of equity shares for computing EPS		310,000	310,000
Nominal Value per Share (Rs)		1,000	1,000

Summary of significant accounting policies

1.2

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

As per our report of even date

*S.R. Batliboi & Co. LLP*  
**For S.R. Batliboi & Co. LLP**  
 Firm Registration No. 301003E  
 Chartered Accountants

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

*Banwari Lal Jatla*  
**Banwari Lal Jatla**  
 Director

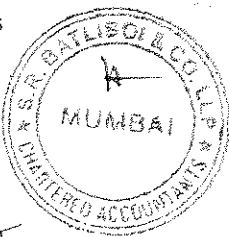
*Amit Jatla*  
**Amit Jatla**  
 Director

*Dr. Shatadru Sengupta*  
**Dr. Shatadru Sengupta**  
 Company Secretary

*Ravi Bansal*  
**per Ravi Bansal**  
 Partner  
 Membership No. 49365

Place :- Mumbai  
 Date :- May 15, 2013

Place :- Mumbai  
 Date :- May 15, 2013





**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Cash flow Statement for year ended March 31, 2013

	For year ended March 31, 2013 (Rs in Millions)	For year ended March 31, 2012 (Rs in Millions)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit before taxation	307.61	425.08
Adjustments for :		
Depreciation	313.36	246.58
Loss on Sale / write off of Fixed assets	7.50	10.53
Interest Expense	3.27	-
Interest Income	(4.79)	(26.86)
Gain on sale of current investment	(8.75)	(9.09)
Dividend Income	-	(0.04)
Unrealised (gain)/loss on foreign exchange	0.08	(0.04)
<b>Operating profit before working capital changes</b>	<b>618.28</b>	<b>646.16</b>
<b>Movements in Working Capital</b>		
Decrease/(Increase) in inventories	(27.02)	(33.01)
Decrease/ (Increase) in trade receivables	(39.62)	(34.83)
Decrease/ (Increase) in loans and advances	(179.16)	(13.01)
(Decrease)/Increase in trade payables	205.39	36.84
(Decrease)/Increase in other liabilities	85.31	6.59
(Decrease)/Increase in provisions	6.41	96.52
<b>Cash generated from operations</b>	<b>669.59</b>	<b>705.26</b>
Tax refund received / (Taxes paid)	(30.21)	4.77
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>639.38</b>	<b>710.03</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to fixed assets & capital work-in-progress	(1,348.61)	(768.45)
Proceeds from sale of fixed assets	2.10	1.86
Interest Income	7.75	30.03
Dividend Income	-	0.04
Investments in mutual funds	(1,242.16)	(994.92)
Proceeds from mutual funds	1,280.91	986.76
Proceeds from liquidation of fixed deposits (With original maturity of three months or more)	128.80	224.27
(Increase)/Decrease in long term deposits	(92.75)	(54.39)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(1,263.96)</b>	<b>(574.80)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from short term borrowings	106.70	-
Proceeds from inter corporate deposits	470.50	-
Interest paid	(2.05)	-
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>575.15</b>	<b>-</b>
<b>NET INCREASE / ( DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(49.43)</b>	<b>135.23</b>
Cash and cash equivalents at the beginning of the year	173.88	38.65
Cash and cash equivalents at the end of the year	124.45	173.88
<b>NET INCREASE / ( DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(49.43)</b>	<b>135.23</b>
<b>Components of cash and cash equivalents</b>		
Cash and bank balances	125.16	302.76
Less: Not considered as cash and cash equivalents		
Fixed deposit with original maturity of more than three months	0.71	128.88
<b>Total cash and cash equivalents (refer note - 16.1)</b>	<b>124.45</b>	<b>173.88</b>

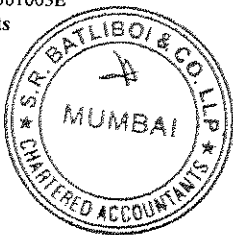
The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S.R. Batliboi & Co. LLP  
Firm Registration No - 301003E  
Chartered Accountants

per Ravi Bansal  
Partner  
Membership No. 49365

Place :- Mumbai  
Date :- May 15, 2013



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

Banwari Lal Jatia  
Director

Amit Jatia  
Director

Dr. Shatadru Sengupta  
Company Secretary

Place :- Mumbai  
Date :- May 15, 2013

*View*

**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
**Notes forming part of the Financial Statements**

**Note - 1 -**

**1.1 Corporate Information:**

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

**1.2 Summary of Significant Accounting Policies:**

**a) Basis of Preparation**

The financial statements of the Company have been prepared and presented in accordance with the generally accepted accounting principles in India (Indian GAAP) under the historical cost convention on an accrual basis. 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 accounting policies have been consistently applied by the Company, except as mentioned in the note given below.

**b) Change in accounting policy**

During the year, the Company has changed its method of providing depreciation on fixed assets below Rs. 5,000 from fully depreciating the assets in the year of purchase to provide depreciation at the rate of 100% p.a.

**c) Use of estimates**

Preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, actual results could differ from the estimates.

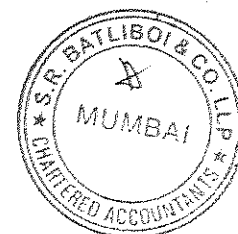
**d) Tangible Fixed Assets and Depreciation**

(i) Fixed Assets are stated at cost less accumulated depreciation and impairment losses (if any). Cost comprises purchase price and any attributable cost of bringing the asset to its working condition for its intended 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 given below, and are equal to or greater than the corresponding rates prescribed in Schedule XIV of the Companies Act, 1956.

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

Leasehold Land is amortised over the period of the lease which is 60 years.  
Fixed Assets below Rs 5,000 are depreciated at the rate of 100% p.a.



**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
**Notes forming part of the Financial Statements**

**e) Intangible Assets and amortisation**

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Initial location & licence 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 & licence fees are amortised on a straight line basis over the remaining period of the Master Franchise Agreement.

Software is depreciated over a period of 5 years.

**f) Impairment of tangible and intangible assets**

The carrying amounts of assets are reviewed at each balance sheet date for any indication of impairment based on internal/external factors. An impairment loss is recognised 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 a pre-taxed discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

**g) 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.

**h) Inventories**

Inventories (comprising of Food, Paper, Toys and Premiums, Stores, Spares and Consumables) are valued at lower of cost (determined on First in First Out basis) or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

**i) Revenue Recognition**

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

Revenue for food items is recognised when sold to the customer over the counter.

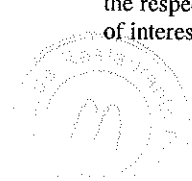
Royalty income, space rental and conducting fees are recognised on an accrual basis in accordance with terms of relevant agreement.

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

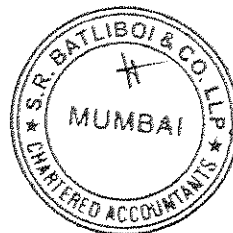
Dividend income is recognised when the Company's right to receive dividend is established by the balance sheet date.

**j) 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 capitalised 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



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**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
**Notes forming part of the Financial Statements**

**k) Foreign Currency Transactions**

**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.

**Conversion :-**

Foreign currency monetary items are reported using the closing rate.

**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 recognised as income or as expense in the year in which they arise.

**Forward Exchange Contracts :-**

Premium or discount arising at the inception of forward exchange contracts is amortised and recognised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contracts is recognised as income or as expense for the period.

**l) Employee Benefits**

**Defined contribution plan**

State governed Provident Fund, ESIC and Labour Welfare Fund are considered as defined contribution plan and contributions thereto are charged to the Statement of Profit and Loss for the year as they are incurred. There are no other obligations, other than the contribution payable to the respective funds.

**Defined benefit plan**

Gratuity liability is a defined benefit scheme and is provided on the basis of an actuarial valuation done by an independent actuary on the projected unit credit method at the end of each financial year. Actuarial gains/losses are recognised in the Statement of Profit and Loss immediately in the year in which they arise and are not deferred. For the purpose of presentation of defined benefit plan allocation between short term and long term provision is made as determined by an actuary.

**Other benefits**

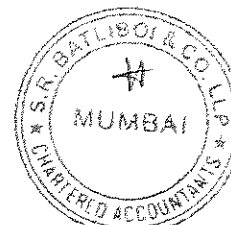
Short term compensated absences are provided based on details of leave balance and applicable salary rate.

**m) 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 tax reflects the impact of 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 and subsequently enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.





**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
**Notes forming part of the Financial Statements**

Unrecognised deferred tax assets of the earlier years are reassessed and recognised 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 realised.

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

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961, the said asset is created by way of credit to the Statement of Profit and Loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

**n) Earnings per Share**

Basic earnings per share is 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.

**o) Operating Leases**

*Where Company is lessee:*

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on a straight – line basis over the lease term for fixed rent agreements and as a percentage of revenue for variable rent agreements.

*Where Company is lessor:*

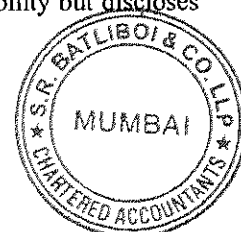
Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income on an operating lease is recognised in the Statement of Profit and Loss on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

**p) Provisions**

A provision is recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to their present value and are determined based on a 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.

**q) Contingent Liability**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. The Company does not recognise a contingent liability but discloses its existence in the financial statements.



**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
**Notes forming part of the Financial Statements**

**r) Cash and Cash Equivalents**

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

**s) Measurement of EBITDA**

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has opted to present earnings before interest, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit from continuing operations. In its measurement, the Company does not include depreciation and amortisation expenses, finance costs and tax expense.



**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Notes forming part of the Financial Statements

**Note - 2 - 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.

As at  
March 31, 2013  
(Rs in Millions)

As at  
March 31, 2012  
(Rs in Millions)

315.00  
925.00

315.00  
925.00

**1,240.00**

**1,240.00**

**Issued, Subscribed and Paid-up Capital**

310,000 (Previous Year 310,000) Equity Shares of Rs 1,000 each fully paid up  
925,000 (Previous Year 925,000) Cumulative Redeemable Preference Shares of Rs 1,000 each fully paid up

310.00  
925.00

310.00  
925.00

**1,235.00**

**1,235.00**

**Total issued, subscribed and paid-up share capital**

**2.1 - Reconciliation of shares outstanding at the beginning and at the end of the reporting period**

**Equity shares**

Particulars	March 31, 2013		March 31, 2012	
	No. of shares	(Rs in Millions)	No. of shares	(Rs in Millions)
At beginning of the period	310,000	310.00	310,000	310.00
Outstanding at end of the period	310,000	310.00	310,000	310.00

**Preference shares**

Particulars	March 31, 2013		March 31, 2012	
	No. of shares	(Rs in Millions)	No. of shares	(Rs in Millions)
At beginning of the period	925,000	925.00	925,000	925.00
Outstanding at end of the period	925,000	925.00	925,000	925.00

**2.2 - Terms/ rights attached to equity shares**

The Company has only one class of equity shares having par value of Rs 1,000 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. During the year ended 31st March, 2013 the amount of dividend per share recognised as distribution to shareholders was NIL (Previous Year NIL). In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

**2.3 - Terms of redemption of CRPS**

The Company has issued 925,000 Cumulative Redeemable Preference Shares (CRPS) 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 terms of the issue, the Company shall declare and pay 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 the 31st day of the month of March immediately preceding the date of meeting of the board at which the Balance Sheet and Statement of Profit and Loss 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. Each holder of CRPS is entitled to one vote per share only on resolutions placed before the Company which directly affect the rights attached to the CRPS. In the event of liquidation of the Company the holders of CRPS will have priority over equity shares in the payment of dividend and repayment of capital.

**2.4 - Shares held by holding company**

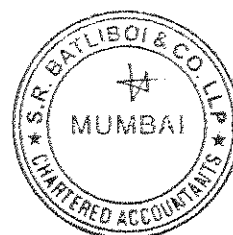
Out of the equity and preference shares issued by the Company, 309,650 (Previous Year 309,650) equity shares and 925,000 (Previous Year 925,000) preference shares are held by its holding company, Triple A Foods Private Limited, which is a subsidiary of Westpoint Liesureparks Private Limited. Westpoint Liesureparks Private Limited is a subsidiary of Westlife Development Limited.

Particulars	March 31, 2013 (Rs in Millions)	March 31, 2012 (Rs in Millions)
Triple A Foods Private Limited., the Holding Company		
309,650 (Previous Year 309,650) Equity Shares of Rs 1,000 each fully paid up	309.65	309.65
925,000 (Previous Year 925,000) Cumulative Redeemable Preference Shares of Rs 1,000 each fully paid up	925.00	925.00

**2.5 - Details of Shareholders holding more than 5% shares in the Company**

Particulars	No of Shares	%	No of Shares	%
Equity Shares of Rs 1,000 each fully paid up				
Triple A Foods Private Limited (Holding Company)	309,650	99.89%	309,650	99.89%
Cumulative Redeemable Preference Shares of Rs 1,000 each fully paid up				
Triple A Foods Private Limited (Holding Company)	925,000	100%	925,000	100%

As per records of the Company, including its register of shareholders/ members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of the shares.



**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Notes forming part of the Financial Statements

	As at March 31, 2013 (Rs in Millions)	As at March 31, 2012 (Rs in Millions)
<b>Note - 3 - Reserve and Surplus</b>		
Surplus/ (deficit) in the statement of profit and loss		
Balance as per last financial statements	(1,004.92)	(1,430.00)
Profit for the year	307.61	425.08
Net deficit in the statement of profit and loss	<u>(697.31)</u>	<u>(1,004.92)</u>

**Note - 4 - Long Term Borrowings**

Deposits		
Inter-Corporate Deposit - Triple A Foods Private Limited (Unsecured) (Refer Note i below)	2,375.00	2,375.00
Inter-Corporate Deposit - Westpoint Leisureparks Private Limited (Unsecured) (Refer Note ii below)	420.50	-
<b>Total</b>	<u>2,795.50</u>	<u>2,375.00</u>

- i) The Inter Corporate Deposit received from Triple A Foods Private Limited (holding company) is an interest free deposit and is repayable on 29th December, 2016.
- ii) The Inter Corporate Deposit received from Westpoint Leisureparks Private Limited (holding company of Triple A Foods Private Limited) is an interest free deposit and is repayable after 3 years from the date of respective disbursement.

**Note - 5 - Long Term Provisions**

Provision for Gratuity (Refer Note - 30)	4.21	8.39
<b>Total</b>	<u>4.21</u>	<u>8.39</u>

**Note - 6 - Other Long Term Liabilities**

Security Deposits	3.17	2.72
<b>Total</b>	<u>3.17</u>	<u>2.72</u>

**Note - 7 - Short term borrowings**

10.25% Inter-Corporate Deposit - Westlife Development Limited (Unsecured) (Refer note i below)	50.00	-
Loan from Bank - Buyers' Credit (Secured) (Refer note ii below)	106.53	-
<b>Total</b>	<u>156.53</u>	<u>-</u>

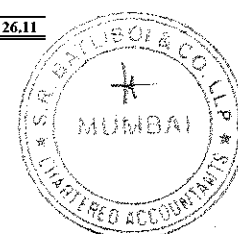
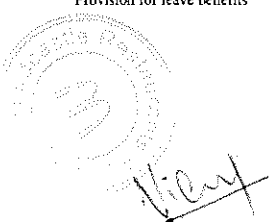
- i) The Inter Corporate Deposit received from Westlife Development Limited (holding company of Westpoint Leisureparks Private Limited) carries an interest rate of 10.25% p.a. and is repayable on demand.
- ii) During the year, the Company has availed import financing facility under the Buyers' Credit Scheme of RBI from Citibank. This facility is sanctioned upto Rs.250 million for the purpose of financing capital expenditure for a period of 3 years w.e.f 3rd October, 2012. To avail this, the Company has hypothecated i.e. created first exclusive charge on present and future movable plant, machinery, kitchen and other equipments that are brought in or stored in any of the premises of the Company including those in the course of transit or delivery wherever lying or parked. Further, a promissory note of Rs.250 million has been issued as a continuing security. The maximum repayment period is one year from the date of drawdown. The entire facility may be repayable on demand if the bank gives 7 days notice in advance. Interest is charged @ LIBOR + 2.5% p.a. payable monthly. The amount payable denotes the amount outstanding as on March 31, 2013 for the drawdowns that are not yet repaid.

**Note - 8 - Current Liabilities**

Trade payables (Refer note - 39 for details of dues to micro and small enterprises)	569.44	363.80
Other Liabilities		
Security Deposits	0.11	0.26
Bank overdrafts	94.53	104.36
Statutory Dues	54.60	44.79
Liability for capital expenditure	183.48	68.21
Unearned Revenue	21.97	-
Interest accrued but not due on borrowings	1.22	-
Employee related liabilities	129.49	84.34
Other payables	43.79	31.92
	<u>529.19</u>	<u>333.88</u>
<b>Total</b>	<u>1,098.63</u>	<u>697.68</u>

**Note - 9 - Short Term Provisions**

Provision for employee benefits		
Provision for gratuity (Refer Note - 30)	23.43	11.68
Provision for leave benefits	13.27	14.43
<b>Total</b>	<u>36.70</u>	<u>26.11</u>





**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Notes forming part of the Financial Statements

**Note - 10 - Fixed Assets and Depreciation**

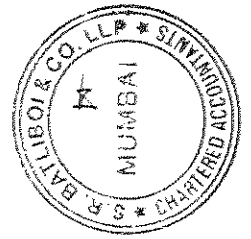
(Rs in millions)

	Gross Block (At cost)			Depreciation / Amortisation			Net Block	
	As at 01-04-2012	Additions / Adjustments	Deductions / Adjustments	As at 31-03-2013	As at 01-04-2012	For the year	As at 31-03-2013	As at 31-03-2012
<b>TANGIBLE ASSETS</b>								
Leasehold Land	10.50	-	-	10.50	1.67	0.17	1.84	8.83
	10.50	-	-	10.50	1.50	0.17	1.67	9.00
Buildings	146.84	-	(0.68)	146.16	65.24	5.53	70.64	81.60
	146.84	0.74	(0.74)	146.84	59.93	5.64	65.24	86.91
Leasehold Improvements	1,179.25	582.31	(20.53)	1,711.03	294.99	101.63	381.98	884.26
	934.76	259.43	(14.94)	1,179.25	232.70	73.35	294.99	702.06
Restaurant Equipments	1,181.85	495.15	(44.96)	1,632.04	458.97	140.13	560.74	722.88
	903.46	293.36	(16.97)	1,181.85	359.76	113.62	458.97	545.70
Furniture & Fixtures	252.92	104.41	(13.40)	343.93	123.10	32.94	145.16	129.82
	192.47	63.49	(3.04)	252.92	97.34	28.13	123.10	95.13
Office Equipments	9.99	10.69	(0.56)	20.12	7.92	3.09	10.55	2.07
	9.45	0.54	-	9.99	6.27	1.65	7.92	3.18
Computers	22.42	13.82	(0.94)	35.30	13.72	4.53	17.31	8.70
	20.69	3.37	(1.64)	22.42	13.20	2.16	13.72	7.49
Motor Vehicles	36.48	16.55	(0.49)	52.54	25.49	4.96	29.96	10.99
	30.54	5.99	(0.05)	36.48	19.40	6.14	25.49	11.14
<b>Subtotal</b>	<b>2,840.25</b>	<b>1,192.93</b>	<b>(81.56)</b>	<b>3,951.62</b>	<b>991.10</b>	<b>292.98</b>	<b>1,218.18</b>	<b>1,849.15</b>
	<b>2,250.71</b>	<b>626.92</b>	<b>(37.36)</b>	<b>2,840.25</b>	<b>790.10</b>	<b>230.86</b>	<b>991.10</b>	<b>1,460.61</b>
<b>INTANGIBLE ASSETS</b>								
Initial Location & License Fee	264.47	79.84	-	344.31	49.73	15.15	64.88	214.74
	211.55	52.92	-	264.47	37.96	11.77	49.73	173.59
Computer Software	46.15	3.20	-	49.35	34.37	5.23	39.60	11.78
	37.14	9.01	-	46.15	30.42	3.95	34.37	6.72
<b>Subtotal</b>	<b>310.62</b>	<b>83.04</b>	<b>-</b>	<b>393.66</b>	<b>84.10</b>	<b>20.38</b>	<b>104.48</b>	<b>226.52</b>
	<b>248.69</b>	<b>61.93</b>	<b>-</b>	<b>310.62</b>	<b>68.38</b>	<b>15.72</b>	<b>84.10</b>	<b>180.31</b>
<b>TOTAL</b>	<b>3,150.87</b>	<b>1,275.97</b>	<b>(81.56)</b>	<b>4,345.28</b>	<b>1,075.20</b>	<b>313.36</b>	<b>1,322.66</b>	<b>2,075.67</b>
<i>Previous Year</i>	<i>2,499.40</i>	<i>688.85</i>	<i>(37.38)</i>	<i>3,150.87</i>	<i>858.48</i>	<i>246.58</i>	<i>1,075.20</i>	<i>2,075.67</i>

(Figures in italics pertain to previous year)

**Notes:**

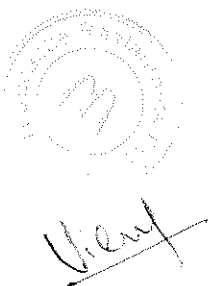
The Company has created an exclusive charge in favour of ING Vysya Bank Limited on immovable fixed assets having area of 1,291.76 sq.m. located at Kalamboli, Navi Mumbai. Further a promissory note for Rs 70.00 millions has been issued as a continuing security. This charge is created to avail facility of cash credit / short term loan / issuing Letter of Credit / Letter of Undertaking / Bank Guarantees upto Rs 70.00 millions. The facility also covers hedging of foreign exchange risks or entering into forward / derivatives upto Rs 20.00 millions.



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**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Notes forming part of the Financial Statements

	As at March 31, 2013 (Rs in Millions)	As at March 31, 2012 (Rs in Millions)
<b>Note - 11 - Long Term Loans and Advances (Unsecured, considered good unless otherwise stated)</b>		
Security deposits to lessors	423.45	330.70
Security deposits - Others	18.98	12.87
Capital Advances	16.89	27.89
Balances with Statutory/Government authorities	10.82	3.19
Advances to Suppliers	3.70	3.70
Advance Income tax (net of provisions)	7.86	4.66
MAT Credit Entitlement	27.01	-
Loans to Others	73.36	-
Pre-paid Expenses	5.47	4.01
<b>Total</b>	<b>587.54</b>	<b>387.02</b>
Security deposits to lessors include Rs 7.25 million (Previous Year Rs 12.25 million) deposited with companies in which a director is interested. Maximum balance outstanding during the year is Rs. 12.25 million (previous year Rs 12.25 million).		
<b>Note - 12 - Other Non Current Assets</b>		
Deposits with banks for original maturity more than 12 months	0.08	0.71
<b>Total</b>	<b>0.08</b>	<b>0.71</b>
<b>Note - 13 - Current Investments</b>		
Unquoted Mutual Funds (Valued at cost or fair value whichever is lower)		
17,735.14 (Previous year - 194,655) Units of Rs 100 each in Birla Sunlife Mutual Fund Growth Plan	5.00	35.00
<b>Total</b>	<b>5.00</b>	<b>35.00</b>
<b>Note - 14 - Inventories</b> (Valued at lower of cost and net realisable value)		
Food items (Includes goods in transit Rs 4.76 million (Previous Year Rs 0.24 million))	88.12	66.66
Paper Products (Includes goods in transit Rs 0.64 million (Previous Year Rs 0.03 million))	33.08	24.89
Toys & Premiums	20.95	20.75
Stores, spares & Consumables (Includes goods in transit Rs 0.09 million (Previous Year Rs 0.004 million))	35.18	38.01
<b>Total</b>	<b>177.33</b>	<b>150.31</b>
<b>Note - 15 - Trade Receivables</b> (Unsecured, considered good unless otherwise stated)		
Outstanding for a period exceeding six months from the date they are due for payment	-	3.85
Other receivables	82.77	39.30
<b>Total</b>	<b>82.77</b>	<b>43.15</b>




**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Notes forming part of the Financial Statements

**Note - 16 - Cash and Bank Balances**

**16.1 Cash and Cash Equivalents**

Balances with banks:		
- On Current Accounts	7.35	38.97
- Deposits with original maturity of less than three months	-	82.25
Cash on Hand	117.10	52.66

**16.2 Other Bank Balances**

- Deposits with original maturity of more than 12 months	0.01	78.35
- Deposits with original maturity of more than 3 months but less than 12 months	0.70	50.53

**Total**

As at March 31, 2013 (Rs in Millions)	As at March 31, 2012 (Rs in Millions)
<b>124.45</b>	<b>173.88</b>
<b>0.71</b>	<b>128.88</b>
<b>125.16</b>	<b>302.76</b>

**Note - 17 - Short Term Loans and Advances (Unsecured, considered good)**

Security deposits to lessors	4.50	3.50
Employee advances	2.16	2.03
Other advances	16.55	22.66
Lease hold improvements contributions receivable	14.69	19.42
Advances to suppliers	35.64	1.56
Sundry deposits	5.66	12.50
Loans to others	4.69	-
Prepaid expenses	14.89	8.79

**Total**

<b>98.78</b>	<b>70.46</b>
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**Note - 18 - Other Current Assets**

Other receivables (Unsecured, considered good)	133.38	78.85
Unamortised premium on forward contracts	4.79	-

**Total**

<b>138.17</b>	<b>78.85</b>
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**Note - 19 - Revenue From Operations (Net)**

Sales	6,747.66	5,397.83
Other Operating Revenue		
Conducting Fees	3.92	3.28
Franchising Income	9.03	9.68
Scrap Sales	8.34	5.18
Space Rentals	41.39	28.63

**Total**

For year ended March 31, 2013 (Rs in Millions)	For year ended March 31, 2012 (Rs in Millions)
<b>6,810.34</b>	<b>5,444.60</b>

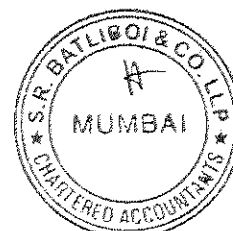
**Note - 20 - Other Income**

Interest Income		
- on Bank Deposits	4.79	25.72
- Others	-	1.14
Dividend Income on Current Investment	-	0.04
Gain on Sale of Current Investment	8.75	9.09
Compensation received for closure of a store	29.50	-
Other Non-operating Income	5.03	4.23

**Total**

<b>48.07</b>	<b>40.22</b>
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*View*



**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Notes forming part of the Financial Statements

**Note - 21 - Cost of Raw Materials Consumed**

Stock at commencement of the year  
Add: Purchases during the year  
Less: Stock at close of the year

	For year ended March 31, 2013 (Rs in Millions)	For year ended March 31, 2012 (Rs in Millions)
	112.30	89.27
	3,112.97	2,459.64
	3,225.27	2,548.91
	142.15	112.30
<b>Total</b>	<b>3,083.12</b>	<b>2,436.61</b>

**21.1 - Details of Raw Materials Consumed**

Food  
Paper  
Toys & Premiums

	2,612.48	2,063.30
	357.62	277.37
	113.02	95.94
<b>Total</b>	<b>3,083.12</b>	<b>2,436.61</b>

**21.2 - Value of Imported and indigenous Raw Materials Consumed:**

Imported  
Indigenous

	102.89	3.34%	89.67	3.68%
	2,980.23	96.66%	2,346.94	96.32%
	<b>3,083.12</b>	<b>100.00%</b>	<b>2,436.61</b>	<b>100.00%</b>

**Note - 22 - Employee Benefit Expenses**

Salaries, Wages and Bonus  
Contribution to Provident and other Funds  
Gratuity Expenses (Refer Note - 30)  
Staff Welfare Expenses

	673.12	581.18
	52.93	42.90
	9.69	6.16
	25.12	20.12
<b>Total</b>	<b>760.86</b>	<b>650.36</b>

**Note - 23 - Other Expenses**

Electricity, Gas and Other Utilities  
Conducting Charges  
Advertising & Promotional Expenses  
Royalty Fee  
Maintenance & Repairs - Restaurant Equipments  
Maintenance & Repairs - Others  
Operating Supplies at Stores  
Travelling Expenses  
Consultancy & Professional Fees (Refer Note 23.1 below)  
Rent Expenses  
Asset Write offs/loss on sales of assets  
Training and Development Expenses  
Telephone Expenses  
Rates & Taxes  
Insurance  
Foreign Exchange Differences (net)  
Miscellaneous Expenses

	629.82	438.05
	497.53	365.26
	409.45	304.48
	213.14	115.37
	90.39	74.14
	67.30	54.93
	84.34	61.60
	42.11	35.52
	57.86	36.54
	33.08	18.54
	7.50	10.53
	14.19	9.84
	18.75	8.76
	11.70	8.64
	7.93	6.68
	5.54	6.78
	196.74	169.81
<b>Total</b>	<b>2,387.37</b>	<b>1,725.47</b>

**23.1 - Payments to Auditors**

Consultancy & Professional fees include auditors fees as follows:

As Auditor

Statutory Audit fees

In other capacity

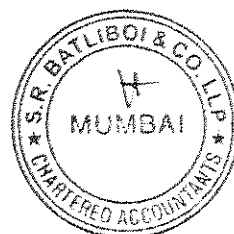
Other services ( certification fees)  
Reimbursement of expenses

	2.30	1.85
	0.11	-
	0.04	0.04
	<b>2.45</b>	<b>1.89</b>

**Note - 24 - Finance Costs**

Interest  
- Buyers' credit  
- Inter Corporate Deposit  
- Bank overdraft  
Premium on forward exchange contracts amortised  
Bank charges

	1.04	-
	0.20	-
	0.07	-
	1.96	-
	2.82	0.72
<b>Total</b>	<b>6.09</b>	<b>0.72</b>



# Hardcastle Restaurants Private Limited

Notes forming part of the Financial Statements

Note - 25 - Related Party disclosure

Names of Related Parties & Related Party Relationship

(A) Where Control Exists:

- Holding Company
- Holding Company of Triple A Foods Private Limited
- Ultimate Holding Company

Triple A Foods Private Limited  
Westpoint Leisureparks Private Limited  
Westlife Development Limited

(B) Others with whom transactions have taken place during the year

a) Key Management Personnel:

Mrs. Smita Jatin (Additional Director from December 22, 2010 to September 25, 2011 & Director w.e.f September 26, 2011)  
Mr. Amit Jatin (Executive Director)

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

Hardcastle & Wund Manufacturing Company Limited  
Vishwas Investment & Trading Company Private Limited  
West Pioneer Properties (India) Private Limited  
Hardcastle Petrofer Private Limited

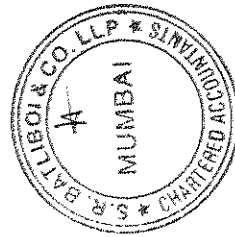
Related party transactions

Particulars	Vishwas Investment & Trading Company Private Limited		West Pioneer Properties (India) Private Limited		Triple A Foods Private Limited		Hardcastle Petrofer Private Limited		Hardcastle & Wund Mfg. Co. Limited		Westlife Development Limited		Westpoint Leisureparks Private Limited	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Rent paid	2.88	11.31	-	-	-	-	-	-	-	-	-	-	-	-
Conditioning Charges paid	-	-	5.81	5.19	-	-	-	-	-	-	-	-	-	-
Electricity Charges Paid	0.80	1.40	3.80	-	-	-	-	-	-	-	-	-	-	-
Water Charges Paid	0.02	0.03	0.05	-	-	-	-	-	-	-	-	-	-	-
Maintenance Charges paid	-	-	1.40	-	-	-	-	-	-	-	-	-	-	-
Civil Work charges paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Electric Work charges paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Expenses paid	-	-	3.03	-	-	-	-	-	-	-	-	-	-	-
Inter Corporate Deposit taken	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Inter Corporate Deposit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reimbursement of expenses by the Company	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Expenses Recovered	-	-	1.36	0.08	-	-	0.07	-	-	-	-	-	-	-
Rent Income	-	-	1.84	-	-	-	-	-	-	-	-	-	-	-
Outstanding Balance included in Loans and Advances	5.25	10.25	2.00	2.00	-	-	-	-	-	-	-	-	-	-
Inter Corporate Deposits at the end of the year	-	-	-	-	2,375.00	2,375.00	-	-	-	-	50.18	-	420.50	-
Outstanding Balance included in Trade Payables	-	-	0.03	0.06	-	-	-	-	-	-	-	-	-	-
Outstanding Balance included in Other Receivables	-	-	1.84	-	-	-	0.07	-	-	-	-	-	-	-

Remuneration to key management personnel\*

Particulars	Mr. Amit Jatin		Mrs. Smita Jatin	
	2012-13	2011-12	2012-13	2011-12
Salary & Bonus	12.43	14.99	6.50	5.80
Contribution to Provident Fund	1.43	1.25	0.78	0.48
Total	13.86	16.24	7.27	6.28
Incentive written back for earlier years	(7.89)	-	-	-

\*Remuneration paid to key managerial personnel does not include the provision made for gratuity as they are determined on an actuarial basis for the Company as a whole.



**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Notes forming part of the Financial Statements

**Note - 26 - CIF Value of Imports**

(Rs in millions)		
Particulars	2012-13	2011-12
Materials (Food, Beverages & Toys)	88.31	88.90
Capital Goods	356.23	174.66

**Note - 27 - Earnings in foreign currency (Accrual basis)**

(Rs in millions)		
Particulars	2012-13	2011-12
Other Reimbursements	-	0.02

**Note - 28 - Expenditure in Foreign Currency (Accrual Basis)**

(Rs in millions)		
Particulars	2012-13	2011-12
Travel	4.51	2.39
Training	3.30	1.83
Software License & Maintenance	3.84	-
Professional Services	8.74	8.62
Marketing	1.37	-
Interest on buyers' credit	1.04	-
Others	1.71	0.29
<b>Total</b>	<b>24.51</b>	<b>13.13</b>

**Note - 29 - Derivative instruments and un-hedged foreign currency exposure**

**a) Derivatives outstanding at the balance sheet date**

(Rs in millions)		
Particulars	As at March 31, 2013	As at March 31, 2012
Forward contract to buy US \$ 1.85 Million ( Hedge of foreign currency -buyers' credit)	107.44	-

**b) Particulars of Un-hedged Foreign Currency Exposure as at Balance Sheet date**

(Rs in millions)		
Particulars	As at March 31, 2013	As at March 31, 2012
Import Creditors	11.13 ( USD 0.21million @ Rs. 54.33 per USD)	12.91 (USD 0.26 million @ Rs 51.16 per USD)
Advances Receivable in cash/kind	5.63 ( USD 0.10 million @ Rs. 54.33 per USD)	17.26 (USD 0.34 million @ Rs 51.16 per USD)

**Note - 30 - Employee Benefits**

**Defined Contribution Plan**

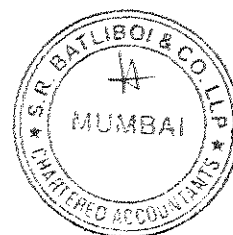
Amount recognised and included in Note 22 "Contribution to Provident Fund and other Funds" - Rs. 52.93 million (Previous Year Rs. 42.90 million).

**Defined Benefit Plan**

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 million. 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 recognised in the Statement of Profit and Loss and the funded status and amounts recognised in the Balance Sheet.

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**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Notes forming part of the Financial Statements

**D) Expenses recognised in Statement of Profit and Loss**

Gratuity expense

(Rs in millions)		
Particulars	2012-13	2011-12
Current service cost	7.48	7.82
Interest cost	2.08	1.59
Expected return on plan assets	(0.31)	(0.34)
Net Actuarial (gain) or loss	0.44	(2.91)
Expense recognised in Statement of Profit & Loss	9.69	6.16
Actual return on plan assets	0.16	0.33

**II) Amount recognised in Balance sheet**

(Rs in millions)		
Particulars	2012-13	2011-12
Present value of defined benefit obligation	31.68	23.72
Fair value of plan assets	4.04	3.66
<b>Amount recognised in Balance Sheet</b>	<b>27.64</b>	<b>20.06</b>

**III) Changes in present value of defined benefit obligation**

(Rs in millions)		
Particulars	2012-13	2011-12
Opening defined benefit obligation	23.72	19.26
Interest cost	2.08	1.59
Current service cost	7.48	7.82
Benefits paid	(1.91)	(2.02)
Actuarial (gains)/losses	0.31	(2.93)
<b>Closing defined benefit obligation</b>	<b>31.68</b>	<b>23.72</b>

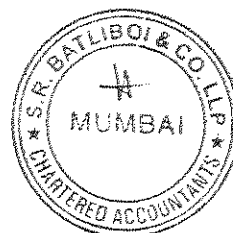
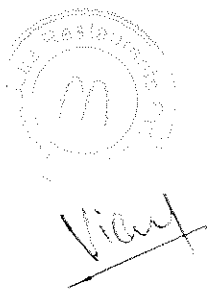
**IV) Changes in fair value of plan assets**

(Rs in millions)		
Particulars	2012-13	2011-12
Opening fair value of plan assets	3.66	4.25
Expected return on plan assets	0.31	0.34
Contributions by employer	1.97	1.10
Benefits paid	(1.75)	(2.02)
Actuarial gains/(losses)	(0.15)	(0.01)
<b>Closing fair value of plan assets</b>	<b>4.04</b>	<b>3.66</b>

The Company plans to contribute Rs 2.50 millions (Previous Year Rs 2.50 millions) to gratuity fund in the next year.

**V) Major categories of plan assets as a percentage of fair value of total plan assets**

Particulars	2012-13	2011-12
Insurer managed funds	100%	100%



**VI) Actuarial assumptions used in determining gratuity benefit obligations for the Company's plans**

Particulars	2012-13	2011-12
Discount rate	8.00%	8.75%
Expected rate of return on assets	8.70%	8.60%
Salary escalation	7.00%	7.00%
Attrition Rate		
Crew Part time	15.00%	
Age Related		5.00%
Others	10.00%	
Service Related		10.00%
Retirement Age	58 Years	58 Years
Mortality Rate	Indian Assured Lives Mortality (2006-08) Ultimate	LIC(1994-96) Ultimate

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

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

Amounts for current period and previous four years are as follows

(Rs in millions)					
Particulars	2012-13	2011-12	2010-11	2009-10	2008-09
Gratuity					
Defined benefit obligation	31.68	23.72	19.26	15.50	11.52
Plan assets	4.04	3.66	4.25	4.32	4.36
Surplus / (deficit)	(27.64)	(20.06)	(15.01)	(11.18)	(7.16)
Experience adjustments on plan liabilities (gain) / loss	(3.11)	(5.41)	(2.53)	(1.62)	2.35
Experience adjustments on plan assets gain / (loss)	(0.15)	(0.01)	(0.14)	0.03	(0.14)

**Note - 31 - Segment Reporting:**

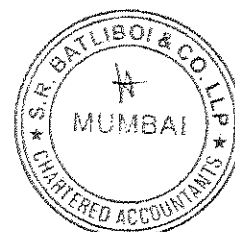
The Company operates McDonald's chain of restaurants in Western and Southern India and the management considers that these restaurants constitute a single business segment and hence disclosure of segment wise information is not required under AS-17 "Segment Reporting"

The Company has only one geographical segment as it caters to the needs of the domestic market only.

**Note - 32 - Impact of Change in Accounting Policies:**

The Company has changed its method of providing depreciation on fixed assets below Rs. 5000 from fully depreciating the asset to 100% depreciation p.a. Accordingly the depreciation charge was lower by Rs. 3.11 million. Had the company continued to use the earlier method of depreciation the profit before tax for the current year would have been lower by Rs. 3.11 million.

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**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Notes forming part of the Financial Statements

**Note - 33 - Deferred Taxes:**

**Break-up of Deferred Tax Assets and Liabilities:-**

		(Rs in millions)	
Particulars		2012-13	2011-12
Deferred Tax liability recognised for timing differences due to:			
Fixed assets: Impact of difference between tax depreciation and depreciation/ amortisation charged for the financial reporting	(A)	47.68	26.29
Deferred tax assets recognised due to:			
a. Expenses allowable in Income Tax on payment basis		19.86	16.11
b. Unabsorbed depreciation and carried forward losses		27.82	10.18
Total	(B)	47.68	26.29
Net deferred tax	(A) – (B)	-	-

The Company has accumulated carried forward losses up to March 31, 2013. However, the deferred tax asset on unabsorbed carried forward loss has been recognised only to the extent of net deferred tax liability.

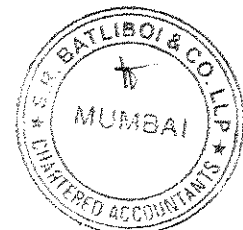
**Note - 34 - Contingent Liabilities not provided for in the accounts:**

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

- The Company had preferred an appeal before the Central Excise and Service Tax Appellate Tribunal against a demand of Rs 44.26 million (Previous Year: Rs 44.26 million) for earlier years by the Central Excise Department on account of excise duty and penalty, which appeal is pending before the said Tribunal. The Company has deposited a sum of Rs 1 million as pre-deposit in compliance with the order passed by the said Tribunal, which has stayed the recovery of the remaining amount till the matter is finally decided.
- The Company had preferred an appeal before the Central Excise and Service Tax Appellate Tribunal on 16.02.2010 against a demand of Rs 0.49 million (Previous Year: Rs 0.49 million) for earlier years by the Central Excise Department on account of excise duty and penalty. The appeal is pending. The Company has deposited a sum of Rs 0.01 million 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 had preferred an appeal before the Commissioner (Appeals), Central Excise, Mumbai against demand of Rs 0.32 million (Previous Year Rs 0.32 million) made by the Central Excise Department on account of excise duty and penalty. The Commissioner (Appeals), Central Excise passed an order rejecting the appeal of the Company. Being aggrieved by the order of the Commissioner (Appeals), Central Excise, the Company had preferred an appeal before the Central Excise and Service Tax Appellate Tribunal. The Appellate Tribunal has granted a stay in the said appeal.
- The Company has preferred an appeal before the Joint Commissioner of Sales Tax (Appeal II) against a demand of Rs 4.06 million (Previous Year: 4.06 million) as per assessment order passed by the assessing officer on account of disallowance of resale sale for the years 2003-04 and 2004-05. The Company has deposited a sum of Rs 1.53 million as part payment fixed by the said authority. The said appeal is pending.

(b) Cumulative Preference Dividend Arrears: Rs 817.89 million (Previous Year: Rs 716.14 million)

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**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Notes forming part of the Financial Statements

**Note – 35 – Preference Share Dividend**

In order to conserve financial resources of the Company for its continuing growth and expansion, it has been decided not to declare preference dividend.

**Note - 36 –Capital and other Commitments**

Estimated amount of contracts remaining to be executed on capital account (net of advances) and not provided for is Rs 76.73 million (Previous Year Rs 122.02 million).

**Note - 37 - Service Tax on Conducting Charges**

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. The Hon'ble Court dismissed the petition and upheld the constitutional validity of the amendment.

Against the Judgement, the Retailers Association of India (RAI) (of which the Company is a member) had, on behalf of its members, preferred an appeal in the Hon'ble Supreme Court of India (SCI). The appeal is pending disposal by the SCI. However, by an order ("the Order"), the SCI issued, inter alia, the following directions:

- 1) All members of RAI to deposit 50% of the arrears due for the period 1<sup>st</sup> June, 2007 through 30<sup>th</sup> September, 2011 with the concerned department in three equated instalments on or before 1<sup>st</sup> November, 2011, 1<sup>st</sup> January, 2012 and 1<sup>st</sup> March, 2012;
- 2) For the balance 50% of the arrears, all the members of RAI are:
  - (a) To file solvent surety to the satisfaction of the jurisdictional Commissioners;
  - (b) To file affidavits in the SCI, within four weeks from the date of the Order, undertaking to pay the balance arrears of service tax, stayed in terms of the Order, as may be directed by the SCI at the time of final disposal of the appeal;
- 3) The successful party in the appeal to be entitled to interest on the amount stayed by the SCI at such rate as may be directed by the SCI at the time of final disposal of the appeal.

For the service tax due from 1<sup>st</sup> October, 2011, no relief in terms of injunction was granted by the SCI.

The Company has complied with the Order.

The Company has commenced payment of service tax with effect from 1<sup>st</sup> October, 2011 to those parties to whom the Company has contractually agreed to pay service tax.

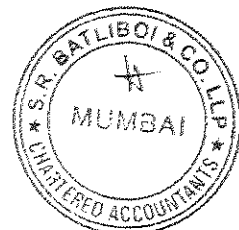
As a matter of abundant caution, however, an amount of Rs.8.11 million (Previous Year Rs 1.21million), representing liability has been provided in the financial statements for the year and the balance as at March 31, 2013 is Rs 44.50 million (Previous Year Rs 36.39 million).

**Note - 38 -Operating Leases Disclosure:**

Stores and Office premises are obtained on operating leases. 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 store. There are no restrictions imposed by such lease arrangements. The leases are generally renewable at the option of the lessee. The lease agreements have an escalation clause and are cancellable in nature.

Particulars	(Rs in millions)	
	2012-13	2011-12
Fixed Lease payments for the year	266.45	182.29
Lease payments based on percentage of revenue debited to Statement of Profit and Loss	264.16	201.51
<b>Total</b>	<b>530.61</b>	<b>383.80</b>

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**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Notes forming part of the Financial Statements

**Sub Leases**

The Company has sub leased premises to others on operating lease. There is no escalation clause in the lease agreement. There are no restrictions imposed by the lease arrangement.

Particulars	(Rs in millions)	
	2012-13	2011-12
Rent based on percentage of revenue credited to Statement of Profit and Loss	3.92	3.28

**Note - 39 - Details of dues to Micro, Small and Medium Enterprises under MSMED Act 2006:**

Particulars	(Rs in millions)	
	2012-13	2011-12
Principal amount and interest due thereon remaining unpaid to any supplier as at end of accounting year	1.08*	-
Amount of interest paid by the buyer in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with amounts of payment made to supplier beyond the appointed day during accounting year	-	-
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.	-	-

\*Based on confirmation / information available with the Company.

**Note - 40 - Previous year figures**

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

As per our report of even date

S.R. Batliboi & Co. LLP  
For S. R. Batliboi & Co. LLP  
Firm Registration No - 301003E  
Chartered Accountants

per Ravi Bansal  
Partner  
Membership No. 49365

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

Banwari Lal Jatia  
Director

Amit Jatia  
Director

Dr. Shatadru Sengupta  
Company Secretary

Place :- Mumbai  
Date :- May 15, 2013

Place :- Mumbai  
Date :- May 15, 2013

Vicay

