

**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 31 March, 2015, 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.

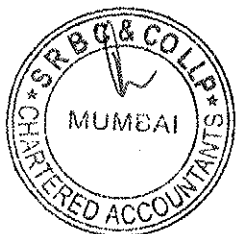
**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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



# SRBC & CO LLP

Chartered Accountants

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

## Opinion

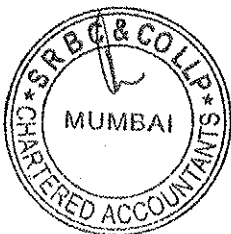
In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state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

## Emphasis of Matter

We draw attention to Note 33 to the financial statements regarding representations made by the Company to the Central Government for approval of managerial remuneration paid by the Company, in excess of the limit specified under applicable Companies Act amounting to Rs.45.24 Million for the period April 2012 to March 2015 which are pending consideration by the Central Government. Our opinion is not qualified in respect of this matter.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's report) Order, 2015 ('the Order') issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by section 143 (3) of the Act, we report that:
  - (a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) the 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 aforesaid financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - (e) on the basis of written representations received from the directors as on 31 March, 2015, and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2015, from being appointed as a director in terms of section 164 (2) of the Act;



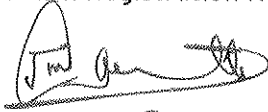
# SRBC & CO LLP

Chartered Accountants

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- (f) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. The Company has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 32 to the financial statements;
  - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For SRBC & CO LLP  
Chartered Accountants  
ICAI Firm Registration Number: 324982E



per Jayesh Gandhi  
Partner  
Membership Number: 37924  
Place: Mumbai  
Date: 8 May 2015



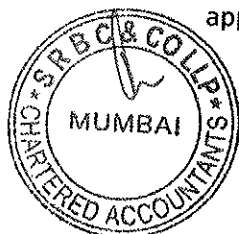
# SRBC & CO LLP

Chartered Accountants

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**Annexure referred to in paragraph 1 under the heading of "Report on Other Legal and Regulatory Requirements" of 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.
- (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 189 of the Companies Act, 2013. Accordingly, the provisions of clause 3 (iii) (a) and (b) of the Order are not applicable to the Company and hence not commented upon.
- (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.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Central Government has not specified the maintenance of cost records under clause 148(1) of the Companies Act, 2013, for the products/services of the Company.
- (vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, value added tax, 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.



# SRBC & CO LLP

Chartered Accountants

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- (b) According to the information and explanations given to us, undisputed dues in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, value added tax, 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, are as follows:

(Rs. Million)

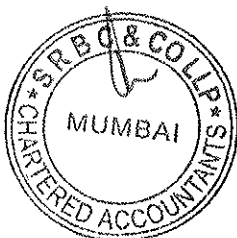
Name of the Statute	Nature of the Dues	Amount	Period to which the amount relates	Due Date	Paid
Various Labour Welfare Fund Acts	Unpaid wages	1.11	January 2011 to June 2011	July 2014	May 4, 2015
		0.27	January 2011 to June 2011	July 2014	Remain unpaid
	Unpaid bonus	3.21	April 2010 to March 2011	July 2014	Remain unpaid

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

(Rs. Millions)

Name of the Statute	Nature of Dispute	Amount (Including Penalty)	Period to which amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty demand	44.06	2000-01 to 2005-06	Appellate Tribunal, Mumbai
Bombay Sales Tax Act, 1959	Sales Tax demand	2.53	2003-04 to 2004-05	Commissioner of Sales Tax (Appeal), Mumbai
Karnataka Value Added Tax, 2003	Sales Tax demand	516.21	2008-09 to 2013-14	High Court of Karnataka
Tamilnadu Value Added Tax, 2006	Sales Tax demand	299.29	2008-09 to 2012-13	Appellate Deputy Commissioner, Chennai

- (d) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company in accordance with the relevant provisions of the Companies Act, 1956 (1 of 1956) and rules made thereunder.



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Chartered Accountants

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- (viii) The Company's accumulated losses at the end of the financial year are more than fifty per cent of its net worth. The Company has not incurred cash losses in the current and immediately preceding financial year.
- (ix) Based on our audit procedures and as per the information and explanations given by the management, there was a minor delay of four days in repayment of an instalment of Rs.99.66 Million to a bank. The Company did not have any outstanding dues in respect of a financial institution or debentures during the year.
- (x) 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.
- (xi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xii) 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.

For SRBC & CO LLP  
Chartered Accountants  
ICAI Firm Registration Number: 324982E



per Jayesh Gandhi  
Partner  
Membership Number: 37924  
Place: Mumbai  
Date: 8 May 2015



**HARDCASTLE RESTAURANTS  
PRIVATE LIMITED**

**AUDITED FINANCIALS AS ON  
MARCH 31, 2015**

**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Balance Sheet as at March 31, 2015

	Note No.	As at March 31, 2015 (Rs in Millions)	As at March 31, 2014 (Rs in Millions)
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>Shareholders' funds</b>			
Share capital	2	1,655.00	1,655.00
Reserves and surplus	3	(980.64)	(689.89)
		<b>674.36</b>	<b>965.11</b>
<b>Non-current liabilities</b>			
Long-term borrowings	4	4,125.00	4,237.92
Other long-term liabilities	5	"	2.20
		<b>4,125.00</b>	<b>4,240.12</b>
<b>Current liabilities</b>			
Short-term borrowings	6	729.39	465.54
Trade payables	7	593.32	590.57
Other current liabilities	8	1,056.74	543.43
Short-term provisions	9	61.62	47.99
		<b>2,441.07</b>	<b>1,647.53</b>
<b>TOTAL</b>		<b>7,240.43</b>	<b>6,852.76</b>
<b><u>ASSETS</u></b>			
<b>Non-current assets</b>			
Fixed assets	10		
Tangible assets		3,790.15	3,424.50
Intangible assets		385.77	347.60
Capital work-in-progress		209.05	176.77
Non-current investments	11	97.23	200.00
Long-term loans and advances	12	829.38	715.94
Other non-current assets	13	1.88	0.96
		<b>5,313.46</b>	<b>4,865.77</b>
<b>Current assets</b>			
Current investments	11	1,338.89	1,344.09
Inventories	14	240.83	199.47
Trade receivables	15	42.37	62.92
Cash and bank balances	16	72.06	120.82
Short-term loans and advances	17	216.56	237.37
Other current assets	18	16.26	22.32
		<b>1,926.97</b>	<b>1,986.99</b>
<b>TOTAL</b>		<b>7,240.43</b>	<b>6,852.76</b>

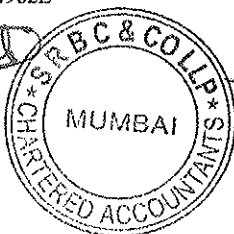
Summary of significant accounting policies 1.2

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

As per our report of even date

For S R B C & CO LLP  
Chartered Accountants  
Firm Registration No. 324982E

per Jayesh Gandhi  
Partner  
Membership No. 37924



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

Banwari Lal Jatia  
Director

Ranjit Paliath  
Director

Radha Jain  
Company Secretary

S.Lakshminarayanan  
Chief Financial Officer

Place :- Mumbai  
Date :- May 08, 2015



Place :- Mumbai  
Date :- May 08, 2015

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**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Statement of Profit & Loss for the year ended March 31, 2015

	Note No.	For the year ended March 31, 2015 (Rs in Millions)	For the year ended March 31, 2014 (Rs in Millions)
<b>Income</b>			
Revenue from operations (Net)	19	7,640.33	7,383.92
Other income	20	162.09	44.37
<b>Total Revenue (I)</b>		<b>7,802.42</b>	<b>7,428.29</b>
<b>Expenses</b>			
Cost of material consumed	21	3,176.97	3,137.83
Employee benefits expense	22	1,136.61	961.65
Other expenses	23	3,172.10	2,838.69
<b>Total (II)</b>		<b>7,485.68</b>	<b>6,938.17</b>
<b>Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) (I) – (II)</b>		<b>316.74</b>	<b>490.12</b>
Depreciation and amortisation expense	10	504.37	435.02
Finance costs	24	102.17	47.68
<b>Profit / (Loss) before tax</b>		<b>(289.80)</b>	<b>7.42</b>
<b>Tax Expenses</b>			
Current Tax		-	1.55
Less : MAT credit entitlement		-	(1.55)
<b>Total tax expense</b>		<b>-</b>	<b>-</b>
<b>Profit / ( Loss) for the year</b>		<b>(289.80)</b>	<b>7.42</b>
<b>Earning Per Equity Share</b>			
Basic & Diluted Earning per share (Rs)		(934.84)	23.94
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

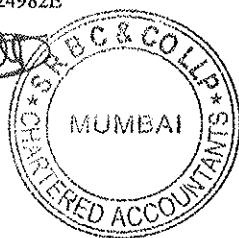
The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S R B C & COLLP  
Chartered Accountants  
Firm Registration No. 324982E

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

per Jayesh Gandhi  
Partner  
Membership No. 37924



*Banwari Lal Jatia*  
Banwari Lal Jatia  
Director

*Ranjit Paliath*  
Ranjit Paliath  
Director

*Radha Jain*  
Radha Jain  
Company Secretary

*S. Lakshminarayana*  
S. Lakshminarayana  
Chief Financial Officer

Place :- Mumbai  
Date :- May 08, 2015



Place :- Mumbai  
Date :- May 08, 2015

**Hardeastle Restaurants Private Limited**  
Cash flow Statement for the year ended March 31, 2015

	For the year ended March 31, 2015 (Rs in Millions)	For the year ended March 31, 2014 (Rs in Millions)
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / ( Loss) before taxation	(289.80)	7.42
Adjustments for :		
Depreciation and amortisation expense	504.37	435.02
Loss on sale /write off of Fixed assets	39.80	46.07
Interest expense	93.69	30.74
Premium on forward contract amortised	3.72	11.19
Interest Income	(2.53)	(0.24)
Gain on sale of current investment	(151.77)	(34.73)
Unrealised (gain)/loss on foreign exchange	0.01	0.62
<b>Operating profit before working capital changes</b>	<b>197.49</b>	<b>496.09</b>
<b>Movements in Working Capital</b>		
Decrease/(Increase) in inventories	(41.37)	(22.15)
Decrease/ (Increase) in trade receivables	20.55	19.86
Decrease/ (Increase) in long-term loans and advances	(57.31)	(72.12)
Decrease/ (Increase) in short-term loans and advances	20.81	(35.73)
Decrease/ (Increase) in other current assets	2.36	12.33
(Decrease)/Increase in trade payables	2.74	21.08
(Decrease)/Increase in other long-term liabilities	(2.20)	(0.97)
(Decrease)/Increase in other current liabilities	30.23	(41.05)
(Decrease)/Increase in provisions	13.63	7.08
<b>Cash generated from operations</b>	<b>186.93</b>	<b>384.42</b>
Tax refund received / ( Taxes paid)	1.12	(11.45)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>188.05</b>	<b>372.97</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Additions to fixed assets & capital work-in-progress	(1,051.12)	(1,026.75)
Proceeds from sale of fixed assets	1.46	5.33
Interest Income	2.53	0.20
Investments in mutual funds	(4,075.62)	(3,246.08)
Proceeds from mutual funds	4,335.36	1,741.73
Investment in / Proceeds from liquidation of fixed deposits (With original maturity of three months or more)	(0.12)	(0.98)
(Increase)/Decrease in long term deposits	(54.26)	(50.00)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(841.77)</b>	<b>(2,576.55)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	1,590.94	414.41
Repayments of short-term borrowings	(1,276.92)	(106.53)
Proceeds from long-term borrowings	500.00	175.00
Repayments of long-term borrowings	(58.33)	(3.75)
Proceeds from Inter Corporate Deposits	342.80	1,860.00
Repayments of Inter Corporate Deposits	(392.98)	(530.50)
Proceeds from issue of Preference Share Capital	-	420.00
Interest paid	(90.51)	(21.87)
Premium on forward Contract paid	(9.24)	(7.62)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>605.76</b>	<b>2,199.14</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(47.96)</b>	<b>(4.44)</b>
Cash and cash equivalents at the beginning of the year	120.01	124.45
Cash and cash equivalents at the end of the year	72.05	120.01
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(47.96)</b>	<b>(4.44)</b>



**Hardcastle Restaurants Private Limited**  
**Cash flow Statement for the year ended March 31, 2015**

	For the year ended March 31, 2015 (Rs in Millions)	For the year ended March 31, 2014 (Rs in Millions)
<b>Components of cash and cash equivalents</b>		
Cash and bank balances	72.06	120.82
Less: Not considered as cash and cash equivalents		
Fixed deposit with original maturity of more than three months	0.01	0.81
<b>Total cash and cash equivalents ( refer note - 16.1)</b>	<u>72.05</u>	<u>120.01</u>

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

As per our report of even date

**For S R B C & CO LLP**  
**Chartered Accountants**  
 Firm Registration No. 324982E

per Jayesh Gandhi  
 Partner  
 Membership No. 37924



Place :- Mumbai  
 Date :- May 08, 2015

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

Banwari Lal Jatia  
 Director

Ranjit Pallath  
 Director

Radha Jain  
 Company Secretary

S. Lakshminarayanan  
 Chief Financial Officer

Place :- Mumbai  
 Date :- May 08, 2015



**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 31, 2015**

**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 accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014.

The accounting policies adopted in the preparation of financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

**b) Change in accounting policy**

**Depreciation on fixed assets**

Till the year ended 31 March 2014, Schedule XIV to the Companies Act, 1956, prescribed requirements concerning depreciation of fixed assets. From the current year, Schedule XIV has been replaced by Schedule II to the Companies Act, 2013. The applicability of Schedule II has resulted in the following changes related to depreciation of fixed assets. Unless stated otherwise, the impact mentioned for the current year is likely to hold good for future years also.

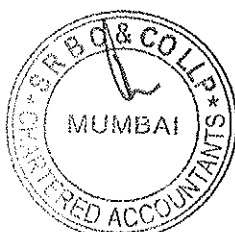
**(a) Useful lives/ depreciation rates**

Till the year ended 31 March 2014, depreciation rates prescribed under Schedule XIV were treated as minimum rates and the Company was not allowed to charge depreciation at lower rates even if such lower rates were justified by the estimated useful life of the asset. Schedule II to the Companies Act 2013 prescribes useful lives for fixed assets which, in many cases, are different from lives prescribed under the erstwhile Schedule XIV. However, Schedule II allows companies to use higher/ lower useful lives and residual values if such useful lives and residual values can be technically supported and justification for difference is disclosed in the financial statements.

Considering the applicability of Schedule II, the management has re-estimated useful lives of fixed assets. The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets, though these rates in certain cases are different from lives prescribed under Schedule II. Consequently, the depreciation charge for the current year is higher by Rs 4.48 million. Had the Company continued to use the earlier depreciation rate, the loss for the year would have been lower by Rs. 4.48 million.

**(b) Depreciation on assets costing less than Rs.5,000.**

Till year ended 31 March 2014, to comply with the requirements of Schedule XIV to the Companies Act, 1956, the Company was charging 100% p.a. depreciation on assets costing less than Rs.5,000. However, Schedule II to the Companies Act 2013, applicable from the current year, does not recognize such practice. Hence, to comply with the requirement of Schedule II to the Companies Act, 2013, the Company has changed its accounting policy for depreciations of assets costing less than Rs.5,000. As per the revised policy, the Company is depreciating such assets over their useful life as assessed by the management. The management has decided to apply the revised accounting policy prospectively from accounting periods commencing on or after 1 April 2014.



**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 31, 2015**

The change in accounting for depreciation of assets costing less than Rs.5,000 did not have any material impact on financial statements of the Company for the current year.

**c) Use of estimates**

Preparation of financial statements in conformity with Indian GAAP requires the management to make judgement, estimates and assumptions that affect the reported amounts of asset, liabilities and the 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.

**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 on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management. The Company has used the following rates to provide depreciation on its fixed assets.

Assets	Useful lives estimated by the management (Years)
Buildings	28
Leasehold Improvements	15
Restaurant Equipments	5-10
Furniture and Fixtures	5-10
Office Equipments	5
Computers	3
Vehicles	4

Based on technical estimates, the useful lives of following assets are lower than those indicated in Schedule II to Companies Act, 2013

Assets	Useful lives estimated by the management (Years)
Buildings	28
Restaurant Equipments	5-10
Furniture ( at office premises)	5
Vehicles	4

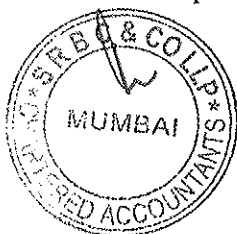
Leasehold Land is amortised over the period of the lease i.e. 60 years.

**e) Intangible Assets and amortisation**

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

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.

Software is depreciated over a period of 5 years.



**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 31, 2015**

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

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) net selling price and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**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 long-term 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 the revenue can be reliably measured.

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

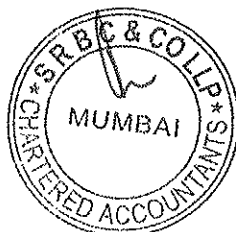
Royalty income, space rental and conducting fees are recognised on an accrual basis in accordance with terms of relevant agreement.

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.



**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
**Notes to the Financial Statements for the year ended March 31, 2015**

**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.

**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 to the Financial Statements for the year ended March 31, 2015**

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

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

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.

*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. 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 to the Financial Statements for the year ended March 31, 2015

**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 Schedule III of the Companies Act, 2013, 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 but includes other income.



**HARDCASTLE RESTAURANTS PRIVATE LIMITED**  
Notes to the Financial Statements for the year ended March 31, 2015

	As at March 31, 2015 (Rs in Millions)	As at March 31, 2014 (Rs in Millions)
<b>Note - 2 - Share capital</b>		
<b>Authorised share capital</b>		
315,000 (Previous Year 315,000) Equity Shares of Rs 1,000 each	315.00	315.00
1,355,000 (Previous Year 1,355,000) Cumulative Redeemable Preference Shares of Rs 1,000 each.	1,355.00	1,355.00
	<u>1,670.00</u>	<u>1,670.00</u>
<b>Issued, subscribed and fully paid-up capital</b>		
310,000 (Previous Year 310,000) Equity Shares of Rs. 1,000 each fully paid up	310.00	310.00
1,345,000 (Previous Year 1,345,000) Cumulative Redeemable Preference Shares of Rs 1,000 each fully paid up	1,345.00	1,345.00
<b>Total issued, subscribed and fully paid-up share capital</b>	<u>1,655.00</u>	<u>1,655.00</u>

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

**Equity shares**

Particulars	March 31, 2015		March 31, 2014	
	No. of shares	(Rs. in millions)	No. of shares	(Rs. in millions)
At the beginning of the year	310,000	310.00	310,000	310.00
Outstanding at the end of the year	310,000	310.00	310,000	310.00

**Preference shares**

Particulars	March 31, 2015		March 31, 2014	
	No. of shares	(Rs. in millions)	No. of shares	(Rs. in millions)
At the beginning of the year	1,345,000	1,345.00	925,000	925.00
Add : Issued during the year	-	-	420,000	420.00
Outstanding at the end of the year	1,345,000	1,345.00	1,345,000	1,345.00

**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, if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. During the year ended March 31, 2015, the amount of dividend per share recognised as distribution to shareholders was Rs. Nil (Previous Year Rs. 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 Cumulative Redeemable Preference Shares (CRPS)**

The Company has issued 1,345,000 Cumulative Redeemable Preference Shares of Rs. 1,000 each. Of these 824,546 Preference Shares are redeemable at par on or before August 22, 2023, 100,454 Preference Shares are redeemable at par on or before September 27, 2025 and the remaining are redeemable at par on or before April 30, 2033. As per the terms of the agreement, the Company shall declare and pay the dividends and all unpaid dividends, if any, subject to the Company having distributable profits in accordance with the provisions of Section 123 of the Companies Act, 2013. 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 Bank Rate plus 3%, provided that in no case the dividend rate shall exceed 11% p.a. During the year ended March 31, 2015 the amount of dividend per share recognised as distribution to preference share holders was Rs Nil (previous year Rs. Nil). 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 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 the holding company- Westlife Development Limited ( WDL)**

Particulars	As at March 31, 2015 (Rs. in millions)	As at March 31, 2014 (Rs. in millions)
309,999 (Previous Year 309,999) Equity Share shares of Rs 1000 each full paid up	310.00	310.00
1,345,000 (Previous Year 1,345,000) Cumulative Redeemable Preference Shares of Rs 1,000 each fully paid up	1,345.00	1,345.00

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

Particulars	No of Shares	% holding	No of Shares	% holding
Equity Shares of Rs 1,000 each fully paid up				
Westlife Development Limited ( Holding Company)	309,999	99.99%	309,999	99.99%
Cumulative Redeemable Preference Shares of Rs 1,000 each fully paid up				
Westlife Development Limited ( Holding Company)	1,345,000	100%	1,345,000	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 shares.

