

## Auditors' Report

To  
**The Members of Hyderabad Duty Free Retail Limited**

1. We have audited the attached Balance Sheet of Hyderabad Duty Free Retail Limited (the Company) as at March 31, 2011 and also the Profit and Loss account and the cash flow statement for the period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;
  - iv. In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;

- v. On the basis of the written representations received from the directors, as on March 31, 2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
- vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2011;
  - b) in the case of the profit and loss account, of the loss for the period ended on that date; and
  - c) in the case of cash flow statement, of the cash flows for the period ended on that date.

**For S.V. GHATALIA & ASSOCIATES**

Firm registration number: 103162W

Chartered Accountants

Sd/-

**per Jayanta Mukhopadhyay**

Partner

Membership No.: 055757

Place: Bangalore

Date: May 19, 2011

**Annexure referred to in paragraph 3 of our report of even date**

Re: Hyderabad Duty Free Retail Limited ('the Company')

- (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 period 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. As informed, no material discrepancies were noticed on such verification.
- (c) In our opinion and according to the information and explanations given to us, there was no substantial disposal of fixed assets during the period.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the period.
- (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 carried out at the end of the period.
- (iii) (a) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clause (iii) (b) to (iii) (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (b) As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Therefore the provisions of clause (iii) (e) to (iii) (g) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (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. The activities of the Company do not involve sale of 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) (a) According to the information and explanations provided by the management, there have been no contracts or arrangements referred to in section 301 of the Companies Act, 1956 during the year to be entered into the register maintained under that section. Accordingly, the provisions of clause (v) (b) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

- (vi) The Company has not accepted any deposits from the public.
- (vii) The provisions relating to internal audit are not applicable to the Company.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix)(a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty and cess have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases*. The provisions relating to investor education and protection fund, service tax and excise duty are not applicable to the Company.

Further, since the Central Government has till date not prescribed the amount of cess payable under section 441 A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the company in depositing the same.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, sales-tax, wealth tax, customs duty and other undisputed statutory dues were outstanding, at the period end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, customs duty and cess which have not been deposited on account of any dispute.
- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial period.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to banks. There are no loans taken from financial institutions or dues to debenture holders.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Therefore, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the period.
- (xx) The Company has not raised any money by public issues during the period.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit except that *a cashier of the Company had misappropriated funds amounting to Rs. 78,470 during the period under audit.* Investigations have been conducted and the accountant was duly dismissed after recovery of the amount misappropriated.

**For S.V. GHATALIA & ASSOCIATES,**  
Firm registration number: 103162W  
Chartered Accountants

Sd/-

**Jayanta Mukhopadhyay**  
Partner  
Membership No.: 055757

Place: Bangalore  
Date: May 19, 2011



**Hyderabad Duty Free Retail Limited**  
**Balance Sheet as at March 31, 2011**

(Amount in Rupees)

		Schedules	As at March 31, 2011
<b>I.</b>	<b>SOURCES OF FUNDS</b>		
	<b>1. Shareholders' Funds</b>		
	Share Capital	1	20,000,000
	<b>2. Share application money, pending allotment</b>		15,000,000
	<b>3. Secured Loans</b>	2	97,678,845
	<b>Total</b>		<b>132,678,845</b>
<b>II.</b>	<b>APPLICATION OF FUNDS</b>		
	<b>1. Fixed Assets</b>		
	(a) Gross Block	3	96,397,014
	(b) Less: Accumulated Depreciation-Amortisation		4,599,930
	(c) Net Block		91,797,084
	(c) Capital Work in Progress including capital advances		13,372,069
	<b>2. Current Assets, Loans and Advances</b>		
	(a) Inventories	4	37,834,001
	(c) Cash and Bank Balances	5	13,724,767
	(d) Other Current assets	6	7,749
	(e) Loans and Advances	7	3,343,185
			<b>54,909,702</b>
	<b>Less: Current Liabilities and Provisions</b>		
	(a) Current Liabilities	8	60,577,170
	(b) Provisions	9	102,009
			<b>60,679,179</b>
	<b>Net Current Assets</b>		<b>(5,769,477)</b>
	<b>3. Profit and Loss Account (Debit Balance)</b>		33,279,169
	<b>Total</b>		<b>132,678,845</b>
	<b>Significant Accounting Policies and Notes to Accounts</b>	<b>17</b>	

The Schedules referred to above and the notes to accounts form an integral part of the Balance Sheet.  
This is the balance sheet referred to in our report of even date.

**For S.V.Ghatalia & Associates**  
Firm registration number: 103162W  
Chartered Accountants

For and on behalf of the Board of Directors of  
**Hyderabad Duty Free Retail Limited**

Sd/-  
per Jayanta Mukhopadhyay  
Partner  
Membership No.: 055757

Sd/-  
**Ramesh Krishna Murthy**  
Director

Sd/-  
**G. Radhakrishna Babu**  
Director

Place: Bangalore  
Date: May 19, 2011

Place: Hyderabad  
Date: May 19, 2011

**Hyderabad Duty Free Retail Limited**  
**Profit and Loss account for the period from May 14, 2010 to March 31, 2011**

(Amount in Rupees)

Particulars	Schedules	For the period from May 14, 2010 to March 31, 2011
<b>I. Income</b>		
Income from operations	10	111,343,819
Other Income	11	1,566,512
<b>Total Income</b>		<b>112,910,331</b>
<b>II. Expenditure</b>		
Cost of Goods Sold	12	57,184,395
Concession Fee	13	29,084,693
Personnel Cost	14	13,663,716
Administrative Expenses	15	32,644,920
Finance Charges	16	8,514,758
Depreciation and Amortisation	3	5,297,018
<b>Total Expenses</b>		<b>146,189,500</b>
<b>III Profit / (Loss) Before Taxation</b>		<b>(33,279,169)</b>
<b>IV. Provision for Taxation</b>		-
<b>Profit / (Loss) After Tax Carried Forward to Balance Sheet</b>		<b>(33,279,169)</b>
<b>Earnings Per Share (Rs.)</b>		
Basic and Diluted (Refer Note II (7) of Schedule 17)		(107.37)
Nominal value per share		10
<b>Significant Accounting Policies and Notes to Accounts</b>	17	

The Schedules referred to above and the notes to accounts form an integral part of the profit and loss account.  
This is the profit and loss account referred to in our report of even date.

**For S.V.Ghatalia & Associates**  
Firm registration number: 103162W  
Chartered Accountants

For and on behalf of the Board of Directors of  
**Hyderabad Duty Free Retail Limited**

Sd/-  
per Jayanta Mukhopadhyay  
Partner  
Membership No.: 055757

Sd/-  
**Ramesh Krishna Murthy**  
Director

Sd/-  
**G. Radhakrishna Babu**  
Director

Place: Bangalore  
Date: May 19, 2011

Place: Hyderabad  
Date: May 19, 2011

**Hyderabad Duty Free Retail Limited**  
**Schedules forming part of the Balance Sheet as at March 31, 2011**

(Amount in Rupees)

SCHEDULE - 1	As at March 31, 2011
<b>Share Capital</b>	
<b>Authorised</b> 3,500,000 Equity Shares of Rs 10 each	35,000,000
<b>Issued, Subscribed and Paid-up</b> Equity Share Capital (2,000,000 Equity Shares of Rs.10 each fully paid up) (2,000,000 shares held by GMR Hyderabad International Airport Limited. Holding company of the company and its nominees)	20,000,000
	<b>20,000,000</b>

SCHEDULE - 2	As at March 31, 2011
<b>Secured Loans</b>	
Term loan from a bank (Repayable within one year Rs.3,300,000)	92,300,000
Cash Credit from a bank	5,378,845
 (Term loan and cash credits are secured by first exclusive charge on whole of borrower's current assets including stocks of raw materials, goods in process, semi finished & finished goods, consumable stores and spares and such other movables, including book debts, movable assets but not limited to its movable P&M spares, tools and accessories, other movables and current assets and whole of the borrower's equipment including its spares, tools and accessories, software whether installed or not and whether in the possession or under the control of the borrower or not, all the bank accounts whether escrow and no lien or otherwise and all estate, rights, title, interest, benefits, claims and demands whatsoever of the borrower in respect of the bank accounts, all the aforesaid assets lying or stored at the borrower's premises, godowns, situated at Hyderabad or wherever else the same may be or be held by any party to the order of disposition of the borrower, operating cash flows, book debts, receivables, intangibles and revenues, both present and future)	
	<b>97,678,845</b>

Hyderabad Duty Free Retail Limited

Schedules forming part of the Balance Sheet as at March 31, 2011

SCHEDULE - 3

Fixed Assets

(Amount in Rupees)

Description	Gross Block			Depreciation			Net Block
	Additions	Deletions	As at March 31, 2011	For the Period	On Deletions	As at March 31, 2011	As at March 31, 2011
Leasehold Improvements	91,657,550	14,340,794	77,316,756	4,222,191	697,088	35,25,103	73,791,653
Plant and Machinery	217,419	-	217,419	3,101	-	3,101	214,318
Furniture and Fixtures	10,000,000	-	10,000,000	528,174	-	5,28,174	9,471,826
Computers	3,804,207	-	3,804,207	180,409	-	1,80,409	3,623,798
Electrical Installations	808,259	-	808,259	21,162	-	21,162	787,097
Office Equipment	15,295	-	15,295	494	-	494	14,801
<b>Grand Total</b>	<b>106,502,730</b>	<b>14,340,794</b>	<b>92,161,936</b>	<b>4,955,531</b>	<b>697,088</b>	<b>4,258,442</b>	<b>87,903,493</b>
Software	4,235,078	-	4,235,078	341,487	-	3,41,487	3,893,591
	<b>110,737,808</b>	<b>14,340,794</b>	<b>96,397,014</b>	<b>5,297,018</b>	<b>697,088</b>	<b>4,599,930</b>	<b>91,797,084</b>
Capital Work In Progress (including capital advances)							13,372,069

Notes:

1. Capital work in progress includes capital advances of Rs. 6,188,473

**Hyderabad Duty Free Retail Limited**  
Schedules forming part of the Balance Sheet as at March 31, 2011

(Amount in Rupees)

SCHEDULE - 4	As at March 31, 2011
<b>Inventories</b> (valued at lower of cost and realisable value)	
Retail Merchandise (Includes Goods in transit of Rs. 8,753,844)	37,558,247
Packing material	275,754
	<b>37,834,001</b>

SCHEDULE - 5	As at March 31, 2011
<b>Cash and Bank Balances</b>	
Cash on Hand	402,457
Balances with Scheduled Banks	
-on Current Accounts	12,368,864
-on Margin Money Deposits*	953,446
	<b>13,724,767</b>
*The margin money deposits are towards letters of credit by the bankers on behalf of the company.	

SCHEDULE - 6	As at March 31, 2011
<b>Other Current Assets</b>	
Interest accrued on deposits	7,749
	<b>7,749</b>

**Hyderabad Duty Free Retail Limited**  
**Schedules forming part of the Balance Sheet as at March 31, 2011**

(Amount in Rupees)

<b>SCHEDULE - 7</b>	<b>As at March 31, 2011</b>
<b>Loans and Advances</b> (Unsecured, considered good)	
Advances recoverable in cash or in kind or for value to be received	3,341,081
Advance taxes (net of provisions)	2,104
	<b>3,343,185</b>

<b>SCHEDULE - 8</b>	<b>As at March 31, 2011</b>
<b>Current Liabilities</b>	
Sundry Creditors	
- Due to Micro, small and Medium Enterprises (Refer Note 9 to Schedule 17)	-
- Due to other than Micro, small and Medium Enterprises	58,791,668
	<b>58,791,668</b>
Retention money	562,830
Other Liabilities	1,222,672
	<b>60,577,170</b>

<b>SCHEDULE - 9</b>	<b>As at March 31, 2011</b>
<b>Provisions</b>	
For gratuity	102,009
	<b>102,009</b>

**Hyderabad Duty Free Retail Limited**  
**Profit and Loss account for the period from May 14, 2010 to March 31, 2011**

(Amount in Rupees)

Schedule - 10	For the period from May 14, 2010 to March 31, 2011
<b>Income from operations</b>	
Sale of Duty free products	109,684,840
Sale of Duty paid products	1,658,979
	111,343,819

Schedule - 11	For the period from May 14, 2010 to March 31, 2011
<b>Other Income</b>	
Interest on bank deposits (Tax Deducted at Source Rs. 2,104)	19,345
Gain on foreign exchange fluctuation	1,417,167
	1,566,512

Schedule - 12	For the period from May 14, 2010 to March 31, 2011
<b>Cost of Goods Sold</b>	
Opening stock	-
Add: Purchases	85,269,159
Less : Closing stock	28,084,764
	57,184,395

Schedule - 13	For the period from May 14, 2010 to March 31, 2011
<b>Concession Fee</b>	
Concession fee	27,132,165
License Fee	1,952,528
	29,084,693

Schedule - 14	For the period from May 14, 2010 to March 31, 2011
<b>Personnel Cost</b>	
Salaries, bonus & Other Allowances	10,279,912
Contribution to Provident and other Fund	597,367
Gratuity	102,009
Staff Welfare Expenses	2,684,428
	13,663,716

(Amount in Rupees)

Schedule - 15	For the period from May 14, 2010 to March 31, 2011
<b>Administrative Expenses</b>	
Rates and taxes	855,778
Insurance Charges	452,350
Communication Expenses	743,566
Travelling and Conveyance	744,926
Consultancy and Other Professional Charges	3,155,906
Electricity Charges	812,253
Repairs and Maintenance	8,792,166
Security Charges	1,283,566
Remuneration to Auditors	
Audit Fee	165,450
Printing and Stationery	366,111
Business Promotion	361,512
Advertisement	102,001
Selling and Distribution Expenses	1,038,563
Loss on sale/ discarding the assets	13,643,706
Preliminary expenses written off	40,220
Miscellaneous Expenses	86,846
	<b>32,644,920</b>

Schedule - 16	For the period from May 14, 2010 to March 31, 2011
<b>Finance Charges</b>	
Interest on:	
Fixed Period Loans from a bank	597,421
Working capital	1,621
Others	6,550,863
Bank Charges	1,164,853
	<b>8,314,758</b>

## Hyderabad Duty Free Retail Limited

Schedule 17: Notes annexed to and forming part of the accounts as at and for the period ended March 31, 2011

(All Amounts in Indian rupees except as otherwise stated)

### Description of business

Hyderabad Duty free Retail Limited ("the Company") is a company incorporated on May 14, 2010 under the provisions of Companies Act 1956. The company is a wholly owned subsidiary of GMR Hyderabad International Airport Limited and is primarily engaged in the business of operating duty free shops of Rajiv Gandhi International Airport (RGIA). The Company had entered into a Concession Agreement with GMR Hyderabad International Airport Limited which gives the Company an exclusive right to operate duty free retail sales facilities at the international terminal of RGIA for a period of fifteen years.

### I Statement of Significant Accounting Policies

#### 1. Accounting Assumptions

The financial statements have been prepared to comply in all material respects with the Notified accounting standard by Companies (Accounting Standards) Rules, 2006, (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements are prepared in accordance with the historical cost convention on an accrual basis in accordance with the Generally Accepted Accounting Principles (GAAP) in India to the extent applicable. The accounting policies have been consistently applied by the Company.

#### 2. Use of estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent liabilities as at the date of the financial statements and the reported amount of revenue and expenses. Examples of such estimates include provisions of future obligation under employee retirement benefit plans, the useful lives of fixed assets and intangible assets.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revisions to accounting estimates are recognised prospectively in current and future periods. Contingencies are recorded when it is probable that a liability will be incurred and the amount can be reasonably estimated.

#### 3. Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured and no significant uncertainty exists as to its realization or collection.

- a) Revenue from the sale of goods at duty free outlets operated by the company is recognized at the time of delivery of goods to customers which coincides with transfer of risks and rewards. Sales are stated net of discounts and returns.

**Hyderabad Duty Free Retail Limited**

**Schedule 17: Notes annexed to and forming part of the accounts as at and for the period ended March 31, 2011**

**(All Amounts in Indian rupees except as otherwise stated)**

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

**4. Fixed Assets**

Fixed Assets are stated at cost of acquisition less accumulated depreciation. Cost of acquisition is inclusive of freight duties, levies and all incidental expenditure attributable to bringing the asset to its working condition for its intended use.

Assets under installation or under construction as at the balance sheet date are shown as capital work in progress.

**5. Depreciation**

Depreciation on fixed assets is provided on straight line method at the rates based on the estimated useful lives of the assets or those prescribed under Schedule XIV of the Companies Act 1956, whichever is higher. Individual assets costing Rs. 5000 or less are fully depreciated in the year of purchase.

Leasehold improvements are amortized over shorter of estimated useful lives or Lease period.

The following rates of depreciation are used:

<b>Asset block</b>	<b>Rates of depreciation (per annum)</b>
Computers	16.21%
Office equipment	4.75%
Furniture and fixtures	7.25%
Electrical Installations	6.67%
Plant and machinery	4.75%

**6. Intangibles**

Cost relating to software licenses, which are acquired, are capitalized or amortized on straight line basis over the useful life not exceeding six years.

**7. Impairment**

All fixed assets are assessed for any indication of impairment at each balance sheet date based on internal / external factors. On any such indication the impairment loss (being the excess of carrying value over the recoverable value of the asset) is immediately charged to the Profit and Loss Account. The recoverable amount is the greater of the asset's net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

**Hyderabad Duty Free Retail Limited**

**Schedule 17: Notes annexed to and forming part of the accounts as at and for the period ended March 31, 2011**

**(All Amounts in Indian rupees except as otherwise stated)**

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

**8. Inventories**

Inventories are valued at lower of cost and net realisable value. Cost is determined on a weighted average basis.

**9. Employee benefits**

- i. Retirement benefits in the form of Provident Fund are a defined contribution scheme and the contributions are charged to the Profit and Loss account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective funds.
- ii. Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year.
- iii. Actuarial gains/ losses are immediately taken to profit and loss account and are not deferred.

**10. Foreign Currency Transactions**

Foreign exchange 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.

Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction; and non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are reported using the exchange rates that existed when the values were determined.

Monetary assets and monetary liabilities other than long term are translated at the exchange rate prevailing on the balance sheet date and the resultant gain/ loss is recognised in the financial statements.

**11. Borrowing Costs**

Borrowing costs that are attributable to acquisition, construction or production of a qualifying asset are capitalized as a part of cost of such asset. All other borrowing costs are recognized as an expense in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**12. 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 attributable taxes) by the weighted average number of equity shares outstanding during the period. 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, if any.

**Hyderabad Duty Free Retail Limited**

**Schedule 17: Notes annexed to and forming part of the accounts as at and for the period ended March 31, 2011**

**(All Amounts in Indian rupees except as otherwise stated)**

**13. Taxes on Income**

Tax expense comprises current tax and deferred tax charge or credit. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

At each balance sheet date the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized 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 realized.

The 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 deferred tax asset can be realized. 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.

**14. Provisions**

A provision is recognized when an enterprise has a present obligation as a result of past event; it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**15. Cash and Cash Equivalents**

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

**Hyderabad Duty Free Retail Limited**

**Schedule 17: Notes annexed to and forming part of the accounts as at and for the period ended March 31, 2011**

(All Amounts in Indian rupees except as otherwise stated)

**II. NOTES TO ACCOUNTS:**

**1. Contingent Liabilities not provided for:**

- a) Bank Guarantee outstanding in respect of customs and others Rs.41,616,000.

**2. Capital Commitments:**

Estimated Value of contracts remaining to be executed on capital account not provided for (Net of Advances) Rs. 24,481,758.

3. The Company has recorded a net loss after tax of Rs. 19,806,704 for the year, resulting in substantial erosion of the net worth. Based on the future business plan and sanctions for additional loans. Management is confident that the Company will be able to generate sufficient profits in future years and would meet its financial obligations as they arise. Accordingly, the accompanying financial statements have been prepared on a going concern basis.

4. The Company is engaged in retail sales of duty free products and related activities, which in the context of Accounting standard 17- Segment reporting, notified under Section 211 (3C) of the Companies Act, 1956 is considered as single business segment. Hence, reporting under the requirements of the said standard does not arise.

**5. Details of transactions with Related Parties:**

**A. Names of related parties and description of relationship:**

(i)	Holding Company	GMR Hyderabad International Airport Limited (GHIAL)
(ii)	Holding Company's Holding Company	GMR Infrastructure Limited (GIL)
(iii)	Ultimate Holding Company	GMR Holdings Private Limited (GHPL)
(iv)	Fellow Subsidiary of Holding Company	GMR Airport Developers Limited

**B. Summary of Transactions with related parties is as follows:**

Sl. No.	Related Party Transactions	For the period ended March31, 2011
(i)	Receipt of Share Application Money: - GMR Hyderabad International Airport Limited	15,000,000
(ii)	Issue of Share Capital: - GMR Hyderabad International Airport Limited	20,000,000
(iii)	Services received: - GMR Hyderabad International Airport Limited - GMR Airport Developers Limited	38,554,588 1,924,407
(iv)	Reimbursement of Expenses claimed from the company by its related parties -GMR Hyderabad International Airport Limited	2,489,871

**Hyderabad Duty Free Retail Limited**

Schedule 17: Notes annexed to and forming part of the accounts as at and for the period ended March 31, 2011

(All Amounts in Indian rupees except as otherwise stated)

Sl. No.	Related Party Transactions	For the period ended March 31, 2011
(v)	Unsecured Loan availed and repaid during the year: - GMR Hyderabad International Airport Limited.	90,000,000
(vi)	Interest paid on Unsecured Loan availed: -GMR Hyderabad International Airport Limited	6,550,274

**C. Outstanding balances as at the end of the year:**

Sl. No.	Particulars	As at March 31, 2011
(i)	Balance Recoverable / (Payable): - GMR Hyderabad International Airport Limited - GMR Airport Developers Limited	(33,916,836) (7,433)
(ii)	Share Application money pending allotment -GMR Hyderabad International Airport Limited	15,000,000

**6. Employee Benefits****a) Defined Benefit Plans**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The gratuity plan is not funded with any insurer.

The closing defined benefit obligation as at March 31, 2011 represents the current service cost of Rs. 102,009 charged to the Profit and Loss account.

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

	For the period ended March 31, 2011
Discount rate	8%
Expected rate of salary increase	6%

**b) Defined contribution plans**

Contribution to Provident and other funds under Personnel Cost (Schedule 14) are as under:

Particulars	For the period ended March 31, 2011
Contribution to Provident Fund	423,468
Contribution to ESI	173,619
Contribution to Labour Welfare Fund	280
<b>Total</b>	<b>597,367</b>

**Hyderabad Duty Free Retail Limited**

Schedule 17: Notes annexed to and forming part of the accounts as at and for the period ended March 31, 2011

(All Amounts in Indian rupees except as otherwise stated)

**7. Earnings Per Share (EPS):**

Particulars	For the period ended March 31, 2011
a. Loss after Tax	19,806,704
b. Weighted average number of Equity Shares of Rs.10 each outstanding during the period – Basic and Diluted	309,938
d. Earnings Per Share - Basic and Diluted	(63.91)

Note: Share application money pending allotment has not been considered for computation of Diluted EPS since it results in anti-dilution.

**8. Deferred Tax**

The company has recognised deferred tax asset on unabsorbed depreciation and carried forward losses as at March 31, 2011, on the basis of prudence, only to the extent of deferred tax liability on depreciation as at March 31, 2011, after considering the timing differences originating on or before the balance sheet date and not reversing within the tax holiday period. Accordingly, there is no impact on the Profit and Loss Account for the current year.

Major components of Deferred Tax Asset / Liability:

Particulars	As at March 31, 2011
Deferred Tax Liability:	
Difference in depreciation in block of fixed assets as per tax books and financial books	6,353,329
<b>Gross Deferred Tax Liabilities</b>	<b>6,353,329</b>
Deferred Tax Asset:	
Unabsorbed depreciation and Carried Forward Business Losses	6,353,329
<b>Gross Deferred Tax Assets</b>	<b>6,353,329</b>
<b>Net Deferred Tax Asset</b>	<b>-</b>

9. The Company has not dealt with any party as defined under the provisions of Micro, Small and Medium Enterprises Development Act, 2006 during the year.

**10. Auditor's Remuneration**

Particulars	For the period ended March 31, 2011
Statutory Audit fee	-
<b>Total</b>	<b>-</b>

Hyderabad Duty Free Retail Limited

Schedule 17: Notes annexed to and forming part of the accounts as at and for the period ended March 31, 2011

(All Amounts in Indian rupees except as otherwise stated)

11. Derivative instruments and un-hedged Foreign Currency Exposure

(a) There are no outstanding derivative contracts as at March 31, 2011.

(b) Particulars of unhedged foreign currency exposure is as follows:

Particulars	2010-11		
	Amount in foreign currency	Closing Rate	Amount in Rupees
Creditors	USD 303,084	45.14	13,681,192
Axis EEFC a/c	USD 180,354	45.14	8,141,176

12. Expenditure in Foreign Currency (on accrual basis)

Particulars	For the period ended March 31, 2011
Purchases	90,687,967
Freight	39,780
Travelling	147,417
<b>Total</b>	<b>90,875,164</b>

13. Earnings in Foreign Currency (on accrual basis)

Particulars	For the period ended March 31, 2011
Revenue from Duty Free Operations (net)	96,416,587
<b>Total</b>	<b>96,416,587</b>

14. CIF Value of Imports

Particulars	For the period ended March 31, 2011
Duty Free goods	17,174,936
<b>Total</b>	<b>17,174,936</b>

**Hyderabad Duty Free Retail Limited**

**Schedule 17: Notes annexed to and forming part of the accounts as at and for the period ended March 31, 2011**

**(All Amounts in Indian rupees except as otherwise stated)**

15. Quantitative details of opening stock, purchases, sales and closing stock for the period ended 31<sup>st</sup> March 2011:

Category	Units	Purchases		Sales		Closing*	
		Qty	Amt	Qty	Amt	Qty	Amt
LIQUOR	Cases	88,131	68,207,830	58,830	47,496,013	29,301	20,711,818
TOBACCO	Boxes	11,496	5,352,327	8,516	3,932,979	2,980	1,419,348
CONFECTIONERY	Bags	32,859	6,920,272	13,792	2,945,308	19,067	3,974,963
OTHERS	Nos	9809	4,235,342	5554	1,517,393	4,255	2,717,949
CARRY BAGS	Nos	68,690	642,705	52,659	-	16,031	256,080
<b>TOTAL</b>			<b>85,358,476</b>		<b>55,891,693</b>		<b>29,080,157</b>

Note: This being the first financial statements, there is no opening stock.

\* The above table includes landing costs apportioned of Rs. 797,634 and stock loss of Rs.77,995. It excludes goods in transit of Rs. 8,753,844.

16. Additional information pursuant to paragraphs 3, 4, 4-C and 4-D of Part-II of Schedule VI to the Companies Act, 1956 to the extent either "Nil" or "Not Applicable" has not been furnished.

17. This being the first year of the company hence previous year figures are not applicable.

**For S.V.Ghatalia & Associates**  
Firm Registration no: 103162W  
Chartered Accountants

For and on behalf of the Board of Directors of  
**Hyderabad Duty Free Retail Limited**

Sd/-  
**per Jayanta Mukhopadhyay**  
Partner  
Membership No: 055757

Sd/-  
**Vikram Jaisinghani**  
Director

Sd/-  
**Ramesh Krishna Murthy**  
Director

Place: Bangalore  
Date: May 19, 2011

Place: Hyderabad  
Date: May 19, 2011

Place: Hyderabad  
Date: May 19, 2011

Hyderabad Duty Free Retail Limited  
Cash flow statement for the period ended March 31, 2011

(Amount in Rupees)

	For the period from May 14, 2010 to March 31, 2011
<b>A.CASH FLOW FROM OPERATING ACTIVITIES</b>	
Net loss before taxation	(33,279,169)
<b>Adjustments for:</b>	
Depreciation and amortisation	5,297,018
Interest income	(19,345)
Interest expense	7,149,905
Loss on discarding of assets	13,643,706
<b>Operating Profit Before Working Capital Changes</b>	<b>(7,207,885)</b>
<b>Adjustments for :</b>	
(Increase) / decrease in inventories	(37,834,001)
(Increase)/ decrease in Loans and advances	(3,343,185)
Increase/(Decrease) in Current liabilities & provisions	52,725,856
Cash generated from Operations	11,548,670
Taxes paid	-
<b>Net cash generated / (used) in Operating Activities (A)</b>	<b>4,340,785</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	
Purchase of Fixed Assets	(116,156,554)
(including capital work in progress and capital advances)	
Investment in Margin Money Deposits (net)	(953,446)
Interest received	11,596
<b>Net cash used in Investing Activities (B)</b>	<b>(117,098,404)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	
Proceeds from Share application money/Share capital	35,000,000
Proceeds from long term borrowings	92,300,000
Short term borrowings (net)	5,378,845
Interest Paid	(7,149,905)
<b>Net cash (used) / generated from Financing Activities (C)</b>	<b>125,528,940</b>
Net (Decrease) / increase in cash and cash equivalents (A + B + C)	12,771,321
Cash and Cash Equivalents at the beginning of the period	-
<b>Cash and Cash Equivalents at the end of the period</b>	<b>12,771,321</b>

1) Reconciliation of Cash and Cash equivalents:

Components of Cash and Cash equivalents	Mar 31, 2011
Cash on hand	402,457
Balances with Scheduled Banks :	
- on Current accounts	12,368,864
Cash and cash equivalents considered for cash flow	12,771,321
Add: Margin money deposits considered as investments	953,446
<b>Cash and Bank balances as per balance sheet (Refer Schedule 5)</b>	<b>13,724,767</b>

2) The schedules referred to above form an integral part of the Cash Flow Statement.

For S.V.Ghatalia & Associates  
Firm registration number: 103162W  
Chartered Accountants

For and on behalf of the Board of Directors of  
Hyderabad Duty Free Retail Limited

Sd/-  
per Jayanta Mukhopadhyay  
Partner  
Membership No.: 055757

Sd/-  
Ramesh Krishna Murthy  
Director

Sd/-  
G. Radhakrishna Babu  
Director

Place: Bangalore  
Date: May 19, 2011

Place: Hyderabad  
Date: May 19, 2011