

**Nilgiri's Mechanised Bakery Private Limited**

**2015 - 16**

## **Independent Auditors' Report**

### **To the Members of Nilgiri's Mechanised Bakery Private Limited**

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of Nilgiri's Mechanised Bakery Private Limited ("the Company"), which comprise the balance sheet as at 31 March 2016, the statement of profit and loss, the cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

#### **Management's Responsibility for the 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 the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also 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 design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### **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 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 the 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. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

## **Independent Auditors' Report (continued)**

### **To the Members of Nilgiri's Mechanised Bakery Private Limited (continued)**

#### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 2016, and its profit and its 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, 2016 ("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", a statement on the matters specified in the paragraph 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 purposes 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, the statement of profit and loss, and the 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 the written representations received from the directors as on 31 March 2016 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2016 from being appointed as a director in terms of Section 164 (2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".

**Independent Auditors' Report (continued)**

**To the Members of Nilgiri's Mechanised Bakery Private Limited (continued)**

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

*for B S R & Associates LLP*

*Chartered Accountants*

Firm registration number: 116231W/W-100024

**Vipin Lodha**

*Partner*

Membership number: 076806

Place: Bangalore

Date: 18 May 2016

## **Nilgiri's Mechanised Bakery Private Limited**

### **Independent Auditors' Report (continued)**

#### **Annexure - A to the Independent Auditors' Report**

The Annexure referred to in Independent Auditors' Report to the members of the Company on the financial statements for the year ended 31 March 2016, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- (b) The Company has a regular programme of physical verification of its fixed assets by which all fixed assets are verified in a phased manner over a period of three years. In accordance with this programme, all fixed assets were verified during the current year, and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets;
- (c) The Company does not have any immovable property. Thus paragraph 3(i)(c) of the Order is not applicable.
- (ii) The inventory has been physically verified by the management during the year. The discrepancies noticed on verification between the physical stocks and the book records were not material.
- (iii) According to the information and explanations given to us, we are of the opinion that the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or the other parties covered in the register maintained under section 189 of the Companies Act, 2013. Thus, paragraph 3(iii) of the Order is not applicable to the Company.
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to the loans, investments, security and guarantees made.
- (v) The Company has not accepted any deposits from the public.
- (vi) The Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the services rendered by the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted/ accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, value added tax, sales tax, cess and other material statutory dues have been regularly deposited during the year by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of duty of excise and duty of customs.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, service tax, value added tax, sales tax, cess and other material statutory dues were in arrears as at 31 March 2016 for a period of more than six months from the date they became payable.

## Nilgiri's Mechanised Bakery Private Limited

### Independent Auditors' Report (continued)

#### Annexure - A to the Independent Auditors' Report (continued)

- (b) According to the information and explanations given to us, there are no material dues of income-tax, service tax, value added tax and cess which have not been deposited with the appropriate authorities on account of any dispute. However, according to information and explanations given to us, the following dues of Sales Tax have not been deposited by the Company on account of disputes:

Name of the statute	Nature of dues	Amount (in Rs.)	Period to which the amount relates	Forum where dispute is pending
Central Sales Tax Act, 1956	Central Sales Tax, Interest and Penalty	638,973	2005-06	Joint Commissioner (Appeals) of Commercial Taxes, Bangalore
Central Sales Tax Act, 1956	Central Sales Tax, Interest and Penalty	699,304*	2006-07 & 2007-08	Joint Commissioner (Appeals) of Commercial Taxes, Bangalore

\* net of amounts of Rs 1,116,619 paid under protest

- (viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or to any financial institutions. The Company did not have any outstanding debentures during the year.
- (ix) In our opinion and according to the information and explanations given to us, the Company has not raised money by way of initial public offer or further public offer (including debt instruments) and did not have term loans outstanding during the year. Accordingly, paragraph 3(ix) of the Order is not applicable.
- (x) According to the information and explanations given to us, no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the course of our audit.
- (xi) In our opinion and according to the information and explanations given to us, the Company does not have any transaction to which the provisions of Section 197 apply, hence Section 197 read with Schedule V to the Act is not applicable to the Company. Accordingly, paragraph 3 (xi) of the Order is not applicable to the Company.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us, all the transactions with the related parties are in compliance with Section 188 of the Act, where applicable, and the details have been disclosed in the financial statements as required by the applicable accounting standards. The provisions of Section 177 to the Act are not applicable to the Company.

**Nilgiri's Mechanised Bakery Private Limited**

**Independent Auditors' Report (continued)**

**Annexure - A to the Independent Auditors' Report (continued)**

- (xiv) According to the information and explanations given to us, the Company has made preferential allotment of preference shares by way of conversion of unsecured loan and the requirement of Section 42 has been complied with. The funds raised were utilized for the purposes for which these were raised.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with them. Accordingly, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

*for B S R & Associates LLP*

*Chartered Accountants*

Firm Registration No.: 116231W/W-100024

**Vipin Lodha**

*Partner*

Membership number: 076806

Bangalore

18 May 2016

## **Nilgiri's Mechanised Bakery Private Limited**

### **Independent Auditors' Report (continued)**

#### **Annexure - B to the Independent Auditors' Report**

#### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of Nilgiri's Mechanised Bakery Private Limited ("the Company") as of 31 March 2016 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013 ('the Act'), to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

## **Nilgiri's Mechanised Bakery Private Limited**

### **Independent Auditors' Report (continued)**

#### **Annexure - B to the Independent Auditors' Report (continued)**

##### **Meaning of Internal Financial Controls Over Financial Reporting**

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of Management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

##### **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

##### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2016, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

*for* **B S R & Associates LLP**

*Chartered Accountants*

Firm Registration No.: 116231W/W-100024

**Vipin Lodha**

*Partner*

Membership number: 076806

Bangalore

18 May 2016

# Nilgiri's Mechanised Bakery Private Limited

## Balance sheet

		<i>(Amount in Rs.)</i>	
	Note	As at 31 March 2016	As at 31 March 2015
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' funds</b>			
Share capital	2	100,900,000	900,000
Reserves and surplus	3	(130,566,421)	(119,394,711)
		<u>(29,666,421)</u>	<u>(118,494,711)</u>
<b>Non-current liabilities</b>			
Long-term borrowings	4	17,550,504	117,550,504
Other long-term liabilities	5	100,000	100,000
Long-term provisions	6	2,194,947	2,573,365
		<u>19,845,451</u>	<u>120,223,869</u>
<b>Current liabilities</b>			
Trade payables	7	26,962,636	30,842,703
Other current liabilities	8	18,740,616	8,497,688
Short-term provisions	9	802,725	647,892
		<u>46,505,977</u>	<u>39,988,283</u>
		<b><u>36,685,007</u></b>	<b><u>41,717,441</u></b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets			
- Tangible assets	10	22,624,734	26,020,452
Non-current investments	11	74,000	74,000
Long-term loans and advances	12	331,052	331,052
<b>Current assets</b>			
Inventories	13	11,284,819	8,963,622
Trade receivables	14	329,917	4,610,789
Cash and bank balances	15	22,202	59,958
Short-term loans and advances	16	2,018,283	1,657,568
Other current assets	17	-	-
		<u>13,655,221</u>	<u>15,291,937</u>
		<b><u>36,685,007</u></b>	<b><u>41,717,441</u></b>

### Significant accounting policies

1

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached:

for **B S R & Associates LLP**

Chartered Accountants

Firm Registration Number: 116231W/ W-100024

for and on behalf of the Board of Directors of

**Nilgiri's Mechanised Bakery Private Limited**

CIN No: U85110MH1988PTC265435

**Vipin Lodha**

Partner

Membership number: 076806

**Seshadri Gopalan**

Director

Place: Bangalore

Date: 18 May 2016

**Samir Kedia**

Director

Place: Bangalore

Date: 18 May 2016

Place: Bangalore

Date: 18 May 2016

# Nilgiri's Mechanised Bakery Private Limited

## Statement of profit and loss

		<i>(Amount in Rs.)</i>	
	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Revenue from operations</b>			
Sales of products		199,224,557	184,460,400
Less: Excise duty		(8,826,940)	(7,625,959)
Net Sales		<u>190,397,617</u>	<u>176,834,441</u>
Other income	18	<u>1,172,691</u>	<u>134,290</u>
<b>Total revenue</b>		<b><u>191,570,308</u></b>	<b><u>176,968,731</u></b>
<b>Expenses</b>			
Cost of material consumed	19	121,278,797	112,316,463
Movement in finished goods	20	(878,892)	(121,825)
Employee benefits expense	21	31,681,449	21,519,684
Finance costs	22	11,141,563	16,163,193
Depreciation	10	6,511,802	6,199,534
Other expenses	23	33,007,299	30,727,705
<b>Total expenses</b>		<b><u>202,742,018</u></b>	<b><u>186,804,754</u></b>
<b>Loss before tax</b>		<b>(11,171,710)</b>	<b>(9,836,023)</b>
Tax expense:			
- Current tax		-	1,710
<b>Loss for the year</b>		<b><u>(11,171,710)</u></b>	<b><u>(9,837,733)</u></b>
Earnings per equity share [nominal value of Rs. 10 (previous year Rs. 10) each]			
- Basic and diluted loss per share	30	<u>(124.13)</u>	<u>(109.31)</u>

### Significant accounting policies

1

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached:

for **B S R & Associates LLP**

Chartered Accountants

Firm Registration Number: 116231W/ W-100024

for and on behalf of the Board of Directors of  
**Nilgiri's Mechanised Bakery Private Limited**

CIN No: U85110MH1988PTC265435

**Vipin Lodha**

Partner

Membership number: 076806

**Seshadri Gopalan**

Director

Place: Bangalore

Date: 18 May 2016

**Samir Kedia**

Director

Place: Bangalore

Date: 18 May 2016

Place: Bangalore

Date: 18 May 2016

# Nilgiri's Mechanised Bakery Private Limited

## Cash flow statement

		(Amount in Rs.)	
	Note	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Cash flows from operating activities:</b>			
Loss before tax		(11,171,710)	(9,837,733)
<b>Adjustments for:</b>			
Depreciation	10	6,511,802	6,199,534
Finance costs	22	11,141,563	16,163,193
Provision no longer required written back		(26,594,435)	-
Loans and advances and trade receivables written off		26,583,369	-
Provision for claims and contingencies	6	(400,000)	1,000,000
<b>Operating profit before working capital changes</b>		<b>6,070,589</b>	<b>13,524,994</b>
<b>Adjustments for changes in working capital:</b>			
(Increase)/ decrease in inventories		(2,321,197)	8,026
Decrease/ (increase) in trade receivables		4,280,872	(4,609,790)
Increase in loans and advances		(555,190)	(158,054)
(Decrease)/ increase in trade payables		(3,880,067)	6,819,788
Increase in liabilities and provisions		10,419,343	1,251,840
<b>Cash from operating activities</b>		<b>14,014,350</b>	<b>16,836,804</b>
Income taxes received		205,540	1,630
<b>Net cash from operating activities (A)</b>		<b>14,219,890</b>	<b>16,838,434</b>
<b>Cash flows from investing activities:</b>			
Purchase of fixed assets		(3,116,083)	(822,241)
<b>Net cash used in investing activities (B)</b>		<b>(3,116,083)</b>	<b>(822,241)</b>
<b>Cash flows from financing activities:</b>			
Finance charges paid	22	(11,141,563)	(16,163,193)
<b>Net cash used in financing activities (C)</b>		<b>(11,141,563)</b>	<b>(16,163,193)</b>
<b>Net decrease in cash and cash equivalents (A+B+C)</b>		<b>(37,756)</b>	<b>(147,000)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>59,958</b>	<b>206,958</b>
<b>Cash and cash equivalents at the end of the year (see note below)</b>		<b>22,202</b>	<b>59,958</b>
<b>Cash and cash equivalents comprise (refer note 15):</b>			
Cash on hand		15,000	15,000
Balances with banks			
- On current accounts		7,202	44,958
		<b>22,202</b>	<b>59,958</b>

### Significant accounting policies

1

The notes referred to above form an integral part of the financial statements.

As per our report of even date attached:

for **B S R & Associates LLP**

Chartered Accountants

Firm Registration Number: 116231W/ W-100024

for and on behalf of the Board of Directors of

**Nilgiri's Mechanised Bakery Private Limited**

CIN No: U85110MH1988PTC265435

**Vipin Lodha**

Partner

Membership number: 076806

**Seshadri Gopalan**

Director

Place: Bangalore

Date: 18 May 2016

**Samir Kedia**

Director

Place: Bangalore

Date: 18 May 2016

Place: Bangalore

Date: 18 May 2016

**Nilgiri's Mechanised Bakery Private Limited**  
**Notes to the financial statements for the year ended 31 March 2016**

**Background**

Nilgiri's Mechanised Bakery Private Limited ("the Company") was incorporated on 22 September 1988 as a private limited Company under the Companies Act, 1956. The registered office of the Company is at Mumbai, India. The Company is primarily engaged in the business of manufacturing and distribution of confectionery, bakery and milk products. The Company's holding company is The Nilgiri Dairy Farm Private Limited ('the Holding Company') and the Ultimate Holding Company is Future Consumers Enterprise Limited ('the Ultimate Holding Company').

**1. Significant accounting policies**

The accounting policies set out below have been applied consistently to the periods presented in these financial statements.

**a) Basis of preparation of financial statements**

These financial statements are prepared and presented in accordance with Indian Generally Accepted Accounting Principles (GAAP) under the historical cost convention, on the accrual basis and comply with the mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013 ('Act') read with Rule 7 of the Companies (Accounts) Rules, 2014, the provisions of the Act (to the extent notified and applicable). The financial statements are presented in Indian rupees.

There have been no changes in the accounting policies as compared to those followed for the year ended 31 March 2015.

**b) Going concern**

These financial statements have been prepared as a going concern basis notwithstanding the loss of Rs. 11,171,710 for the year ended 31 March 2016 and net current liabilities of Rs. 32,850,756 as at that date. The Company has a loan of Rs. 17,550,504 from the Ultimate Holding Company. Furthermore, the Ultimate Holding Company has provided letter of continuing support to the Company confirming their unconditional and irrevocable financial support for a period of at least 12 months after the balance sheet date. The management, based on the Company's operational plans and letter of support, believes that the Company will be able to continue as a going concern and meet its financial obligations in the foreseeable future.

**c) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") in India requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of income and expenditure during the year reported. Actual results could differ from those estimates. Any revision to accounting estimates is recognised prospectively in current and future periods.

**d) Current and non-current classification**

All assets and liabilities are classified into current and non-current.

**Assets:**

An asset is classified as current when it satisfies any of the following criteria:

- a. It is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b. It is held primarily for the purpose of being traded;

**Nilgiri's Mechanised Bakery Private Limited**  
**Notes to the financial statements for the year ended 31 March 2016**

**1. Significant accounting policies (continued)**

- c. It is expected to be realized within 12 months after the reporting date; or
- d. It is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets.

All other assets are classified as non-current.

***Liabilities:***

A liability is classified as current when it satisfies any of the following criteria:

- a. It is expected to be settled in the Company's normal operating cycle;
- b. It is held primarily for the purpose of being traded;
- c. It is due to be settled within 12 months after the reporting date; or
- d. The Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments does not affect its classification.

Current liabilities include current portion of non-current financial liabilities.

All other liabilities are classified as non-current.

**e) Inventories**

Inventories are valued at lower of cost or net realisable value. Cost of inventories comprises purchase price, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The comparison of cost and net realisable value is made on an item-by-item basis. Net realisable value of work-in-progress is determined with reference to the selling prices of related finished goods in ordinary course of business, less estimated cost of completion and estimated costs necessary to make the sale. Raw materials, packing materials and other supplies held for use in production of inventories are not written down below cost except in case where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value.

The methods of determination of cost of various categories of inventories are as follows:

Raw materials and packing materials	:	Weighted average cost
Work-in-progress and finished goods	:	Weighted average cost. Production overheads are allocated on the basis of normal capacity of production facilities

Maintenance spares, which are in regular use and are not an integral part of any fixed asset are treated as inventory and valued at cost.

The provision for inventory obsolescence is assessed annually and is provided as considered necessary.

**Nilgiri's Mechanised Bakery Private Limited**  
**Notes to the financial statements for the year ended 31 March 2016**

**1. Significant accounting policies (continued)**

**e) Cash flow statement**

Cash flows are reported using the indirect method, whereby the net profit/ (loss) before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from regular revenue generating, investing and financing activities of the Company are segregated.

Cash and cash equivalents in the cash flow statement comprise cash on hand and bank balances available on demand.

**f) Fixed assets and depreciation**

*Tangible fixed assets*

Tangible fixed assets are carried at cost of acquisition or construction less accumulated depreciation and/or accumulated impairment loss, if any. The cost of an item of tangible fixed asset comprises its purchase price, including import duties and other non-refundable taxes or levies and any directly attributable cost of bringing the asset to its working condition for its intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Subsequent expenditures related to an item of tangible fixed asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance.

Borrowing costs are interest and other costs (including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred by the Company in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of those tangible fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised. Other borrowing costs are recognised as an expense in the period in which these are incurred.

Tangible fixed assets under construction are disclosed as capital work in progress.

With effect from 1 April 2014, depreciation on fixed assets is provided on the straight-line method in accordance with the useful lives and in the manner prescribed in Schedule II of the Companies Act, 2013, which became applicable from that date. Upto 31 March 2014, depreciation on fixed assets was provided on the straight-line method as per the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956. The useful lives prescribed in the Companies Act 2013 are considered as the minimum period over which the asset value would be depreciated. If the management's estimate of the useful life of a fixed asset at the time of acquisition of the asset or of the remaining useful life on a subsequent review is shorter than that envisaged in the aforesaid schedule, depreciation is provided at a higher rate based on the management's estimate of the useful life/remaining useful life. Based on its assessment, the management currently believes that the useful lives as per the Schedule II reflect the useful lives of the Company's fixed assets.

Depreciation is charged on a proportionate basis for all assets purchased and sold during the year. Assets individually costing Rs. 5,000 or less are depreciated fully in the year of purchase.

The useful lives are reviewed by the management at each financial year-end and revised, if appropriate. In case of a revision, the unamortised depreciable amount is charged over the revised remaining useful life.

**Nilgiri's Mechanised Bakery Private Limited**  
**Notes to the financial statements for the year ended 31 March 2016**

**1. Significant accounting policies (continued)**

**g) Fixed assets and depreciation (continued)**

A fixed asset is eliminated from the financial statements on disposal or when no further benefit is expected from its use and disposal.

Assets retired from active use and held for disposal are stated at the lower of their net book value and net realisable value and shown under 'Other current assets'.

Losses arising from retirement or gains or losses arising from disposal of fixed assets which are carried at cost are recognised in the Statement of Profit and Loss.

***Intangible assets***

Intangible assets that are acquired by the Company are measured initially at cost. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates.

Intangible assets are amortised in profit or loss over their estimated useful lives, from the date that they are available for use based on the expected pattern of consumption of economic benefits of the asset. Accordingly, at present, these are being amortised on straight line basis. In accordance with the applicable Accounting Standard, the Company follows a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use.

Amortisation method and useful lives are reviewed at each reporting date. If the useful life of an asset is estimated to be significantly different from previous estimates, the amortisation period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortisation method is changed to reflect the changed pattern.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use and disposal.

Losses arising from retirement and gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss.

**h) Impairment of assets**

The Company assesses at each reporting date whether there is any indication that an asset, including intangible, may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the reporting date there is an indication that a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciable historical cost. An impairment loss is reversed only to the extent that the carrying amount of asset does not exceed the net book value that would have been determined; if no impairment loss had been recognised.

**Nilgiri's Mechanised Bakery Private Limited**  
**Notes to the financial statements for the year ended 31 March 2016**

**1. Significant accounting policies (continued)**

**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 measured reliably.

▪ ***Sale of goods***

Revenue from sale of goods is recognised on transfer of all significant risks and rewards of ownership to the buyer which normally coincides with delivery of goods. The amount recognised as sale is net of sales-tax, sales returns and trade discounts.

▪ ***Interest***

Interest is recognised using the time proportion basis taking into account the amount outstanding and the appropriate interest rate.

**j) Investments**

Investments that are readily realizable and intended to be held for not more than a year from the date of acquisition are classified as current investments. All other investments are classified as long-term investments. However, that part of long term investments which is expected to be realized within 12 months after the reporting date is also presented under 'current assets' as "current portion of long term investments" in consonance with the current/non-current classification scheme of revised Schedule VI.

Long term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long term investments. Current investments are stated at lower of cost and fair value.

**k) Employee benefits**

*Short term employee benefits*

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognised as an expense as the related service is rendered by employees.

*Defined benefit plans*

The Company's gratuity benefit scheme is a defined benefit plan. The Company's net obligation in respect of a defined benefit plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The calculation of the Company's obligation under the plan is performed annually by a qualified actuary using the projected unit credit method. The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in the Statement of Profit and Loss. The corpus is maintained with the Life Insurance Corporation of India.

All expenses related to defined benefit plans are recognised in employee benefits expense in the Statement of Profit and Loss. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in the Statement of Profit and Loss on a straight-line basis over the average period until the benefits become vested. The Company recognises gains and losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs.

**1. Significant accounting policies (continued)**

**k) Employee benefits (continued)**

*Defined contribution plans*

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further amounts. The Company makes specified monthly contributions towards employee provident fund to Government administered provident fund scheme which is a defined contribution plan. The Company's contribution is recognised as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

**l) Leases**

Leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets taken on finance lease are initially capitalised at fair value of the asset or present value of the minimum lease payments at the inception of the lease, whichever is lower.

Assets acquired under leases other than finance leases are classified as operating leases. The lease rentals (including scheduled rental increases) in respect of an asset taken on operating lease are charged to the Statement of Profit and Loss on a straight line basis equally over the lease term unless another systematic basis is more representative of the time pattern of the benefit. Initial direct costs incurred specifically for an operating lease are deferred and charged to the Statement of Profit and Loss over the lease term.

The Company's leases primarily comprise premises taken on operating lease.

**m) Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes, if any) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that these are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

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.

**n) Taxation**

Income-tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the income-tax law) and deferred tax charge or credit (reflecting the tax effects of timing differences between accounting income and taxable income for the year). Income-tax expense is recognised in profit or loss except that tax expense related to items recognised directly in reserves is also recognised in those reserves.

Current tax is measured at the amount expected to be paid to (or recovered from) the taxation authorities, using the applicable tax rates and tax laws. Deferred tax is recognised in respect of timing differences between taxable income and accounting income i.e. differences that originate in one period and are capable of reversal in one or more subsequent periods. The deferred tax charge or credit and the

**Nilgiri's Mechanised Bakery Private Limited**  
**Notes to the financial statements for the year ended 31 March 2016**

**1. Significant accounting policies (continued)**

**n) Taxation (continued)**

corresponding deferred tax liabilities or assets are recognised using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carried forward loss under taxation laws, deferred tax assets are recognised only if there is a virtual certainty supported by convincing evidence that sufficient future taxable income will be available against which such deferred tax assets can be realised. Deferred tax assets are reviewed as at each reporting date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

Minimum Alternative Tax ('MAT') under the provisions of the Income-tax Act, 1961 is recognised as current tax in the Statement of Profit and Loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each reporting date and written down to the extent the aforesaid convincing evidence no longer exists.

Minimum Alternative Tax ("MAT") paid in accordance with the tax laws which gives rise to future economic benefits in the form of adjustments of future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal tax in subsequent years. MAT credit entitlement can be carried forward and utilized for a period of ten years from the year in which the same is availed. Accordingly, it is recognized as an asset in the balance sheet when it is probable that the future economic benefit associated with it will flow to the Company and the asset can be measured reliably.

**o) Provisions and contingent liabilities**

*Provisions*

A provision is recognised if, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the expenditure required to settle the present obligation at the reporting date. The provisions are measured on an undiscounted basis.

*Contingent liabilities and contingent assets*

A contingent liability exists when there is a possible but not probable obligation, or a present obligation that may, but probably will not, require an outflow of resources, or a present obligation whose amount cannot be estimated reliably. Contingent liabilities do not warrant provisions, but are disclosed unless the possibility of outflow of resources is remote. Contingent assets are neither recognised nor disclosed in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

## Nilgiri's Mechanised Bakery Private Limited

Notes to financial statements for the year ended 31 March 2016 (continued)

### 2 Share capital

(Amount in Rs.)

	As at 31 March 2016	As at 31 March 2015
<b>Authorised</b>		
100,000 (Previous year: 100,000) equity shares of Rs. 10 each	1,000,000	1,000,000
1,000,000 (Previous year: zero) 0.01% redeemable non-cumulative preference shares of Rs. 100 each	100,000,000	-
	<b>101,000,000</b>	<b>1,000,000</b>
<b>Issued, subscribed and paid up</b>		
90,000 (Previous year: 90,000) equity shares of Rs. 10 each	900,000	900,000
1,000,000 (Previous year: zero) 0.01% Redeemable non-cumulative preference shares of Rs. 100 each	100,000,000	-
	<b>100,900,000</b>	<b>900,000</b>

#### a) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the reporting period:

	31 March 2016		31 March 2015	
	No. of shares	Amount	No. of shares	Amount
<b>Equity shares</b>				
Opening balance at the beginning of the reporting period	90,000	900,000	90,000	900,000
Movement during the reporting period	-	-	-	-
Closing balance at the end of the reporting period	90,000	900,000	90,000	900,000

#### 0.01% Redeemable non-cumulative preference shares of Rs. 100 each

	31 March 2016		31 March 2015	
	No. of shares	Amount	No. of shares	Amount
Opening balance at the beginning of the reporting period	-	-	-	-
Movement during the reporting period*	1,000,000	100,000,000	-	-
Closing balance at the end of the reporting period	1,000,000	100,000,000	-	-

\* Represents conversion of unsecured loan from the Holding Company to 0.01% redeemable non-cumulative preference shares on 24 November 2015. This was approved by way of a Board resolution dated 26 October 2015. Also refer notes 4 and 27.

#### b) Rights, preferences and restrictions attached to the equity shares:

The Company has a single class of equity shares. Accordingly, all equity shares rank equally with regard to dividend and share in the Company's residual assets. The equity shares are entitled to receive dividend as declared from time to time. The voting rights of an equity shareholder are in proportion to its share of the paid-up equity capital of the Company.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive the remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

#### c) Rights, preferences and restrictions attached to the preference shares:

The authorised capital of the Company includes 1,000,000 0.01% non cumulative redeemable preference shares of Rs. 100 each. The preference shares do not carry any voting rights except in case of class meetings of preference shareholders. The preference shares are redeemable and non convertible.

#### d) Shares held by the Holding Company/ the Ultimate Holding Company:

	31 March 2016		31 March 2015	
	No. of shares	% holding	No. of shares	% holding
<b>Equity Shares</b>				
The Nilgiri Dairy Farm Private Limited, the Holding Company	68,400	76%	68,400	76%
Future Consumer Enterprise Limited (FCEL), the Ultimate Holding Company	21,600	24%	21,600	24%
<b>0.01% Redeemable non-cumulative preference shares</b>				
The Nilgiri Dairy Farm Private Limited, the Holding Company	1,000,000	100%	-	-

## Nilgiri's Mechanised Bakery Private Limited

Notes to financial statements for the year ended 31 March 2016 (continued)

### 2. Share capital (continued)

#### e) Details of Shareholders holding more than 5% of total shares:

	31 March 2016		31 March 2015	
	No. of shares	% holding	No. of shares	% holding
<b>Equity Shares</b>				
The Nilgiri Dairy Farm Private Limited, the Holding Company	68,400	76%	68,400	76%
Future Consumer Enterprise Limited (FCEL), the Ultimate Holding Company	21,600	24%	21,600	24%
<b>0.01 % Redeemable non-convertible preference shares</b>				
The Nilgiri Dairy Farm Private Limited, the Holding Company	1,000,000	100%	-	-

f) No bonus shares were issued and no shares were bought back during the five years preceding 31 March 2016.

### 3. Reserves and surplus

(Amount in Rs.)

	As at 31 March 2016	As at 31 March 2015
<b>General reserve</b>		
Balance at the beginning of the year	5,330	928,001
Adjustment on account of accumulated depreciation (refer note 10)	-	(922,671)
Balance at the end of the year	5,330	5,330
<b>Deficit (Profit and loss balance)</b>		
Balance at the beginning of the year	(119,400,041)	(109,562,308)
Net loss transferred from the Statement of Profit and Loss	(11,171,710)	(9,837,733)
Balance at the end of the year	(130,571,751)	(119,400,041)
	<b>(130,566,421)</b>	<b>(119,394,711)</b>

### 4. Long-term borrowings

(Amount in Rs.)

	As at 31 March 2016	As at 31 March 2015
<b>Unsecured</b>		
- From related parties (refer note 27)	17,550,504	117,550,504
	<b>17,550,504</b>	<b>117,550,504</b>

#### Note:

No tenure or repayment terms have been specified for the loan from the Holding Company, The Nilgiri Dairy Farm Private Limited. However based on confirmation from the lender the repayment will not be demanded at least upto 31 March 2017. The loan carries an interest rate of 13.5% per annum (previous year 13.5%). Also refer notes 2(a) and 27 for details of conversion of unsecured loan to redeemable non-cumulative preference shares to the extent of Rs. 100 million during the current year.

### 5. Other long-term liabilities

(Amount in Rs.)

	As at 31 March 2016	As at 31 March 2015
Deposit from customers	100,000	100,000
	<b>100,000</b>	<b>100,000</b>

## Nilgiri's Mechanised Bakery Private Limited

Notes to financial statements for the year ended 31 March 2016 (continued)

### 6. Long-term provisions (Amount in Rs.)

	As at 31 March 2016	As at 31 March 2015
Provision for gratuity (refer note no 25)	1,066,981	1,074,551
Provision for compensated absences	527,966	498,814
Provision for sales tax Form 'C' (refer note 35)	600,000	-
Provision for claims and contingencies (refer note 35)	-	1,000,000
	<b>2,194,947</b>	<b>2,573,365</b>

### 7. Trade payables (Amount in Rs.)

	As at 31 March 2016	As at 31 March 2015
Due to other creditors		
- For supplies	26,039,634	30,760,461
- For services	923,002	82,242
	<b>26,962,636</b>	<b>30,842,703</b>

### 8. Other current liabilities (Amount in Rs.)

	As at 31 March 2016	As at 31 March 2015
Accrued expenses	2,626,011	2,736,415
Salaries, wages and incentives payable	2,506,604	1,266,674
Statutory dues payable	1,346,909	1,661,941
Other payables	298,155	143,723
Stale cheques liabilities	442,712	184,225
Book overdraft	11,520,225	2,504,710
	<b>18,740,616</b>	<b>8,497,688</b>

### 9. Short-term provisions (Amount in Rs.)

	As at 31 March 2016	As at 31 March 2015
Provision for compensated absences	151,028	139,749
Provision for gratuity (refer note no 25)	651,697	508,143
	<b>802,725</b>	<b>647,892</b>

**Nilgiri's Mechanised Bakery Private Limited**

Notes to financial statements for the year ended 31 March 2016 (continued)

**10. Fixed assets**

(Amount in Rs.)

Description	Gross block				Accumulated depreciation and amortisation					Net Block	
	As at 1 April 2015	Additions	Disposals/ Adjustments	As at 31 March 2016	As at 1 April 2015	Charge for the year	Disposals/ Adjustments	Adjustments*	As at 31 March 2016	As at 31 March 2016	As at 31 March 2015
<i>Tangible assets</i>											
Plant and machinery	66,292,879	3,116,083	1,114,472	68,294,490	43,635,915	5,839,849	1,114,472	-	48,361,292	19,933,198	22,656,964
Furniture and Fixtures	5,793,008	-	-	5,793,008	2,932,826	495,831	-	-	3,428,657	2,364,351	2,860,182
Vehicles	70,016	-	-	70,016	70,016	-	-	-	70,016	-	-
Computers	3,023,519	-	16,750	3,006,769	2,817,381	61,319	16,750	-	2,861,950	144,819	206,138
Office equipment	2,952,394	-	486,544	2,465,850	2,655,224	114,804	486,544	-	2,283,484	182,366	297,170
<b>Total</b>	<b>78,131,816</b>	<b>3,116,083</b>	<b>1,617,766</b>	<b>79,630,133</b>	<b>52,111,362</b>	<b>6,511,802</b>	<b>1,617,766</b>	<b>-</b>	<b>57,005,399</b>	<b>22,624,734</b>	<b>26,020,454</b>
<i>Previous year</i>	<i>77,309,575</i>	<i>822,241</i>	<i>-</i>	<i>78,131,816</i>	<i>44,989,160</i>	<i>6,199,534</i>	<i>-</i>	<i>922,671</i>	<i>52,111,364</i>	<i>26,020,452</i>	<i>32,320,415</i>

\* During the previous year ended 31 March 2015, the estimated useful life of fixed assets was determined as per the requirements of Schedule II to the Companies Act, 2013. Accordingly, the incremental depreciation due to reduction in residual value, in respect of assets that have been fully depreciated as at 1 April 2014 have been adjusted against the opening balance of reserves. Also refer note 3.

## Nilgiri's Mechanised Bakery Private Limited

Notes to financial statements for the year ended 31 March 2016 (continued)

11. Non-current investments <span style="float: right;">(Amount in Rs.)</span>					
	Face value per unit (in Rs.)	As at 31 March 2016 Units	As at 31 March 2015 Units	As at 31 March 2016 At cost	As at 31 March 2015 At cost
<b>Unquoted investments</b>					
<i>Investments in equity instruments</i>					
The Karnataka Bank Limited	10	1,500	1,500	74,000	74,000
<b>Aggregate book value of long-term investments</b>				<b>74,000</b>	<b>74,000</b>
<b>Aggregate market value of quoted long-term investments</b>				<b>153,975</b>	<b>186,975</b>
12. Long-term loans and advances <span style="float: right;">(Amount in Rs.)</span>					
				As at 31 March 2016	As at 31 March 2015
<b>Unsecured</b>					
<i>Considered good:</i>					
Security deposits to Government agencies				324,193	324,193
Advance income tax and tax deducted at source				6,859	6,859
				<b>331,052</b>	<b>331,052</b>
13. Inventories <span style="float: right;">(Amount in Rs.)</span>					
(valued at lower of cost or net realisable value)					
				As at 31 March 2016	As at 31 March 2015
Raw Materials and packing materials				9,659,433	8,240,392
Finished goods				1,600,626	721,734
Consumables				24,760	1,496
				<b>11,284,819</b>	<b>8,963,622</b>
14. Trade receivables <span style="float: right;">(Amount in Rs.)</span>					
				As at 31 March 2016	As at 31 March 2015
<b>Unsecured</b>					
<i>Receivable outstanding for a period exceeding six months from the date they become due for payment</i>					
Considered doubtful				143,058	26,226,090
Less: provision for doubtful receivables				(143,058)	(26,226,090)
				-	-
Other receivables				329,917	4,610,789
Considered good				329,917	4,610,789
				<b>329,917</b>	<b>4,610,789</b>

## Nilgiri's Mechanised Bakery Private Limited

Notes to financial statements for the year ended 31 March 2016 (continued)

15. Cash and bank balances	<i>(Amount in Rs.)</i>	
	As at 31 March 2016	As at 31 March 2015
<b>Cash and cash equivalents</b>		
Cash on hand	15,000	15,000
Balances with banks		
- On current accounts	7,202	44,958
	<b>22,202</b>	<b>59,958</b>

16. Short-term loans and advances	<i>(Amount in Rs.)</i>	
	As at 31 March 2016	As at 31 March 2015
<b>Unsecured</b>		
<i>To parties other than related parties</i>		
<i>Considered good:</i>		
Advance recoverable in cash or kind or for value to be received	76,510	282,051
Staff advances	52,466	10,450
Prepaid expenses	23,803	89,091
Capital advance to vendors	96,148	-
Balance with statutory authorities	1,769,356	1,275,976
	<b>2,018,283</b>	<b>1,657,568</b>
<i>Considered doubtful:</i>		
Other advances	-	379,203
	-	379,203
Less: Provision for doubtful loans/ advances	-	(379,203)
	<b>2,018,283</b>	<b>1,657,568</b>

17. Other current assets	<i>(Amount in Rs.)</i>	
	As at 31 March 2016	As at 31 March 2015
Claims receivable-insurance	-	132,200
Less: Provision for doubtful claims	-	(132,200)
	-	-

## Nilgiri's Mechanised Bakery Private Limited

Notes to financial statements for the year ended 31 March 2016 (continued)

<b>18. Other income</b>	<i>(Amount in Rs.)</i>	
	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2015</b>
Liabilities no longer required written back	1,171,877	127,543
Miscellaneous income	814	6,747
	<b>1,172,691</b>	<b>134,290</b>
<b>19. Cost of materials consumed</b>	<i>(Amount in Rs.)</i>	
	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2015</b>
Inventory of materials at the beginning of the year	8,240,392	8,344,922
Add: Purchases	122,697,838	112,211,933
	130,938,230	120,556,855
Less: Inventory of materials at the end of the year	(9,659,433)	(8,240,392)
	<b>121,278,797</b>	<b>112,316,463</b>
<b>20. Changes in inventory of finished goods and stock in trade</b>	<i>(Amount in Rs.)</i>	
	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2015</b>
<i>Manufactured goods</i>		
Opening inventory	721,734	599,909
Closing inventory	(1,600,626)	(721,734)
<b>Increase in inventory</b>	<b>(878,892)</b>	<b>(121,825)</b>
<b>21. Employee benefits expense</b>	<i>(Amount in Rs.)</i>	
	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2015</b>
Salaries, wages and bonus (including incentives)	27,056,033	16,719,778
Contribution to provident and other funds	2,653,511	3,075,146
Staff welfare expenses	1,971,905	1,724,760
	<b>31,681,449</b>	<b>21,519,684</b>
<b>22. Finance costs</b>	<i>(Amount in Rs.)</i>	
	<b>For the year ended 31 March 2016</b>	<b>For the year ended 31 March 2015</b>
Interest expenses	11,141,563	16,163,193
	<b>11,141,563</b>	<b>16,163,193</b>

## Nilgiri's Mechanised Bakery Private Limited

Notes to financial statements for the year ended 31 March 2016 (continued)

### 23. Other expenses

(Amount in Rs.)

	For the year ended 31 March 2016	For the year ended 31 March 2015
Power and fuel	9,105,416	10,077,186
Labour contract charges	10,881,354	9,664,956
Repair and maintenance:		
- Buildings	286,045	185,908
- Plant and machinery	3,026,758	2,956,436
- Computer & Others	14,933	91,775
Selling, distribution and marketing expenses	86,698	35,346
Rent	1,753,751	1,654,532
Legal and professional fees	1,764,774	1,230,918
Security charges	1,112,975	1,128,256
Provision for claims and contingencies	600,000	1,000,000
Consumption of stores and spares	1,144,061	817,590
Rates and taxes	729,409	733,263
Payment to auditors		
- Statutory audit fees	263,416	261,952
- Reimbursement of expenses	7,807	10,026
Printing and stationery	251,900	271,365
Telephone and other communication expenses	1,636,317	255,436
Travelling expenses	123,303	150,901
Insurance	85,222	82,630
Provision for doubtful loans & advances	(26,594,435)	-
Loans & advances written off	26,583,369	-
Miscellaneous expenses	144,226	119,229
	<b>33,007,299</b>	<b>30,727,705</b>

## Nilgiri's Mechanised Bakery Private Limited

Notes to financial statements for the year ended 31 March 2016 (continued)

### 24. Contingent liabilities, commitments and litigations (Amount in Rs.)

	As at 31 March 2016	As at 31 March 2015
<b>Contingent liabilities</b>		
(a) Claims against the Company not acknowledged as debts		
-Indirect taxes (Central Sales Tax)	1,338,277	3,244,416
[Net of amounts paid to statutory authorities in the earlier years: Rs 1,116,619]		
(b) Joint corporate guarantee towards loan availed by The Nilgiri Dairy Farm Private Limited	-	50,000,000
<b>Commitments</b>		
(a) Capital commitments	46,137	147,764

#### Statutory bonus

The Company has a contingent liability arising in relation to the statutory bonus due to The Payment of Bonus (Amendment) Act, 2015 passed on 31 December 2015, effective retrospectively from 1 April 2014. However, the Honourable High Courts in Kerala and Karnataka have granted stay orders for retrospective application of amendment for the year 2014-15 till the matter is adjudicated finally. The Company has considered these stay orders and not provided for a liability of Rs. 9 lakhs in its financial statements.

### 25. Post retirement defined benefit plans:

The Gratuity plan is a defined benefit plan. Under the Gratuity plan every employee is entitled to the benefit equivalent to fifteen days salary last drawn for each completed year of service depending on the date of joining and eligibility terms. Gratuity is payable on termination of service or retirement whichever is earlier. The benefit vests after five years of continuous service. The Company contributes to the Trust Fund which is maintained by the Life Insurance Corporation of India.

#### Reconciliation of opening and closing balances of the present value of the defined benefit obligation (Amount in Rs.)

	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Obligation at the beginning of the year</b>	4,085,989	2,877,376
Current service cost	384,832	351,358
Interest cost	300,950	219,008
Benefit settled	(385,426)	(174,940)
Actuarial loss	60,924	813,187
<b>Obligation at year end</b>	<b>4,447,269</b>	<b>4,085,989</b>

#### Reconciliation of opening and closing balances of the fair value of the plan assets (Amount in Rs.)

	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Plan assets at the beginning of the year at fair value</b>	2,503,295	2,296,601
Expected return on plan assets	200,401	183,728
Actuarial gain/(loss)	24,895	22,966
Contributions	385,426	174,941
Benefit settled	(385,426)	(174,941)
<b>Plan assets at the year end</b>	<b>2,728,591</b>	<b>2,503,295</b>

#### Reconciliation of the present value of the obligation and fair value of plan assets (Amount in Rs.)

	For the year ended 31 March 2016	For the year ended 31 March 2015
Present value of obligation	4,447,269	4,085,989
Fair value of plan assets	(2,728,591)	(2,503,295)
<b>Amount recognised in balance sheet - liability</b>	<b>1,718,678</b>	<b>1,582,694</b>
<b>Disclosed as:</b>		
Current portion (included in short-term provisions)	651,697	508,143
Non - current portion (included in long-term provisions)	1,066,981	1,074,551

## Nilgiri's Mechanised Bakery Private Limited

Notes to financial statements for the year ended 31 March 2016 (continued)

### 25 Post retirement defined benefit plans (continued)

#### Expenses recognised in the Statement of Profit and Loss

(Amount in Rs.)

	For the year ended 31 March 2016	For the year ended 31 March 2015
Current service cost	384,832	351,358
Interest cost	300,950	219,008
Expected return on plan assets	(200,401)	(183,728)
Actuarial loss	36,029	790,221
<b>Net periodic benefit cost</b>	<b>521,410</b>	<b>1,176,859</b>

#### Principal actuarial assumptions

(Amount in Rs.)

	For the year ended 31 March 2016	For the year ended 31 March 2015
Discount rate	7.73%	7.85%
Expected return on plan assets	8.00%	8.00%
Salary escalation rate	6.00%	6.00%
Retirement age	58 years	58 years
Attrition rate	12.00%	12.00%

#### Notes:

- The discount rate is based on the prevailing market yield on Government Securities as at the reporting date for the estimated term of obligations.
- The expected return on plan assets is determined considering several applicable factors mainly the composition of the plan assets held, assessed risks of asset management, historical results of the return on plan assets and the Company's policy for plan asset management.
- The estimate of future salary increases considered in actuarial valuation takes into account inflation, seniority, promotion and other relevant factors such as supply and demand in the employment market.
- The Company expects Rs. NIL (previous year Rs. NIL) as contribution to be paid to defined benefit plans in the next year.

### 26. Segment reporting

The Company's sole business segment is revenue from manufacturing and sale of bakery products and the only geographical segment is "India". Consequently the requirement of a separate disclosure as required under AS 17 - "Segment reporting" is not applicable.

### 27. Related party disclosures

Names of related parties

*Related parties where control exists/ parties with significant influence:*

- Ultimate Holding entity/ Company Future Consumer Enterprise Limited (FCEL)
- Holding Company The Nilgiri Dairy Farm Private Limited (from 20 November 2012)

*Other related parties with whom transactions have taken place during the year*

- Fellow subsidiaries Appu Nutritions Private Limited  
Nilgiris Franchisee Private Limited (from 20 November 2012)

(Amount in Rs.)

	For the year ended 31 March 2016	For the year ended 31 March 2015
<b>Nature of transactions with related parties</b>		
(i) The Nilgiri Dairy Farm Private Limited		
Sale of goods	190,297,589	176,681,128
Purchase of goods	8,206,070	6,289,194
Interest on loans taken	11,141,563	16,163,193
Loan converted into preference shares (refer notes 2(a) and 4)	100,000,000	-
Cost sharing for common personnel	6,441,604	-
Cost sharing for software	1,334,296	-
Payment of Expenses		
- Power and fuel - Diesel Expenses	-	9,725

## Nilgiri's Mechanised Bakery Private Limited

Notes to financial statements for the year ended 31 March 2016 (continued)

### 27. Related party disclosures (continued)

<b>Nature of transactions with related parties (continued)</b>		
(ii) Appu Nutritions Private Limited		
Sale of goods	-	51,448
Rent (expense) charged to the Company	1,753,751	1,581,250
Purchase of goods	-	13,263
Payment of expenses by the Company		
- Power and fuel - Electricity Charges	2,830,376	2,959,084
- Power and fuel - Diesel Expenses	49,426	87,218
- Power and fuel - LPG	445,315	
Reimbursement received by the Company for expenses (netted of with respective expense head)		
- Power and fuel - LPG	-	1,618,272
- Employee transport	-	158,666
- Security charges	353,067	1,128,256
		<i>(Amount in Rs.)</i>
<b>Outstanding as at year end</b>	<b>As at</b>	<b>As at</b>
	<b>31 March 2016</b>	<b>31 March 2015</b>
(i) Appu Nutritions Private Limited		
Trade payable	4,750,604	6,824,247
(ii) The Nilgiri Dairy Farm Private Limited		
Loans payable (also refer note 4)	17,550,504	117,550,504
Trade payable	17,299,569	11,532,440

### 28. Operating leases

The Company is obligated under cancellable operating leases, which are renewable at the option of both the lessor and the lessee. Total rental expenses under cancellable operating leases amount to Rs 1,753,751 (previous year: Rs 1,654,532).

### 29. Dues to Small and Medium Enterprises

The Ministry of Micro, Small and Medium Enterprises has issued an office memorandum dated 26 August 2008 which recommends that the Micro and Small Enterprises should mention in their correspondence with its customers, the Entrepreneurs Memorandum Number as allocated after filing of the Memorandum. Accordingly, the disclosure in respect of the amounts payable to such enterprises as at 31 March 2016 has been made in the financial statements based on information received and available with the Company. Further in view of the management, the impact of interest, if any, that may be payable in accordance with the provisions of the Act is not expected to be material. The Company has not received any claim for interest from any supplier.

### 30. Loss per share

	<i>(Amount in Rs.)</i>	
	<b>For the year ended</b>	<b>For the year ended</b>
	<b>31 March 2016</b>	<b>31 March 2015</b>
Loss attributable to the equity shareholders	(11,171,710)	(9,837,733)
Weighted average number of equity shares outstanding during the year	90,000	90,000
Nominal value of equity shares (Rs.)	10	10
Basic and diluted loss per share (Rs.)	(124.13)	(109.31)

### 31. Deferred tax

	<i>(Amount in Rs.)</i>	
	<b>For the year ended</b>	<b>For the year ended</b>
	<b>31 March 2016</b>	<b>31 March 2015</b>
<b>Deferred tax liabilities</b>		
Excess of depreciation allowed under income tax laws over depreciation provided for in the books	738,064	1,578,602
	(738,064)	(1,578,602)
<b>Deferred tax assets</b>		
Provision for compensated absences and gratuity	606,626	720,687
Provision for claims	194,670	324,450
Provision for doubtful debts	46,415	8,509,055
Provision for doubtful loans and advances	-	123,032
Carried forward tax losses	41,843,128	29,592,418
Others	630,793	331,986
	43,321,632	39,601,628
<b>Deferred tax assets, net</b>	<b>42,583,568</b>	<b>38,023,026</b>
<b>Deferred tax assets, restricted to</b>	<b>-</b>	<b>-</b>

Recognition of deferred tax asset on timing differences have been restricted to the extent there exists deferred tax liabilities. The Company has not recognised deferred tax asset on carry forward losses and other temporary timing differences in the absence of "Virtual Certainty" of realisation of such assets in future in accordance with AS 22 - "Accounting for taxes on income".

## Nilgiri's Mechanised Bakery Private Limited

### Notes to financial statements for the year ended 31 March 2016 (continued)

32. The Company did not have any import and has not incurred any expenditure in foreign currency during the current and previous year. The Company also did not have any earnings in foreign currency during the current year and previous year. The Company does not have any imports during the year (previous year: NIL).
33. The Company has not entered into any forward contract/ derivative instruments during the year.
34. The Company has not paid any managerial remuneration during the year (previous year: NIL).

#### 35. Provision for claims and contingencies

(Amount in Rs.)

	For the year ended 31 March 2016	For the year ended 31 March 2015
Balance at the beginning of the year	1,000,000	-
Add : Provision made during the year	-	1,000,000
Less : Amount reversed during the year	(1,000,000)	-
Balance at the end of the year	-	1,000,000

#### Provision for sales tax Form 'C'

(Amount in Rs.)

	For the year ended 31 March 2016	For the year ended 31 March 2015
Balance at the beginning of the year	-	-
Add : Provision made during the year	600,000	-
Balance at the end of the year	600,000	-

36. Previous year's figures have been regrouped, where necessary, to confirm to the current year's classification as follows:

	Classification in 31 March 2016	Classification in 31 March 2015	Amount in Rs.
Provision for compensated absences	Long term provisions	Short term provisions	498,814

As per our report of even date attached:

for **B S R & Associates LLP**

Chartered Accountants

Firm Registration Number: 116231W/ W-100024

for and on behalf of the Board of Directors of

**Nilgiri's Mechanised Bakery Private Limited**

CIN No: U85110MH1988PTC265435

**Vipin Lodha**

Partner

Membership number: 076806

**Seshadri Gopalan**

Director

Place :Bangalore

Date : 18 May 2016

**Samir Kedia**

Director

Place :Bangalore

Date : 18 May 2016

Place: Bangalore

Date: 18 May 2016