





# re

There is never an end to innovation. Never an idea that can't be improved. And never an achievement that can't be bettered. Every single year, every effort on our part, has been to try and improve on what we have.

So we have been reconsidering our approaches. We have been rethinking strategies. We have been realigning our businesses. All, to refresh ourselves and create a **Retail Pure-Play**.

Refresh operations. Refresh customer experiences. Refresh thoughts. Refresh commitments. Refresh talent. Make the best of a refreshed economy that India stands on the threshold of.

In every business that we are in, in every engagement we have entered into, in every relationship, the one word that defines the year is '**Refresh**'.

## contents

05	Our Retail Network	44	Directors' Report	74	Schedules
07	Message from The Managing Director	52	Corporate Governance Report	94	Abstract
09	Corporate Highlights	62	Ratios	95	Cash Flow
10	Business Review	64	10-year Financial Summary	97	Section 212 Statement
40	Management Discussion and Analysis	68	Auditors' Report	99	Auditors' Report on Consolidated Accounts
		72	Balance Sheet	100	Consolidated Accounts
		73	Profit and Loss Account		

## **BOARD OF DIRECTORS**

### **SHAILESH HARIBHAKTI**

Chairman & Non-Executive Independent Director

### **KISHORE BIYANI**

Managing Director

### **S DORESWMY**

Non-Executive Independent Director

### **Dr. DARLIE KOSHY**

Non-Executive Independent Director

### **ANIL HARISH**

Non-Executive Independent Director

### **BALA DESHPANDE**

Non-Executive Independent Director

### **V. K. CHOPRA**

Non-Executive Independent Director

### **GOPIKISHAN BIYANI**

Non-Executive Director

### **RAKESH BIYANI**

Executive Director

### **VIJAY BIYANI**

Executive Director

### **KAILASH BHATIA**

Executive Director  
(Appointed w.e.f. 01-04-2010)

## **CHIEF FINANCIAL OFFICER**

C.P.TOSHNIWAL

## **COMPANY SECRETARY**

DEEPAK TANNA

## **STATUTORY AUDITORS**

NGS & CO.

## **RISK ADVISORS**

ERNST & YOUNG PVT. LTD

## **BANKERS**

BANK OF INDIA

AXIS BANK LTD.

ANDHRA BANK

CORPORATION BANK

HDFC BANK LTD.

IDBI BANK LTD.

STATE BANK OF TRAVANCORE

UCO BANK

STANDARD CHARTERED BANK

THE FEDERAL BANK LTD.

UNION BANK OF INDIA

## **SHARE TRANSFER AGENTS**

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Tel . No. + 91 22 2596 3838

Fax No. + 91 22 2594 6969

## **REGISTERED OFFICE & CORPORATE OFFICE**

Knowledge House, Shyam Nagar,

Off Jogeshwari-Vikhroli Link Road,

Jogeshwari (East), Mumbai – 400 060.

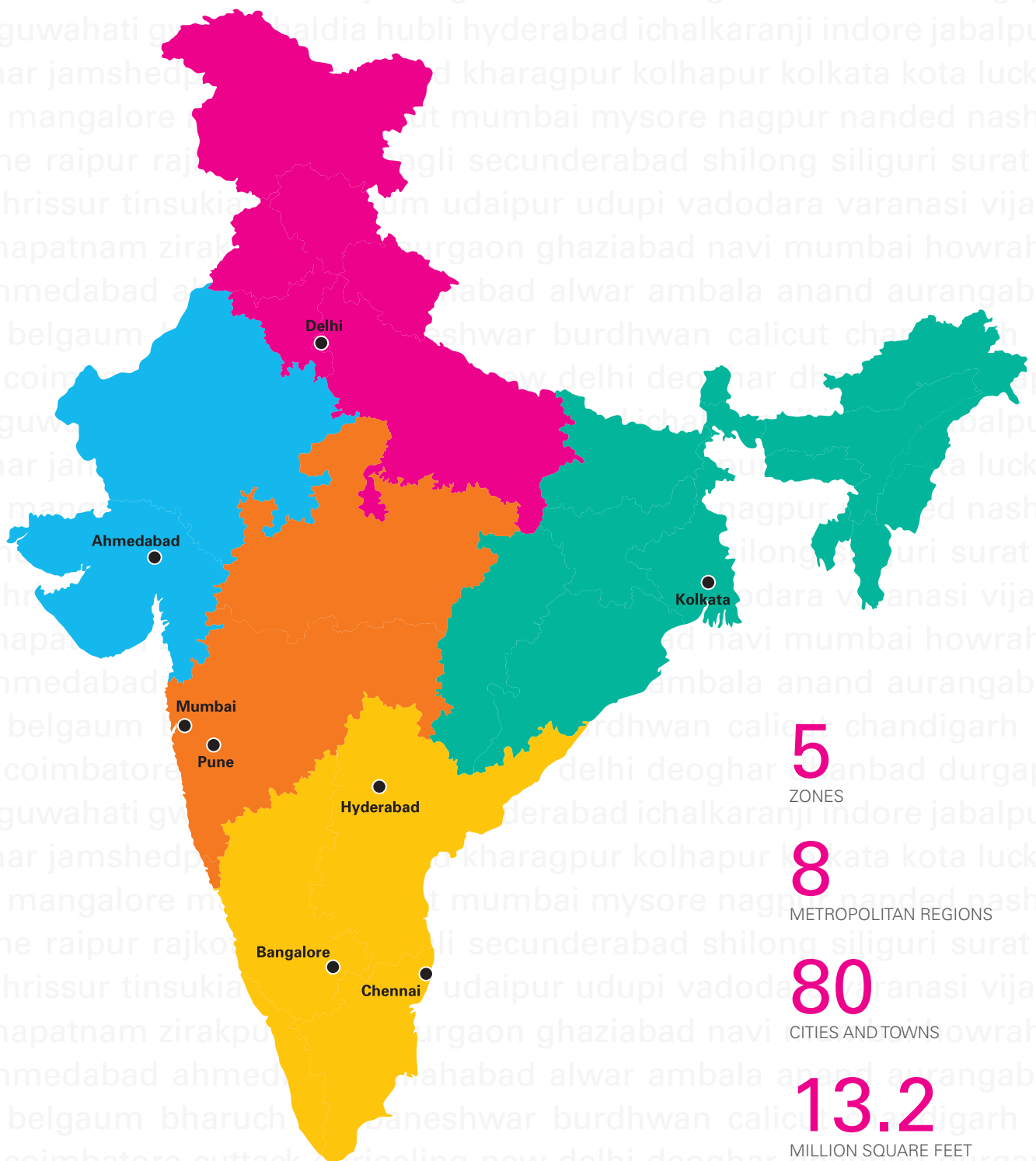
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## **WEBSITE**

[www.pantaloonretail.in](http://www.pantaloonretail.in)

## our retail coverage





## from the managing director

“Modern retail will drive new demand, drive consumption in new categories and as retailers, we will have to play a major role and create demand for many new products.”

Dear Stakeholders,

We are pleased to share the Annual Report of your company for the financial year 2009-2010. We had started the year on a note of ‘cautious optimism.’ From where we were in June 2009, we believed that from then on, the economic environment could only get better and it was upon us to refresh ourselves in a manner that allows us to be the largest beneficiary of the turnaround. We refreshed our thoughts, ideas and perspectives on the business in a manner that improves productivity and efficiency. Simultaneously, based upon your feedback, we realigned our business in a manner that makes your company a retail pure-play.

During the year, your company unlocked value and divested its stake in subsidiaries engaged in brand development, knowledge and IT services and education and training. It also demerged its property management and food services business. The value retail segment of the business, which includes Big Bazaar, Food Bazaar, KB's Fairprice, among others, have grown in size and scale. We believe that this business now requires a more focused approach and so we have created a wholly-owned subsidiary, Future Value Retail Limited, to follow a refreshed growth trajectory. We have also demerged the home business and merged it with the

parent company. In January, the business opened its largest store in the Mumbai suburb of Vikhroli, taking the total number of Home Towns to 10. With so much of residential development happening across the country, this business is set to grow fast.

We have now set a new course for ourselves in this journey in our retail business through four principal categories of food, fashion, general merchandise and home. Home includes electronics, furniture and home improvement. These categories account for nearly 65% of the consumption in the country and represent the mass aspirational consumer. We decided to move out of all other categories and concentrate only on these four categories.

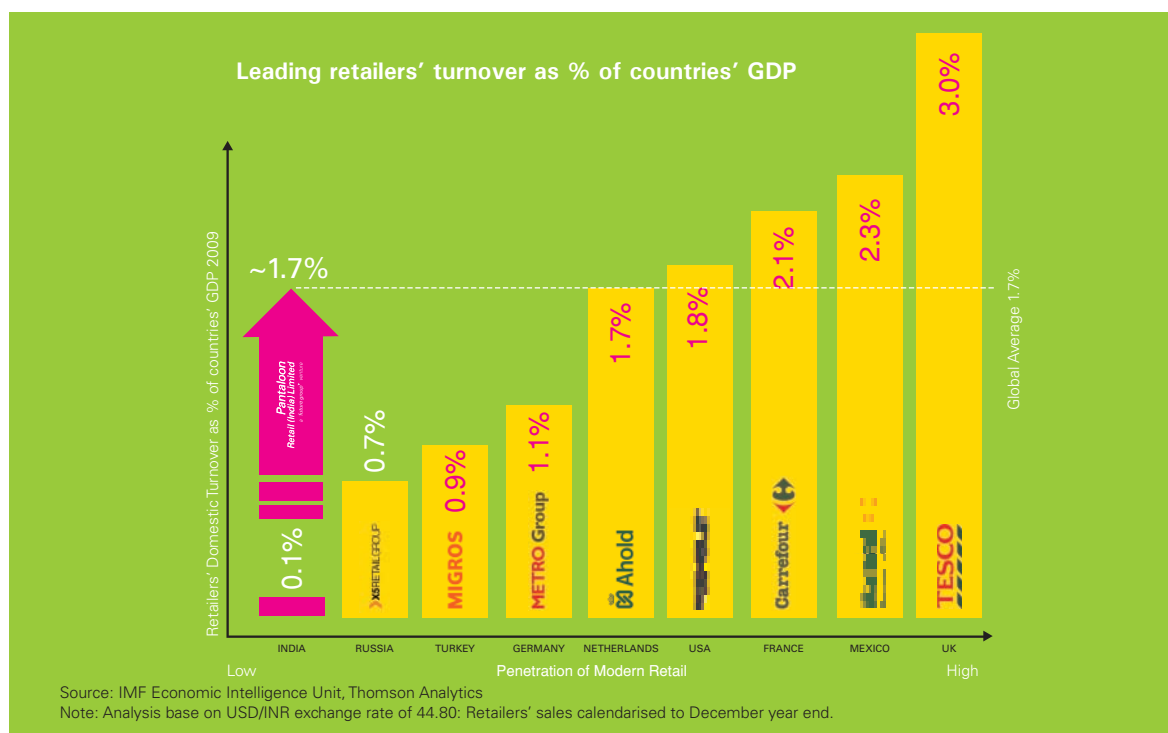
Modern retail stands on two pillars; one is scale, which we believe we are more or less achieving in the four key categories and in our geographical presence. The other pillar is the efficiencies, which is a function of how we handle this scale and supply chain. These are the two key differentiators which will separate one retailer from another. We have been front-runners in both these aspects.

Significant amount of work has happened on the supply chain, logistics and distribution side, wherein, with efficiencies that have been achieved; your company has created a sizeable infrastructure ensuring that the cost of delivery is probably the lowest in the country. The impact of these steps is evident in the financial numbers your company achieved during the financial year. We believe that your company will have a true differentiation compared to any other entering this business.

But that is not all. During the year, around 220 million customers walked in our stores and chose from over 3.5 million SKUs (stock keeping units) available across our various formats. These have been sourced from companies almost entirely based in India. In addition, we tapped into a large number of service providers to



refresh  
retail



deliver these products. Put together there are more than 30,000 small, medium and large enterprises from whom we source our supplies. In each of these cases, our growing business created fresh employment, boosted income generation and impacted livelihoods. Further to what we had shared in last year's annual report, these practices are in line with our broad objective of being a catalyst in India's consumption-led growth, and being a positive agent of change in societies and communities we operate in.

We believe that the Indian consumption story is intact, and as more and more consumers get into the consumption mode, modern retail will be its biggest beneficiary. Modern retail will drive new demand, drive consumption in new categories and as retailers, we will have to play a major role and create demand for many new products. There is a complete strategy being worked upon, on our understanding of the consumers and what products they would want to buy next, and those products have to be made available. At the same time, we firmly believe that our core responsibility lies in providing shelter to customers from the overall rate of inflation. While our scale and size of operations is helping us improve efficiencies, it is also helping us give more value to our customers.

In a year that was marked by extraordinarily high rate of food inflation, I am happy to share that the world's leading market research company, in a report, validated the fact that our customers saved far more than others shopping from traditional and other modern retailers.

We are also working on a number of initiatives that will help us understand Indian consumers in a fresh new manner. The objective is to understand the customer in the context of the community, and not as an individual. And in the process, we are building, nurturing and supporting the community and thereby owning it. We are helping people protect and celebrate local customs, festivals and cultures. Just to cite some examples, our work around the Anna-Santharpene Seva has helped earned huge goodwill from the community in Mysore, and is being rolled out across stores in South India. Elsewhere, in Bengal, we are employing local folk musicians and artisans, called Baul singers, who travel on the suburban train and transport network dispersing messages on promotions at Big Bazaar. Such innovative and unique Indian ways of working, is helping us gain 'heartshare' of our customers.

We believe that each of these factors will help us create a far more economically and socially sustainable



“We are in line with our broad objective of being a catalyst in India’s consumption-led growth and being a positive agent of change in societies and communities we operate in.”

business that takes into account the Indian context and builds upon the Indian way of life. I believe, that we have been able to create a value-based, people-driven culture within the organisation that adapts to both change and tradition in a unique manner. This helps us create a far more sustainable business that benefits our stakeholders, including our supply and business partners, environment and communities, investors and government, customers and employees. With regards to our operational growth, we believe that growth has to be steady and calibrated, and we will grow by 2.5 million to 3.5 million square feet of space for the next three years.

This will obviously depend on the external environment as well, and there is sufficient reason to believe that the Indian economy will continue to go through a rapid transformation. During the decade, private final consumption expenditure is expected to cross a trillion dollars sooner, than later. Your company’s share of India’s GDP is now just above 0.1%. But if we look globally, leading retailers, Tesco, Wal-Mart and Carrefour in UK, USA and France respectively, have around 2% share of their country’s GDP. The global average is around 1.7% and that implies we have a long way to go. Few will disagree that the potential for modern retail is large and across mature economies, these leading retailers are among the top three companies by turnover, employment and value creation. As the Indian economy matures, it is upon us whether we can make the same happen in our country as well. We will continue to put in our best efforts into it but we will need your continued trust, confidence and belief in us to help us reach our promised land.

Rewrite Rules, Retain Values



Kishore Biyani

## highlights 2009-10

### CREATION OF RETAIL PURE PLAY THROUGH DIVESTMENT AND DEMERGER OF NON-RETAIL BUSINESSES

Incorporation of Future Value Retail Limited as a wholly-owned subsidiary for spearheading value business

Merger of the home business with the parent company

Focused approach towards growing four key categories – fashion, food, general merchandise and home

Ramping up of the farm fresh business in a profitable manner

Acquisition of South African retailer Shoprite’s India business

Launch of Sach toothpaste, co-created with Sachin Tendulkar, ethnic food brand, Ektaa and strengthening of FMCG private brands portfolio

# 57%

CAGR Growth in EBITDA  
for 4 Years

# 2009-10

STRONG SAME STORE SALES GROWTH, COUPLED WITH INCREASED OPERATIONAL EFFICIENCY PROVIDED A FRESH IMPETUS TO THE BUSINESS.

During the year, with a limited amount of capital employed into the retail business, the company managed a significant increase in the overall turnover. An incremental turnover of nearly ₹ 2,500 Crores was achieved on a limited capital employed of ₹ 620 Crores, translating into an incremental capital employed ratio of close to 4% or a three-fold increase in the overall balance sheet efficiencies correlated to top-line.

**₹ 9787 cr.** <sup>UP</sup> **28%**  
CONSOLIDATED TURNOVER.

**₹ 952 cr.** <sup>UP</sup> **56%**  
CONSOLIDATED EBIDTA.

**₹ 3.18** <sup>UP</sup> **468 %**  
EARNINGS PER SHARE.

## SAME STORE SALES GROWTH

	2010	2009	2008
VALUE	9.5%	7.4%	10%
LIFESTYLE	14%	6%	10%
HOME	12%	-11%	38%

## NET SALES (₹ Cr.)

2008	5841
2009	7669
2010	9787

## EBIDTA (₹ Cr.)

2008	356
2009	609
2010	952

## PAT (₹ Cr.)

-33	2008
-6	2009
76	2010

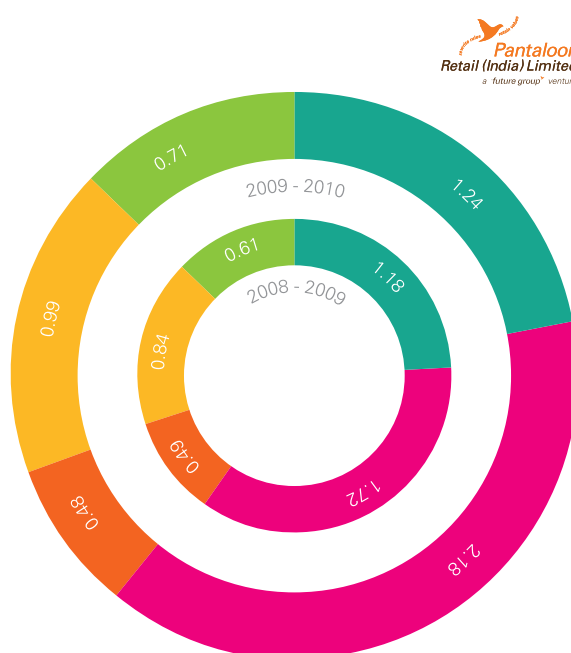
## EPS (₹)

2008	1.30
2009	0.56
2010	3.18

## FOOTFALLS (millions)

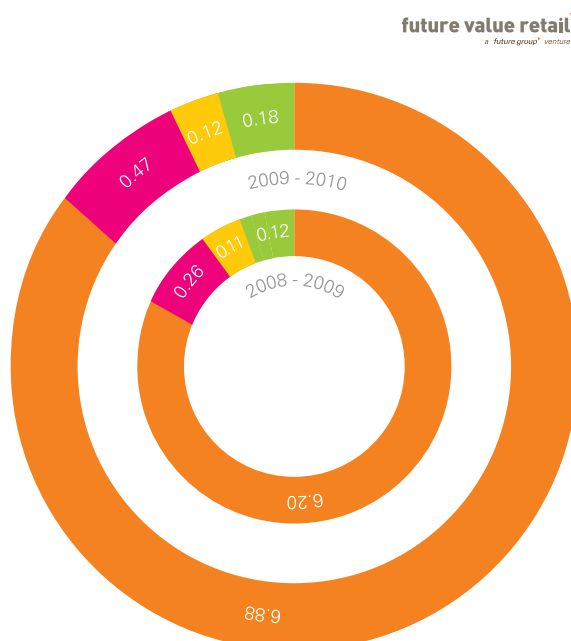
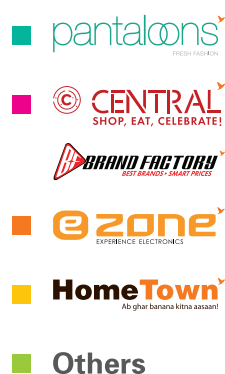
2008	163
2009	185
2010	220

## space evolution



Operational store space increased to 13.25 million square feet, which includes around 2 million square feet added after merger of home business.

Retail space in million square feet



Retail space in million square feet



\* Denotes only stand alone Food Bazaar



*farm fresh*

*global cuisine*





A refreshed look at changing consumer habits helped us focus on 'fresh' as a key area. This led to innovations on how we source, stock and deliver fresh food. Simultaneously, an innovative auto replenishment system improved our ability to deliver exactly what the customer wanted.

A refreshed approach led to our FMCG private brands growing by 75% over last year and enjoying between 8% – 35% share in their respective categories.

Our greatest joy is that we helped customers save more, compared to any other retailer.

A close-up photograph of a woven basket filled with fresh produce. A large, ripe red tomato is the central focus, surrounded by several bright yellow bell peppers and a single green chili pepper. The basket is made of light-colored wicker or straw. The text 'ethnic food' is written diagonally across the bottom right of the basket.

**ethnic food**

Sachi



Tasty Treat



26

26 new Food Bazaar stores

33

33 new KB's Fairprice stores

75%

75% growth in sale of FMCG private brands



If Indians are buying larger and more advanced refrigerators, experimenting with new cuisines and stirring up new recipes for every meal, retailers have to step up and exceed customer expectations. Changing consumer habits, growing concerns about freshness and hygiene, and increased demand for processed, semi-processed, experimental cuisines has opened avenues for retailers to participate in the kitchen.

Keeping these trends in mind, the company has been experimenting with product, service and design innovations and bringing in fresh thoughts, offerings and value creation in the food business. We are experimenting with various assortments and designs at a number of Food Bazaar and Big Bazaar outlets. While in Gourmet Food Bazaar in Delhi and a newly opened Big Bazaar in Chennai is offering a larger assortment of imported choices for a more evolved customer, at Big Bazaar Family Centres in Malleswaram, Bangalore and Sealdah, Kolkata, we are experimenting with larger ethnic and local brands and food options. Simultaneously, at the recently acquired FoodRight store in Mulund, we are offering a larger choice in fresh fruits and vegetables, bakery and home-made replacement categories. These are providing us an interesting learning ground to develop the next generation of Food Bazaar stores.

Farm fresh is now a key focus area for the company. Customers buy fresh once or twice a week and an emphasis on the fresh category means more frequent visits by customers and higher share of the top-up part of purchase. Moreover, there is now an increasing thrust on relatively value-added pre-cut or ready-to-use vegetables because the company believes that the customer is increasingly willing to outsource the 'negative' labor of kitchen to a retailer. The stores are also delivering a far larger choice in fruits, including imported and exotic varieties. Fruits are an indulging product and it has to be sold the way chocolates and snacks flavouring is sold to Indians. The company has put together a senior team of professionals, from both domestic and global markets, with cross-functional experience at various stages of the food value-chain and sourcing.

With 185 Food Bazaar stores, 123 KB's Fairprice stores and a FoodRight store in Mumbai, the company's reach and scale is now unparalleled in the market. Our food business now captures around one-third of



market share in modern food retailing. We are leveraging this strength to build new brands that can help create more value for the consumers. During the year, sales of private brands in the FMCG segment grew by 75% over last year. The private brand portfolio was expanded to cover an entire spectrum of commodities under Premium Harvest, Golden Harvest and value added foods like Tasty Treat breakfast cereals, soups and cookies. The Home and Personal Care portfolio of Clean Mate and Care Mate saw robust growth in many categories. We also launched the brand 'Sach' in oral care, co-created with cricket legend Sachin Tendulkar.

A major initiative towards the strengthening of the private brands portfolio was the launch of 'Ektaa', offering community-specific food products across the country. The first product launched under this brand was popular variants of rice from different states of India. Eventually the brand is expected to launch products like wheat, regional spices, pickles, papads etc in phases, giving customers a large basket of community foods to choose from. Private brands are now present in 58 categories with over 300 SKUs and these enjoy between 8% and 35% share of sales in their respective categories.

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While we experiment with our food offerings, we firmly believe that our core responsibility lies in providing shelter to customers from the overall rate of inflation. While our scale and size of operations is helping us improve efficiencies, it is also helping us give more value to our customers. This was validated this year by US-based market research agency Nielsen. Its report stated that compared to the previous quarter, in the January-March quarter, Food Bazaar on an average, helped save customers 5.8% more, compared to around 1% in the general trade while customers shopping at the rest of modern trade paid 1% more.



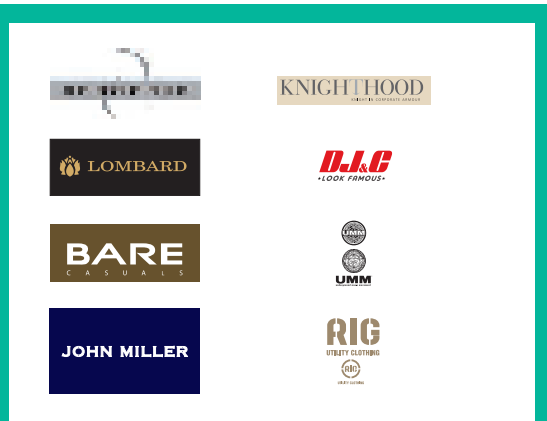






A democratized approach to fashion in design and pricing, contributed to a strong performance in the category. A refreshed sourcing and inventory management system helped optimise merchandising efficiencies.

A refreshed look at trends and a constant tactical effort to create excitement – through events, promotions and campaigns - saw 2 million pieces being picked at company outlets every week, led to Green Card (our loyalty programme) serving 1.8 million customers and led to our private brands cornering more than 70% share.



86%

Share of merchandise sold during non-sale periods

22%

Growth in the value fashion segments

30%

Fashion@Big Bazaar's contribution to Big Bazaar sales



As leaders in the fashion business, the company successfully delivered on its promise to democratize fashion both in the value and lifestyle segments. A refreshed approach towards the way the company priced its products and the way it designed its products was appreciated by customers. The share of merchandise sold during the non-sale periods at full price, or the sale-through rates, increased dramatically from 74% to 86% during the year. Such heartening numbers were due to the implementation of the automatic replenishment systems across the supply chain that helped improve product availability.

The year saw a 22% growth in the value fashion segment. Fashion@Big Bazaar continued to be the preferred shopping destination for the masses with core fashion units contributing close to 30% of Big Bazaar sales. Ladies ethnic wear, a segment that was hardly existent in modern retail and was expected to be sold only through a few niche stores, till a few years back, has become a strong category within the company's fashion formats and has grown by more than 100%. During the year, the company's strong private brand portfolio continued to offer contemporary designs at better prices and create excitement among customers. Private brands now contribute over 70% in the fashion business.

The company's flagship fashion format, Pantaloons, continued its journey to be the leader in fashion, exciting customers with a range of colours and style through constant innovation and improvement in design. Ladies ethnic wear, western wear and kids wear are promising segments with immense growth potential and the emphasis is to build products and brands around them. The company aims to have 60 stores by the end of the year, from 48 at present. The Green Card loyalty program has grown to 1.8 million members which now contributes over 55% of store sales.

The other major format in the lifestyle segment, Central opened 3 stores in the cities of Mumbai, Bangalore and Ahmedabad and expanded its retail footprint to 12 stores occupying over 1.6 million square feet.

Staying true to its buzzing nature, Central offered an action packed year to consumers offering new promotions almost every month. The Ramp Fashion campaign in November strengthened Central's position as a brand that offers the latest in fashion. With the Party Starter campaign in December that set the mood for the season for shoppers, Central continued to deliver excitement on the shop floor for customers. The Happiness Sale cam-



campaign reaffirmed the belief shoppers had in the brand, of offering the best discounts in the city, on the best brands. The Tropical Trends campaign in April highlighted the best fashion for the summer season. The Youthopia campaign in June connected with the youth in the city and gave them a platform to showcase their talent at Central. With city specific initiatives like Ramadan celebrations in Hyderabad, Navratri celebrations in Vadodara, Central connected emotionally with the consumers of the city by celebrating their festivals with them. In non-metro markets, Central offered a shopping carnival experience with food festivals, sweepstakes, in-store events and a whole lot more.

The wedding wardrobes campaign in association with Van Heusen made Central a destination for wedding wardrobes for men. Central also ensured that the offering of e-Zone, Food Bazaar and Home Town was well integrated in the stores in order to gain a larger wallet share of the consumers. For all the promotions, Central visual merchandising brought alive the category, the festivities and the experience for shoppers at the store. The 360 degree marketing campaign ensured consumers were made aware of the happenings at Central at every consumer touch point.

The company expects to open 6 Centrals in the next year with plans to launch a third Central in Bangalore, as well as, enter new markets like Thane, Raipur, Surat, Visakhapatnam and Jaipur.

Brand Factory, the company's large format fashion chain offering brands at smart prices, opened 5 new stores during the year. It entered the eastern market with a new store in Kolkata. In fiscal 2011, it plans to open another 6-7 stores in cities like Bangalore, Hyderabad, Pune, Kolkata.

Planet Sports, the company's specialty format for sports wear and equipment, focused on being the favoured destination for India's sport enthusiasts. Salomon, the world's leading brand in trail running and adventure sports was added to the existing portfolio of exclusive brand licenses. The company has exclusive brand licenses of Callaway, Prince, Wilson, Spalding, Speedo, among others.

During the year, the company also formed a joint venture with the leading British brand, Clarks.



refresh  
home



A revival in the demand for new homes saw us refresh Home Town and what Home Town had to offer. A service that is critically relevant to the Indian market was introduced – Design and Build. This involved a complete solution for those building new homes, renovating or just refurnishing. The availability of this low-cost, turnkey solution for all the customer's needs made Home Town the one-stop shop for all home requirements.

We also refreshed our network by setting foundations to launch satellite stores in emerging areas that could feed the hub stores. Partnerships with key developers to offer fully-furnished homes was another key initiative that is being rolled out.



dreamline™

10

10 large HomeTown stores at the end of 2010

1mn

Over 1 million square feet of retail space



A unique offering critical to Indian consumers is the Design and Build Service, that has now been extended to all Home Town stores.





The year 2009-2010 saw the gradual revival in demand for new homes and with it Home Town refreshed itself with new stores, new services, new brands and new product categories. A unique offering critical to Indian consumers is the Design and Build Service, that has now been extended to all Home Town stores. The service provides an individual relationship manager to the customer, a budgeting and home design team and a quality assurance team working with dedicated contractors for both, complete home interiors, as well as, for part renovations and installations. Thus the store becomes a one-stop shop for all home furnishings and home improvement products. It also provides low cost, turnkey solutions to homeowners allowing customers to save both, time and money.

With 10 large Home Town stores covering over 1 million square feet at the end of June 2010, the company plans to open many smaller satellite stores in new upcoming areas - the suburbs of big cities like Mumbai, New Delhi and Kolkata. As a result, while the large-format stores would serve as central showcase hubs, the smaller satellite stores in new urban developments would work with

selected builders and have a presence in their marketing suites and showhomes, giving homeowners ideas and solutions to completing their homes.

The company has also inked partnerships with key developers across the country to offer fully furnished apartments as complete packages and ready-made homes to consumers. The company expects its institutional business, as well as, counters and temporary satellite stores located within upcoming housing complexes, to provide a significant boost to its business.

Home Town, by directly sourcing from local and global markets, continues to build its own brands that provide more value to customers at the lower end of the market. At the same time, it has successfully introduced selected international brands like American Standard and Moen over the past year. Going forward, Home Town intends to become an exclusive Indian partner of similar global brands. These strategies have enhanced the width of product offering within the stores and has uniquely positioned Home Town as a one-stop shop with the widest range of value and branded lines.





# refresh electronics



Our attempt to change how the Indian consumer approaches electronics is reflected in the See, Touch, Feel environments that result in better engagement with the customer. A connected environment also holds greater possibilities in the upgrade market.

We are also setting up a service vertical that will address a critical need-gap in the market. Another achievement was the success of our private brands Koryo and Sensei, with 125 products in 45 categories.





36

36 eZone stores across the country.

125

125 products offered through private brands.

20%

Around 20% of sales through Koryo & Sensei.



The company's lifestyle electronics retailing format, eZone is continuously refreshing itself with new ideas, new value propositions and a new range of the latest consumer durables.



While CRT and flat panel screens are being replaced by LCD televisions in some homes, LCD televisions are being replaced by LED, plasma and now 3D televisions in other homes. Airconditioners, and more often the split variety are entering new homes. Smart phones, netbooks, automatic washing machines are changing lifestyles across households in India. Rapid changes in technology coupled with higher aspirations are driving tremendous growth in the consumer electronics retailing sector in India. At the same time, the segment is emerging in a very competitive retail environment.

The company's lifestyle electronics retailing format, eZone is continuously refreshing itself with new ideas, new value propositions and a new range of the latest consumer durables. From introducing for the first time in India, a 48 hour non-stop shopping extravaganza, to developing new store designs to create a See, Touch and Feel environment, from engaging customers with live demonstrations of products to personalized attention to customers, eZone is gearing up to strengthen its market leadership in the segment. The format will also be introducing a new after-sales service vertical in order

to fill a critical need-gap in the market and differentiate it from competitors.

During the year, the business deployed significant resources in recruitment, training, process and supply chain management. The business also has two successful private brands - Koryo and Sensei that now offer over 125 products in 45 merchandise categories. The objective of creating these private brands is to fulfill need gaps in products which may not be served through current national and international brands and to create volume drivers in various segments.





The logistics network was refreshed with the rationalisation of distribution centres and an increased usage of technology and processes to drive efficiency. The reinforcement of systems like the Warehouse Management System, Put-to-light and the Auto Replenishment System saw availability at stores go up to 90%.

Our 1600-strong fleet, with 12 transportation hubs and 40 branches nation-wide, has helped us build a superior and efficient network.

**future**  
**supply chains**  
a future group initiative

**90%**

Avilability of key SKUs at every store.

**3.5 mn**

Around 3.5 mn of operational warehouse space.

**1600**

Fleet strength of 1600 transport vehicles.



Hong Kong based Li & Fung Group, the world's leading sourcing and logistics service provider is an investor and partner in this business.



The year saw a dramatic overhaul of our logistics and warehousing network focused on delivering every product to every customer and achieving this with maximum efficiency. The refreshed logistics network was built upon rationalisation of distribution centers and increased usage of technology and processes to drive efficiency.

Optimization in distribution centers were complemented by implementation of Warehouse Management System (WMS) for fashion and general merchandise and commissioning of India's first Put-to-Light (PTL) system at the Kalyan hub. These steps, along with the execution of Auto Replenishment Systems (ARS), has helped fill rates - or availability of every single SKU at every store - from 70% levels to over 90%. The company believes that there is scope to improve these further; thereby increasing potential sales from customers every time they visit our stores.

The supply chain operations are handled by a specialized subsidiary of the company, Future Supply Chain Solutions Ltd (FSCSL). FSCSL's consolidation of warehousing space has also been to derive maximum benefit from the up-coming GST regime. The company's transporta-

tion network now operates on a robust hub-and spoke design, structured with 12 transportation hubs and 40 branches across the country, with a fleet strength of 1600 vehicles.

India's FMCG distribution trade is highly fragmented, making it a huge challenge for mid-sized brands to get distribution reach across modern retail. Brands need to have multiple distributors across multiple locations making the process time and cost ineffective. To bridge this gap, FSCS has started Brand Distribution Services (BDS), leveraging on its existing capability of providing supply chain services to the extensive network of the company's stores.

To meet challenging needs of the fast growing retail business, in the next year, FSCS will complete WMS implementation for other business such as food, furniture and electronics, bring in Put-to-Light system at 3 additional Fashion and General Merchandise DC's, fit its fleet vehicles with GPS/MTS systems and create a large integrated Food DC for storage, processing and distribution of staples, FMCG products along with fresh fruits and vegetables.



refresh







The company constantly launches and refreshes initiatives that contribute to happier, more productive talent. The Happyness Index Program is based on the belief that a happier employee has a greater drive to perform and adapt to meet changing needs.

We launched and continued training programmes like Karta development programme, Vidyaarambh, Suprabhat, LEAP and PRISM.

The company believes that the Seekho and Shishya programmes, whereby we encourage and financially support employees to pursue higher studies, is one of our greatest strengths and we will constantly strive to bring in similar fresh ideas and perspectives into the business.



people



# 33,500

Over 33,500 people directly employed by the company.

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# 56

Kartas or store managers identified from within the organisation

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The 'Happyness Index Program' is a priority initiative aimed towards building a culture of achieving happiness through sensitivity and empowerment programs at the store.



The company has always believed that its biggest asset has been the 33,500 people employed in its retail business who come from a large cross-section of social and economic backgrounds. To help each of them achieve their true potential, the company adopted a fresh approach by recasting the human resources function into the People Office. The themes set for the year were - simplicity, happiness and disproportionate growth that leads to building a performance-driven culture. A performance-driven culture demands higher efficiency and productivity and the key to achieving higher productivity is attraction, development and nurturing of high caliber individual. With this objective in mind the People Office undertook a number of innovative initiatives.

Among the most significant initiatives was the launch of the 'Happyness Index'. The program is based on the belief that if employees are happy, there will be greater acceptance of the changing needs of the business and they will demonstrate greater trust and willingness to align themselves with the company's vision, mission and values. When the beliefs are aligned; the right behavior that positively impacts customers manifest and as a result create more happy customers, translating into better value creation for stakeholders. Happy people are more receptive and

productive. Happy people alone can drive productivity and achieve disproportionate growth. Every human being desires and deserves happiness in life. The 'Happyness Index Program' is a priority initiative aimed towards building a culture of achieving happiness through sensitivity and empowerment programs at the store.

The company also initiated a number of training and development programs, some of which included, Karta or Store Manager development program to identify new store managers from within the organization, Vidyaarambh, a festival of learning at our stores, Suprabhat, a two-day residential program for senior and middle level executives, Leadership Excellence Advancement Programme or LEAP for area managers, PRISM, a talent pipeline identification program and Genesis for management trainees.

In addition, the company continues to support the Seekho and Shishya programs that encourage and financially support employees to pursue undergraduate, graduate and post-graduate programs in business and retail management. The training initiatives collectively impacted four out of every five employees in the organization, thereby bringing in fresh energy and perspective within the business.





# refresh customer connect



We refreshed the very way we look at the customer through a new customer insight framework and the One Customer Initiative.

Our refreshed approach believes that proper leveraging of customer insights can result in a customer from one format becoming a customer of the entire chain of formats. Towards this, the company is investing in developing new techniques and programmes to better understand consumers and their behaviour.

Having been at the forefront of building upon insights that drive the Indian customers' spending patterns, we intend to become the company that understands and addresses Indian needs best.



# 220 mn

220 million customer footfalls during the year.

# 45%

Around 45% rate of customer conversion.



During the year, the customer footfalls improved by over 20% to 220 million, despite a relatively fewer number of new store openings. This was due to innovative and fresh marketing and communication campaigns launched during the year. The company works with some of the most reputed advertising agencies in the country and has well-respected professionals who aid and advise the marketing teams working at its offices and stores at each of the formats.

However, during the year, the company no longer restricted it to format-specific communication and customer initiatives. The company leveraged its insights to own the customer in such a way that a consumer of one format also becomes a customer of other formats within the retail chain. The company calls this 'One Customer' initiative.

What has always differentiated the company has been its unique approach towards consumer trends. Customer connect is now being looked through a twin strategy - customer insights framework and the One Customer initiative. On the insights framework the company is developing deeper insights and learnings about customer behaviors, keeping in mind the rich diversity of the country. India has very strong ethnic, linguistic communities and the customer insights team is making deep dives into some of the biggest community groups. For example, a key outcome of ongoing studies and insights was the bouquet of new initiatives under the banner of "Maharashtra Majha". It involved going deeper into the lifestyle, the cuisine, the culture of people in Maharashtra across different regions and extending that to their food habits. Food is the one category that stays the most connected within communities and therefore, being able to create both processes and ingredient-based offerings that are relevant to the different sections of the community, will yield significant loyalty and benefits across the retail chains.

Another area of study is migration. Nearly 30% of Indians are in fact migrants, that is to say they have moved away from their ancestral locations to their current locations, and in the case of the large cities, that number is probably even larger. Understanding the spending patterns and developing insights on urban migrants can provide a large opportunity for the home business to leverage upon. At the same time, one thing that they are most reluctant to change are their food and cultural codes and this can be used to earn their loyalty by offering ethnic food and festival items of each community across the



country. The third lens is gathering a deeper understanding of the family unit structure and how decisions get made in different kinds of family units is important, especially in the consumer durables business. The fourth area being studied is urban profession-based communities and self-employed consumer segments and each of their consumption patterns. Collecting these lenses will offer a fresh framework to work with a wide cross-section of customers.

On the other hand, the One Customer initiative, is expected to emerge as a big differentiator for the company. The idea is to enable the tracking of the consumer through his or her lifetime and thereby unlocking the entire lifestyle value. Furthermore, we are investing in how we can tag and track the customer across purchases in time within the formats, and also take a cross format view of every customer. The company is developing a specialized loyalty program which can also generate rich analytics and customer insights.

Customer connect is now being looked through a twin strategy - customer insights framework and the One Customer initiative.

## Management Discussion and Analysis

The purpose of this discussion is to provide an understanding of Pantaloon Retail (India) Limited's financial results and business performance by focusing on changes in certain key measures from year to year. Management Discussion and Analysis (MD&A) is organized in the following sections:

- Introduction
- Operational Overview
- Competitive Landscape
- Business Outlook
- Internal Controls and their Adequacy
- Review of Financial Performance

### Introduction

The Indian economy has shown great resilience in the back drop of a continued year of global economic crisis. With the Indian economy steadily recovering to pre-2007 levels, economists are once again predicting growth of above 9% levels for the next decade. The PFCE (Private Final Consumption Expenditure) is expected to reach about \$1 trillion by the end of this decade. Main economic drivers, like investments and infrastructure, compliment the consumption growth story and thus the two will propel each other's growth. That brings in a huge amount of optimism and enthusiasm with regards to consumption and thus enhances the belief that India's consumption growth story is intact. The organization has taken various steps during the previous twelve months to secure, preserve and enhance its position such that it is the largest beneficiary of India's economic turnaround.

To focus on its broad objective of being a catalyst of India's consumption led growth, the company has aligned its business to create a retail pure-play. The objective has been to divest as far as possible all non-retail businesses and consolidate all retail businesses. As part of this realignment, the company divested its interests in subsidiaries involved in brand building, technology and knowledge services, training and manpower development and mall management and property services. To consolidate its retail businesses, it merged the home solutions business of its subsidiary, Home Solutions Retail (India) Limited (HSRIL) with itself. Also, a wholly-owned subsidiary, Future Value Retail Limited (FVRL) was created to operate its fast growing value retail business. These activities have unlocked value for shareholders and been able to provide higher stakeholder satisfaction along with better compliance and governance.

### Operational Overview

From a business perspective, the company has shown a robust revenue and profit growth. Pantaloon Retail (India) Limited reported a consolidated turnover of ₹ 9786.94 crore for the financial year ended 2009.

2010 representing a CAGR of 29.4% over the last 3 years. The consolidated EBITDA for FY 2009-10 is ₹ 952.24 crore, compared to ₹ 609 crore in FY 2008-09. The consolidated PAT for FY 2009-10 is ₹ 76.35

crore, compared to a loss of ₹ 7.46 crore in FY 2008-09. Profit after minority interest increased from ₹ 10.07 Crores in FY 2008-09 to ₹ 67.49 Crores in FY 2009-10, representing an increase of 570%

Significantly enough, we have achieved a significant amount of increase in sales without commensurate space expansion, indicating the effective results of the initiatives undertaken over the last year. We added approx 1.6 million square feet of space at the PRIL standalone level and including around 2 million square feet of space of the home business, we reached 13.25 million square feet at a consolidated level.

During the year the company spent resources and time on strengthening the supply chain network. We strongly believe that a robust supply chain is the key to sustainable scale and leadership. Efforts have been made in terms of IT integration, SKU rationalization, vendor management, warehouse optimization and transportation network ensuring a seamless integration between all partners in the value chain. As a result, we have seen improvements in the fill rates and turnover rates at the store level, thereby improving margins and turns. The consequence of these efficiencies can be seen in the robust SSG's the company has recorded in the various categories.

Simultaneously, the company worked on giving a fresh new look, feel and experience within its stores, across all its formats. Fresh merchandise and assortment planning, visual merchandising, and innovative services, complimented new and innovative communication, marketing and loyalty initiatives to bring in new customers and acquire a larger share of spending from existing customers. New approaches to understanding customers, based on community insights, and translating them into customized and targeting communication and advertising strategies helped the company acquire a larger share of their trust and loyalty towards its formats.

These were reflected in the Same Store Sales Growth (SSG) which showed healthy trends across the segments of lifestyle (13.6%), value (9.5%) and home (12%). Home, in particular, showed great revival signs from negative growth last year, to significant positive growth in 2009-2010. Going forward, we believe two things will influence SSGs, (A) Our own initiatives addressing efficiencies and merchandising (B) the consumer led push given increasing disposable income and more affinity towards the modern retail.

Going forward, value will continue to hold a dominant share in the sales mix which was 59% in 2009-2010, while Lifestyle and Home were 25% and 15% respectively. This sales mix trend is expected to continue.

While focusing on its retail business, the company has identified four key categories that it will concentrate its efforts on. These four categories capture over 65%



of the aspirational customers' consumption basket and the company will extend its merchandise across both value and lifestyle segment, thus capturing the consumption spends of a very broad cross-section of customers. The four key categories are food, fashion, home (which includes furniture and consumer electronics) and general merchandise. The company has been working on an integrated food strategy to secure a position as a leading food retailer. According to leading market research agency, the company's food retailing formats has a market share of over 30% in modern retail in the top 10 cities. Being pioneers of fashion in the modern retail sector, the company has a strong understanding of the needs of the consumers and the formats Pantaloons, Central, Brand Factory and Fashion@Big Bazaar have registered strong growth in this category even during the downturn. General Merchandise, which contributes to approximately 10% of Big Bazaar's business, has shown steady growth. Home is expected to be a business with high potential and growth and thus the company opened 2 large Home Town stores during the year. With the revival of the economy and consumer sentiment, the demand for consumer durables, electronics and other high ticket items has returned with our formats of Electronics Bazaar, placed within Big Bazaar, and e-Zone, our lifestyle format, registering strong growth.

Overall, there has been steady expansion with a focused approach giving more emphasis to customer evolution. The company continues to dominate the mindshare of the Indian consumer as we see steady acceptance of our formats as their choice formats for consumption, reflected in the steady increase in footfalls to 220 million this year, from 185 million in the previous year.

### Competition

Being one of the pioneers of the organized retail sector, the company has an established business model along with an unparalleled understanding of Indian consumers and their needs best. During the year, the government has initiated some dialogue on the opening up of the retail sector to foreign direct investment (FDI) in a calibrated manner. This may result in some foreign players, along with new domestic players entering the sector in the near future. Some of the world's leading retailers are already present in the country either through joint ventures and franchisee agreements with local players or through cash-and-carry operations. We view these developments as a positive opportunity as the entry of new players would only expand the modern retail market which is currently merely 5%-7% penetrated.

Modern retail stands on two pillars – scale and efficiencies. The company has acquired a reasonable scale, both in the categories it is present in as well as in its geographical presence. Significant amount of work has happened during the year on the supply chain, logistics and distribution side, wherein, with

efficiencies that have been achieved and the sizeable infrastructure that is in place, ensures that the cost of delivery is probably the lowest in the country. On both these key factors, the company has been able to create strong position and these will act as true differentiation compared to any other entering this business.

Considering the huge potential of the business and low penetration of modern retail, it's still some time away for retailers in India to be impacted by competition at the national level. Competitive pressures are so far restricted to the local level and location specific level, rather than a national level. The company's strategy of empowering store managers or Kartas to take on the ground decisions allows it to tackle such competitive scenarios in a far more efficient, fast and effective manner.

### Business Outlook

As much as it was on refreshing its operations, customer experience and communication, the focus for this year was also towards margin expansion which has been achieved due to the supply chain and IT efficiencies creeping into the system. EBITDA registered a CAGR of ~61% from 2007 to 2010. A key area to work on was how to convert maximum EBITDA to cash and thereby bringing in working capital efficiencies. The company also ensured that optimal level of capital is deployed into the business and it was able to bring down leverage as is reflected in the interest cost reducing as a percentage of sales. As a result, there was a growth in EPS despite equity dilutions during the course of the year. EPS increased from 7.9 to 8.5 in the current year.

Balance Sheet productivity continues to be one of the main objectives. Through the fresh induction of equity during the year, the balance sheet is fairly well capitalized. Also, from FY09 to FY10, with a limited amount of capital employed into the core retail, we managed a significant increase in the overall turnover. The company has managed an incremental turnover of nearly ₹ 2,500 Crores on a limited capital employed of ₹ 620 Crores, translating into an incremental capital employed ratio of close to 4% or a three-fold increase in the overall balance sheet efficiencies correlated to top-line. In other words, it managed a Sales on Net Working Capital turn of close to 4. Thus there has been specific attention paid towards rationalization of inventory and making sure these efficiencies contribute to increased sale throughputs. A lot of steps were taken towards addressing working capital and better release of liquidity through those efficiencies is being noticed. Another focus has been towards overall liability management and debt profiling. The debt maturity profile has been enhanced to over 3.9 years as opposed to the previous sub 3 levels. Capitalization and focus on efforts towards debt reduction has reduced gearing which has come down to 1x levels.

With the gradual revival of the economic environment, the company believes that going forward, growth will have to be sustainable, steady and calibrated. The forward plan is to add around 2.5 million to 3.5 million square feet of space during the forthcoming year and we expect to maintain this pace for the next two to three years.

### Risks and Threats

The external environment and economy poses the main risk to the company in the form of another downturn. Also, increasing inflation is considered a threat which would increase overall input cost, as well as, conversion costs. Currently, with the turnaround in the economy, rising interest and people cost poses a business risk and needs to be monitored. In such situations, the company would have to prepare its expansion plans considering the increase in various costs and lower conversions. Thus the deals would need to be more strategic for further expansion, as well as, maintaining the costs within the acceptable level for current operations. The increased turnover would enable the Company to meet the incremental costs without affecting its profitability level. The Company would be required to achieve critical mass in its various activities to ascertain minimum level of costs and better realizations. Further the availability of better products and services at its formats would ensure increased consumption and better realization per square foot.

Set standards, policies and defined responsibilities at each level of management, ensure that the risk of execution and management is minimized. The standards and policies set are reviewed on a regular basis and revised as per the requirements to further minimize the risk. Use of information technology for implementation and execution of various functions, ensures that the risk of execution is minimized even further.

### Internal Controls and their Adequacy

The Company continues the process of Enterprise Risk Management, in order to identify new risks, as well as, define and establish the control processes to mitigate them. The Internal Control Framework for financial reporting, organisation structure, documented authorities & procedures and internal controls are being reviewed by internal audit team on a continuous basis and any issues arising out of the said audit is addressed appropriately.

The Company is continuously upgrading its internal control systems by measuring state of controls at various locations. Controls in SAP, an ERP system have been strengthened with the help of reviews conducted by Ernst & Young.

The Audit Committee comprising of independent directors is involved in regular reviewing of financial and risk management policies, significant audit

findings, the adequacy of internal controls and compliance with the accounting standards.

Review of Financial Performance of the Company for the period under review

The financial performance of the Company for the period under review, was not comparable to the previous year for the following reasons.

- a. The Company has transferred its Value Retail Business w.e.f. 1 January 2010, to its wholly owned subsidiary company, Future Value Retail Limited. Thus the value retail business, which forms a major component of the previous year business, is forming part of the accounts only for first six months.
- b. The business undertakings of Home Solutions Retail India Limited, has been transferred and vested into the Company with effect from 1 April 2009 as per the scheme of arrangement approved by Hon'able High Court of judicature of Bombay. The said business though part of the Company Accounts with effect from part of the previous year, do not form part of the previous year's accounts.
- c. The business undertakings pertaining to the Mall Management, Project Management, Mall Asset Management and Food Services were demerged and transferred to Future Mall Management Limited and Future Merchandising Limited with effect from 1 April 2010 as per the scheme of arrangement approved by Hon'able High Court of judicature of Bombay. The said business were part of the Company Accounts for part of the current year only.

As the Value Retail Business has been transferred from the Company to its wholly owned subsidiary company, only and giving financial performance figures without considering the business which has moved to the said subsidiary, would not give any proper analysis of the overall performance of the Company, for giving the financial performance hereunder, we have consolidated the total retail business, i.e. the business of the Company as well as that of the Value Retail business operated by the subsidiary.

### Sales

The Company's sales and other operating income has increased from ₹ 6341.70 Crores to ₹ 8926.08 Crores, an increase of 40.75% over the previous year. The Company has also recorded same store growth of 10.64% during the year.

### Profit Before Tax

Profit before tax of the Company for the year 2009-10 stood at ₹ 301.24 Crores as compared to ₹ 216.23 Crores in the previous year, an increase of 39.31% over the previous year.

### Interest

Interest & Financial charges outflow has increased from ₹ 318.22 Crores in 2008-09 to ₹ 391.28 Crores in 2009-

10. The increase in interest and financial charges is on account of HSRIL Merger impact and additional borrowing for funding the growth plans of the Company.

The interest & financial charges cover during the year under review has marginally increased to 2.31 times as compared to 2.12 times in the preceding year.

Weighted average cost of borrowing has marginally decreased from 11.37% to 11.12% on account of reduced cost of funds/ borrowings driven by market conditions.

#### Net Profit

Net profit of the Company for the year under review stood at ₹ 230.16 Crores as compared to ₹ 140.58 Crores in the previous year, an increase of ₹ 89.58 Crores and 63.72% over the previous year.

#### Dividend

The Company has proposed a dividend of ₹ 0.80 (40%) per equity share. The dividend would be payable on all equity shares of the Company including Class B Shares, and on warrants if converted on or before the Book Closure date declared for dividend. Class B Shares would be entitled to 5% additional dividend as per the terms of issue of Class B Shares (Series 1). Further, dividend is also payable @ 0.01% per Compulsorily Convertible Preference Shares (CCPs).

#### Loans and Advances

Loans and advances stood at ₹ 1027.77 Crores in 2009-10, a decrease of ₹ 174.78 Crores over the previous financial year. The major component of loans and advances represents advance lease deposits for the stores paid to lessors and advances given to suppliers.

#### Capital employed

The capital employed in the business increased by ₹ 598.49 Crores in 2009-10. This is reflected in the liabilities side of the balance sheet through an increase in borrowings by ₹ 64.80 Crores and an increase in shareholders funds by ₹ 533.69 Crores. Return on capital employed has increased from 14.73% to 16.69%.

#### Surplus management

The Company generated a cash profit of ₹ 455.11 Crores as compared to ₹ 328.88 Crores in the last year, registering the growth of 38.38%. The balance amount, after cash outflow on account of proposed dividend, is ploughed back into the business to fund the growth. The growth of the Company has partly been funded by the cash generated from the business as well as from

additional funds borrowed and equity funds infused during the year.

#### Equity Share Capital

During the year, Company has allotted 1,58,22,200 (One Crore Fifty Eight Lacs Twenty Two Thousand Two Hundred) fully paid up Equity Shares of the face value of ₹ 2/- (Rupees Two only) each at a premium of ₹ 314/- (Rupees three hundred fourteen only) under qualified institutional placement.

The Company has further allotted 1,00,00,000 Equity warrants to Promoters on a preferential basis at a price of ₹ 400/- after receipt of 25% of the warrant price as application amount. The promoters can be exercise option available on the said warrants by making payment of balance 75% amount for conversion on equivalent number of equity shares at the option of the holders within 18 months from the date of allotment of the warrants.

The resultant increase in "Equity" on account of allotment of fresh equity shares during the year is ₹ 499.97 Crores.

#### Debt-equity

Debt-equity ratio of the Company has marginally improved with the reduction in the cost of funds borrowed for the expansion of the retail operations of the Company. Debt-equity ratio for the year was 1.04.

#### Earning Per Share (EPS)

The Company's Basic Earning Per Share (EPS) on stand alone basis has marginally increased from ₹ 7.94 during previous year to ₹ 8.46 per share in the current year.

#### Cash Earning Per Share (CEPS)

The Company's Cash Earning Per Share (CEPS) on stand alone basis is ₹ 16.16, which was ₹ 18.58 in the preceding year.

#### Investment

The Company's investment portfolio has increased marginally from ₹ 954.03 Crores in 2008-09 to ₹ 1024.65 Crores (excluding PRIL investment of ₹ 978.50 Crores into FVRL) in 2009-10. The increase in investment during the year is mainly by way of subscription of shares in Subsidiaries/Associates/Joint Ventures.

Note: All above Balance Sheet and P&L numbers are of PRIL with FVRL for the period ended as on 30-06-2010 to make them comparable with previous year numbers.

## DIRECTORS' REPORT

To

The Members,

Your Directors are pleased to present the Twenty Third Annual Report together with the Audited Statements of Accounts for the year ended 30th June, 2010.

### FINANCIAL HIGHLIGHTS

The operating results of the Company for the year under review are as follows:

	₹ in Crores	
	2009-2010	2008-2009
Sales (Net of Taxes)	5706.07	6,103.70
Operating Income	228.30	238.35
Other Income	84.63	6.06
Total Income	6019.00	6,347.76
Profit before Depreciation & Tax	388.45	356.28
Less: Depreciation	161.88	140.05
Profit before Tax	226.57	216.23
Less: Earlier Year's Income Tax	(3.17)	(0.27)
Less: Provision for Taxation	37.25	75.38
Profit after Tax	179.56	140.58
Add: Profit brought forward from previous year	380.54	267.56
Surplus available for appropriation	558.97	408.14
APPROPRIATION		
Debenture Redemption Reserve	25.00	-
Proposed Dividend	17.13	11.57
Provision for Dividend Tax	2.91	1.97
Transfer to General Reserve	17.95	14.06
Balance carried to Balance Sheet	495.98	380.54

(Note: In view of the effect given in accounts to the Schemes of Arrangement and for the realignment of the business undertaken during the year, the figures for the current year are not comparable with those of the previous year).

### REALIGNMENT OF BUSINESS

The Company's value retail business has grown in size and scale during the past couple of years and in order to bring in a more focussed approach towards growing it further, the Company realigned its value retail and lifestyle retail business under two separate companies. Accordingly, Value Retail Business operated through the formats such as Big Bazaar, Food Bazaar and other value retail formats such as Fashion@Big Bazaar, Fashion Station, Depot, Health Village, Wholesale Club and Navras were transferred to the wholly owned subsidiary of the Company, Future Value Retail Limited (FVRL) with effect from 1st January 2010. This move would enable both the Companies, to concentrate on their respective growth plans and would bring in core competency in their respective businesses.

The Company also initiated a number of steps towards creating a Retail Pure Play by divesting or demerging a number of non-retail subsidiaries and merging some of the retail businesses. These are listed further in this document.

### REVIEW OF PERFORMANCE

The Company has recorded growth (after transfer of value retail business operations w.e.f. January 2010) in both the topline as well as in bottom line. Income from operations for the current year stood at ₹ 5934.37 Crores compared to FY08-09 operating income of ₹ 6341.70 Crores. Further, PBDIT stood at ₹ 676.69 Crores in FY09-10, compared to PBDIT of ₹ 674.50 Crores for the FY 08-09. PAT for the year FY09-10 stood at ₹ 179.56 Crores compared to PAT of ₹ 140.58 Crores for the FY 08-09.

The performance for the current year cannot be compared with the previous year due to the realignment exercise initiated by the Company. However, as you would observe, in like to like growth the Company has improved its performance.

#### SCHEME OF ARRANGEMENT:

As part of the realignment exercise, the Company has completed two Schemes of Arrangement, detail of which are given hereunder.

#### **Scheme of Arrangement between Home Solutions Retail (India) Limited (HSRIL) and the Company and their respective Shareholders and Creditors ("the HSRIL Scheme")**

As part of consolidation initiative of Consumer Durable, Home Furnishing, Home Improvement, and Furniture Business of its subsidiary, Home Solutions Retail (India) Limited (HSRIL) with the Company, the HSRIL Scheme was moved under Sections 391-394 of the Companies Act, 1956.

Your directors are pleased to inform that the HSRIL Scheme has been approved by the Hon'ble High Court of Judicature at Bombay on 24th August, 2010, and thereafter on filing of the certified copy of the court order with Registrar of Companies, Maharashtra, Mumbai, on 27th August, 2010, the entire assets and liabilities pertaining to business undertaking except 'Collection i' of Home Solutions Retail (India) Limited (HSRIL), a 66.86% subsidiary of the Company, were transferred and stand vested in the Company as a going concern, effective from 1st April, 2009 ("Appointed Date").

In Consideration of the transfer of the Business Undertaking, as provided in the HSRIL Scheme, the Company has issued during the current year (FY 2010-11) shares to HSRIL investors (other than the Company) aggregating to 59,28,818 fully paid Equity Shares of ₹ 2/- each and 63,47,635 fully paid 0.01% Compulsory Convertible Preference Shares (CCPS) of ₹ 100/- each convertible into 63,47,635 fully paid Equity Shares of ₹ 2/- each within a period of 12 months from the date of allotment but not later than 31st July, 2011 such that equity shares and 0.01% CCPS of the Company would be deemed to be issued in consideration of equity shares held by them in HSRIL.

#### **Scheme of Arrangement between the Company and Future Mall Management Limited (FMML) and Future Merchandising Limited (FML) and their respective Shareholders and Creditors ("the FMML Scheme")**

Further as part of its initiative of removing all non-core non-retail business from the Company, a Demerger exercise was moved under which the Mall Management, & Project Management Business Undertaking were being demerged into Future Mall Management Limited ('FMML') wholly owned subsidiary of the Company and Mall Asset Management Undertaking & Food Services Undertaking were being demerged into Future Merchandising Limited ("FML") wholly owned subsidiary of FMML pursuant to the FMML Scheme under Sections 391-394 of the Companies Act, 1956.

Your Directors are pleased to inform that the FMML Scheme has been approved by the Hon'ble High Court of

Judicature at Bombay on 24th August, 2010 and thereafter on filing of the certified copy of the court order with Registrar of Companies, Maharashtra, Mumbai, on 28th August, 2010, the entire assets and liabilities of Mall Management Undertaking and Project Management Undertaking of the Company were transferred to Future Mall Management Limited ("FMML"), a wholly owned subsidiary (WOS) of the Company and Mall Asset Management Undertaking and Food Services Undertaking of the Company were transferred to Future Merchandising Limited ("FML"), a WOS of FMML, effective from 1 April, 2010 ("Appointed Date").

Pursuant to the approved scheme, the FMML shall, without any further application or deed, issue and allot shares, credited as fully paid up, to the extent indicated below, to the members (including Class B (Series 1) shareholder) and the compulsory convertible preference shareholders of the Company whose name appears in the Register of Members of Company as on the Record Date i.e., 20th September, 2010 or to their respective heirs, executors, administrators or other legal representatives or the successors-in-title, as the case may be, in the following manner:

"1 (One) fully paid Equity Share of ₹ 10/- (Rupees Ten Only) each of FMML shall be issued and allotted for every 20 (Twenty) Equity Shares of ₹ 2/- (Rupees Two) each held in the Company.

1 (One) fully paid Equity Share of ₹ 10/- (Rupees Ten Only) each of FMML shall be issued and allotted for every 20 (Twenty) Class B (Series 1) shares of ₹ 2/- (Rupees Two) each held in the Company. And

1 (One) fully paid up Equity Share of ₹ 10/- (Rupees Ten Only) each of FMML shall be issued and allotted for every 20 (Twenty) compulsory convertible preference shares of ₹ 100/- (Rupees One Hundred Only) each held in the Company."

The shareholders of the Company will be allotted equity shares by the resulting Company (FMML), in terms of the Scheme. Fractional entitlement would be consolidated and allotted to one of the persons nominated by FMML Board. Sale proceeds of these shares will be distributed to shareholders who were entitled to such fractional shares. The shares of the FMML will be listed on the Stock Exchanges after compliance with the requirements of the stock exchanges and regulatory authorities.

#### DIVIDEND

The Board of Directors of the Company has recommended a dividend of ₹ 0.80 (40%) per equity share on the increased capital of 20,11,42,539 Equity Shares of ₹ 2/- each (previous year ₹ 0.60 per share) and dividend of ₹ 0.90 (45%) per Class B share (Series 1) on 1,59,29,152 Class B Shares of ₹ 2/- each (previous year – ₹ 0.70 per share) fully paid-up for the Financial Year 2009-10 & 0.01% per Compulsorily Convertible Preference Shares (CCPs). On 63,47,635 CCPs of ₹ 100/- each. Further, warrants converted into shares on or before the Book Closure / record date announced for the dividend, would also be entitled to dividend declared by the members at the ensuing Annual General Meeting. The dividend will be declared at the ensuing Annual General Meeting by the Shareholders.



On account of the realignment exercise initiated during the year and Schemes of Arrangement as explained here above, the dividend figures for the current year and previous year are not comparable.

## EQUITY SHARE CAPITAL

### Paid-up Share Capital

#### Equity Capital

During the year under review, the equity share capital of the Company has been increased from ₹ 38,06,41,346/- to ₹ 41,22,85,746/- due to the following further issue of capital as follows:

- Allotment of 1,58,22,200 Equity shares of ₹ 2/- each at a premium of ₹ 314/- (Rupees Three Hundred Fourteen only) per equity share aggregating to an issue price of ₹ 316/- (Rupees Three Hundred Sixteen Only) to Qualified Institutional Buyers (QIBs) on preferential basis pursuant to Chapter VIII of the Securities and Exchange Board of India (Issue of Capital Disclosure Requirements) Regulations, 2009.

Further, during the current financial year 2010-11 following further issue of capital has been completed.

- Allotment of 59,28,818 Equity shares of ₹ 2/- each to the shareholders of Home Solutions Retail (India) Limited (HSRIL) as per the Scheme of Arrangement approved by the Hon'ble High Court of Judicature at Bombay.
- Allotment of 63,47,635 Compulsorily Convertible Preference shares of ₹ 100/- each to the shareholders of Home Solutions Retail (India) Limited (HSRIL) as per the Scheme of Arrangement approved by the Hon'ble High Court of Judicature at Bombay.

### Warrants

As on the start of the year under review lacs warrants, which were allotted to the Promoter group company, were pending to be converted into Equity Shares. These warrants had been converted into equity shares by the warrant holders on 9th September, 2010 during the current financial year (FY 2010-11) by making payment of balance 75% due on these warrants.

Further, during the year under review, the Company has further allotted 100 lacs warrants, each to be converted into equity shares at a price of ₹ 400/-. These warrants were issued and allotted on 29th June, 2010. These warrants could be converted into equity shares as per terms of issue of warrants at any time before 28th December, 2011.

### DEBENTURES:

During the year under review, the Company has raised long term funds in two tranches through Non-Convertible Debentures aggregating ₹ 500 Crores. The funds raised were utilised for the objects as stated at the time of raising funds. These have helped the Company to improve its debt maturity profile and reduce the cost of debt.

### FIXED DEPOSITS

The Company has not accepted any Deposits during the year.

## REPORT ON CORPORATE GOVERNANCE

A detailed report on Corporate Governance together with Auditors certificate as required under clause 49 of the listing agreement has been included as an attachment to this Report.

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

The management discussion and analysis as required under clause 49 of the listing agreement has been dealt with extensively as part of this Annual Report.

## THE FUTURE

After sustaining the economic slow down with its strategic and confident moves, the year under review was a welcome change from many perspective. The Company has initiated its strategic decision to focus on the retail business where it has core competency and monetise the other support businesses or demerge the same from the main company. The Company in the said strategic move, transferred its Value Retail Business to its wholly owned subsidiary and consolidated its home furnishing and improvement as well as electronic business. Further the non-core retail business related to the mall management, project management, mall asset management and food services businesses were moved into separate companies. The Company and management is committed to complete the initiative of the concentrating in pure retail play and would be coming to you for few more approvals to demerge / sale / transfer the other non-retail non-core businesses.

Your Company has planned to increase its operating retail space from around 11.65 million square feet currently to around 13.25 million square feet by FY 2010-11.

During the year, as per mandate received from the shareholders, the Company managed to reduce the number of subsidiaries from 30 at the beginning of the year to 25 at the close of the year. Further, during the current year also the Company is planning to reduce the number of other subsidiaries, which are not required to be retained under the Company and can be either monetised or transferred, without affecting its core business activities. The Company has incubated few support businesses under various subsidiary companies, which were in its startup phase during the FY2008-09 and also suffered some setback due to slowdown of the economy. The Company would be identifying all such businesses and evaluate the need for further nurturing and development of such businesses or consider divestment/unlocking value. The Company continues to believe that the support businesses of the various subsidiaries would create value over a long run and the Company would be able to unlock such values in future.

The Company continues to analyse customer spend on various categories and accordingly finalise its strategy to further enhance shareholder's wealth by strengthening existing business and taking new initiatives that helps increase its share in four key categories that the Company is focussing on. The four key consumption categories are: food, fashion, general merchandise and home, which includes home improvement products and consumer electronics.

## SUBSIDIARY COMPANIES & JOINT VENTURES

### SUBSIDIARY COMPANIES

As informed above, during the financial year 2009-10, to fulfil commitment made to the members, the Company has reduced in all five subsidiaries from its total list of subsidiaries. These were, Pairs Retail India Limited (Formerly known as Home Lighting India Limited), Future Brands Limited, Future Consumer Enterprises Limited, Future Consumer Products Limited and Future Capital Credits Limited. The Company now have in all 25 subsidiaries as at the end of financial year 2009-10. Further, as per the order given in case of FMML scheme by Hon'ble High Court of original judicature of Bombay, the investment held in Future Mall Management Ltd. (FMML) has also been cancelled with effect from 1st April, 2010. Hence, FMML and its wholly owned subsidiary, Future Merchandising Ltd. were or not considered as subsidiary of the Company as on 30th June, 2010.

#### Future Capital Holdings Limited

Future Capital Holdings Limited (FCH) is the financial services arm of the Company. FCH is involved in the business of providing retail financial services, corporate lending, wholesale credit, trade finance and asset management and advisory services. Post FCH's public offer, your Company has 54.14% stake in FCH. During FY09-10, FCH registered income from operations of ₹ 55.38 Crores and its profit after tax stood at ₹ 17.32 Crores.

#### Home Solutions Retail (India) Limited

Home Solutions Retail (India) Limited (HSRIL) was incorporated to operate in the home and hard goods consumption space. However, as part of the demerger scheme, the various business undertakings of HSRIL has been transferred to the Company leaving only 'Collection i' format under HSRIL. During FY09-10, HSRIL registered an income from operations of ₹ 13.59 Crores and a corresponding loss of ₹ 3.62 Crores.

#### Future Supply Chain Solutions Limited (Formerly known as Future Logistic Solutions Limited)

Future Supply Chain Solutions Limited (FSCSL) is a specialized company providing logistics, reverse logistics, transportation, distribution and warehousing space and related services to the Company and its subsidiaries. FSCSL provides solutions in the areas of integrated Supply Chain Management, warehousing, distribution and Multi Modal transportation. Your Company has 94.23% stake in FSCSL. FSCSL has warehousing space of 3.50 Million square feet spread over all across India. The company is currently building large scale warehousing facilities and will focus on providing 3PL logistics solutions. During FY09-10, FSL registered income from operations amounted to ₹ 196.73 Crores and the profit stood at ₹ 0.24 Crores.

#### Future Agrovet Limited (Formerly known as Pantaloon Food Product (India) Limited)

Future Agrovet Limited (FAL) is designed to strengthen sourcing and distribution of staples and other food

products for the Company. FAL has sourcing and distribution bases at all key cities across the country. The Company has 96.16% stake in PFPIIL. During FY09-10, PFPIIL registered income from operations amounting to ₹ 577.64 Crores and loss stood at ₹ 0.27 Crores.

#### Future Media (India) Limited

Future Media (India) Limited (FMIL) is a specialised company aimed at creation of media properties in the ambience of consumption and thus offers active engagement to brands and consumers. FMIL offers relevant engagement through its media properties like Visual Spaces, Print, Radio, Television and Activation. Your Company has 84.24% stake in FMIL. During FY09-10, FMIL registered income from operations amounting to ₹ 35.70 Crores and the loss stood at ₹ 5.63 Crores.

#### Future E-Commerce Infrastructure Limited

Future E-Commerce Infrastructure Limited (FECIL) is designed to capture the consumption space through the internet, as well as other technology based and digital modes. The Company has 72% stake in FECIL. During FY09-10, FECIL registered income from operations amounting to ₹ 116.69 Crores and the loss stood at ₹ 13.94 Crores.

#### Future Mobiles and Accessories Limited

Future Mobile and Accessories Limited (FMAL) is designed to cater to the consumer's need in the space of telecommunications products. The Company has 100% stake in FMAL. During FY09-10, FMAL registered income from operations amounted to ₹ 234.23 Crores and loss stood at ₹ 3.07 Crores.

#### Futurebazaar India Limited

Futurebazaar India Limited (FBIL) is set up as the e-Retailing arm of the Future Group for providing on-line shopping experience. Your Company is presently holding 100% in FBIL. Futurebazaar.com was launched in 2007. FBIL is successfully operating its e-retailing business and during FY09-10, FBIL registered income from operations amounting to ₹ 64.55 Crores and its profit after tax stood at ₹ 0.24 Crores.

#### Future Knowledge Services Limited

Future Knowledge Services Limited (FKSL) is a retail technology service provider for high quality, low cost services model catering to the entire retail value chain. The Company has 100% stake in FKSL. During FY09-10, FKSL registered income from operations amounting to ₹ 57.23 Crores and loss stood at ₹ 5.47 Crores.

#### Future Value Retail Limited (Formerly known as Pantaloon Future Ventures Limited)

During the year as part of its realignment initiative, the Company has transferred its Value Retail Business to its wholly owned subsidiary company, Future Value Retail Limited (FVRL). During FY09-10, FVRL has started operations commencing from January, 2010 and registered income from operations amounting to ₹ 2991.71 Crores and Profit stood at ₹ 50.60 Crores.

The transfer of Value Retail Business to FVRL has been done with the objective of having clear driving factor for

both the companies, i.e. your main Company, PRIL, which would be operating Life Style Retail and its wholly owned subsidiary company, FVRL, which would operate Value Retail Business. This would enable both the companies, to extract maximum out of its top management team and skilled resources, who would maximise the core competency of each of the businesses. FVRL would be material subsidiary of the Company in terms of clause 49 (III) (i) of the listing agreement. Accordingly, the Company has nominated its one of the independent director on the board of FVRL.

#### **Future Learning and Development Limited**

Future Learning and Development Limited (FLDL) is a wholly owned subsidiary of PRIL. During FY09-10, FLDL registered income from operations amounting to ₹ 13.45 Crores and loss stood at ₹ 2.08 Crores.

#### **CIG Infrastructure Private Limited**

CIG Infrastructure Private Limited (CIPL) was incorporated to deal in the business of real estate promotion and development. The Company is holding 51% stake in CIPL. CIPL is Special Purpose Vehicle (SPV) for development of real estate project at Noida (U.P.). During the year, the Company incurred losses of ₹ 0.16 lacs. The Company has already divested its investment in CIPL with effect from 16th August, 2010.

#### **Winner Sports Limited**

Winner Sports Limited (WSL) is 100% subsidiary Company. During the FY09-10, WSL registered income from operations amounting to ₹ 158.51 Crores and loss stood at ₹ 2.16 Crores.

### **FELLOW SUBSIDIARY COMPANIES**

#### **Subsidiaries of Future Capital Holdings Limited (FCH)**

##### **Kshitij Property Solutions Pvt. Ltd. (Formerly known as Kshitij CapitaLand & Mall Management Pvt. Limited (KPSPL))**

Kshitij Property Solutions Pvt. Ltd. (KPSPL) is a subsidiary of FCH and is in the business of providing mall management services. The company is managing the retail malls developed by the Kshitij Real Estate Fund. During FY09-10, KPSPL registered income from operations amounting to ₹ 0.76 Crores and its loss after tax stood at ₹ 0.17 Crores.

##### **Axon Development Solutions Limited (ADSL)**

Axon Development Solutions Limited (ADSL) has become a subsidiary of FCH on 25 April, 2008, which is subsidiary of your Company. ADSL is involved in the business of providing consultancy services for all development and leasing related activities pertaining to the real estate industry. ADSL has registered income from operations amounting to ₹ Nil and its loss after tax stood at ₹ 0.01 Crores.

##### **Future Finance Limited (formerly known as Sivagami Finance & Investments Limited)**

Future Finance Limited (FFL) is a subsidiary of FCH and is engaged in the business of providing finance, factoring, investment, hire purchase and leasing and to finance industrial, trading and manufacturing. During FY09-10, FFL registered income from operations amounting to ₹ 1.09 Crores and its Profit after tax stood at ₹ 0.78 Crores.

#### **Future Hospitality Management Limited**

Future Hospitality Management Limited (FHML) is a subsidiary of FCH and is involved in the business of managing and developing business of hotels, long stay apartments, service apartments, motels 148 and restaurants. During FY09-10, FHML has registered income from operations amounting to ₹ Nil and its loss after tax stood at ₹ 0.01 Crores.

#### **Kshitij Investment Advisory Company Limited**

Kshitij Investment Advisory Company Limited (KIACL) is a subsidiary of FCH and is involved in the business of business of providing financial, investment advisory services, management and facilitation services. During FY09-10, KIACL registered income from operations amounting to ₹ 17.23 Crores and profit after tax stood at ₹ 7.05 Crores.

#### **FCH Securities & Advisors Limited (Formerly known as Ambit Investment Advisory Company Limited)**

FCH Securities & Advisors Limited (FSAL) is a subsidiary of FCH and is involved in the business of providing financial, investment advisory services, management and facilitation services. During FY09-10, FSAL registered income from operations amounting to ₹ Nil and registered loss after tax stood at ₹ 0.43 Crores.

#### **Future Capital Investment Advisors Limited (formerly known as Indivision Investment Advisors Limited)**

Future Capital Investment Advisors Limited (FCIAL) is subsidiary of FCH and is involved in the business of providing investment consultancy and financial advisory services. During FY09-10, FCIAL registered income from operations amounting to ₹ 9.86 Crores and profit after tax stood at ₹ 3.89 Crores.

#### **Myra Mall Management Company Limited**

Myra Mall Management Company Limited (MMMCL) is a subsidiary of FCH and is involved in the business of acquiring, improving, building, selling leasing, managing, commercially exploiting and dealing in real estate and properties of diverse natures. MMMCL owns office premises FCH House of 44,000 square feet at Peninsula Corporate Park. During FY09-10, MMMCL registered income from operations amounting to ₹ 12.14 Crores and the profit after tax stood at ₹ 5.39 Crores.

#### **Future Capital Financial Services Limited**

Future Capital Financial Services Limited (FCFSL) (formerly known as Future Finmart Limited) is a 100% subsidiary of FCH and is in the business of retailing financial services products, wholesale credit and acting as direct selling agents, franchises, licenses, authorized sales agents for any kind of financial and saving instruments. FCFSL is rolling out a financial supermarket format "Future Money". During FY09-10, FCFSL registered income from operations amounting to ₹ 147.37 Crores and the profit after tax stood at ₹ 24.90 Crores.

Realterm FCH Logistics Advisors Private Limited, FCH CentrumDirect Limited and FCH Centrum Wealth Managers Limited are JV of Future Capital Holdings Limited.



### Subsidiary of Future Supply Chain Solutions Limited (FSCSL)

#### FLSL Distribution Services Limited

FLSL Distribution Services Limited was incorporated to deal in the business of distribution services. The company has revenue of ₹ 1.84 Crores & incurred loss for ₹ 0.02 Crores during the year under review.

As required under the Listing agreement with the Stock Exchanges, the Company is mandatorily required to prepare the Consolidated Financial Statements, according to the applicable Indian Accounting Standards and reflects the financial position of all the subsidiary Companies of the Company.

The Ministry of Corporate affairs has granted the exemption to the Company from the requirement to present detailed financial statement of each subsidiary. A statement pursuant to section 212 of the Companies Act, 1956 relating to subsidiary companies has been given as an annexure to the Annual Report. Further annual accounts of the subsidiaries companies and related detailed information will be made available to the holding and subsidiaries investors, seeking such information at any point of time. The annual accounts of the subsidiary companies are kept for inspection by any investor at the head office of the Company and that of the respective subsidiary company's office. Further a separate statement is attached to the consolidated balance sheet giving information about the subsidiary as per requirement of the exemption letter.

## JOINT VENTURES

### Future Axiom Telecom Limited

The Company has a 50% stake in Future Axiom Telecom Limited (FATL) which is a joint venture Company with Axiom Telecom LLC, UAE. The Company is engaged in sourcing and wholesale distribution of mobile handsets, accessories and in setting up service centres for mobile handsets in India. During FY09-10, FATL registered income from operations amounting to ₹ 259.68 Crores and loss stood at ₹ 65.91 Crores. FATL has one more line of activities as Authorised service centres operated through its 100% subsidiary Mobile Repair Service City India Limited.

### Future Generali India Life Insurance Company Limited

Future Generali India Life Insurance Company Limited (FGI-Life) is Company's joint venture in the Life insurance sector. FGI-Life has commenced the commercial operations from September 2007. The Company has also entered into joint venture arrangements with Sain Advisory Services Private Limited which is SPV for this insurance venture of the Company. FGI-Life has commenced operations and introduced many insurance products to suit requirements of various categories of customers.

### Future Generali India Insurance Company Limited

Future Generali India Insurance Company Limited (FGI-Nonlife) is Company's joint venture in the general

insurance sector. FGI-Nonlife has commenced the commercial operations from September 2007. The Company has also entered into joint venture arrangements with Shendra Advisory Services Private Limited which is SPV for this insurance venture of the Company. FGI-Nonlife has also commenced operations and introduced insurance products for various general insurance needs of the different categories of customers.

### NTC joint ventures - Apollo Design Apparel Parks Limited & Goldmohur Design & Apparel Park Limited

The Company has entered into joint venture with NTC for the restructuring and development of the Apollo Mills and Goldmohur Mills situated in Mumbai. For the same two separate SPV companies have been created viz. Apollo Design Apparel Parks Limited (ADAPL) & Goldmohur Design & Apparel Park Limited (GDAPL). The ADAPL & GDAPL would be working for the restructuring and development of the Apollo Mills and Goldmohur Mills respectively. During the year ADAPL made a turnover of ₹ 209.63 Crores and earned profit of ₹ 5.78 Crores. Further during the year GDAPL made a turnover of ₹ 204.53 Crores and earned profit of ₹ 5.63 Crores.

### Staples Future Office Products Private Limited

Staples Future Office Products Private Limited (SFOPPL) is designed to capture the consumption space of office supplies, office equipments and products. SFOPPL is a joint venture between the Company and Staples Asia Investment Limited (a subsidiary of Staples Inc USA). During FY09-10, SFOPPL registered income from operations amounting to ₹ 132.71 Crores and the loss stood at ₹ 11.78 Crores.

### Talwalkars Pantaloon Fitness Private Limited

Talwalkars Pantaloon Fitness Private Limited (TPFPL) is involved operates gymnasiums and deals with fitness equipments and other health products. TPFPL is a 50-50 joint venture between the Company and Talwalkars Better Value Fitness Private Limited. The company is presently running 5 gymnasiums. During FY09-10, TPFPL registered income from operations amounting to ₹ 7.31 Crores and loss after tax stood at ₹ 4.11 Crores.

### Clarks Future Footwear Limited

Clarks Future Footwear Limited (CFFL) is a company engaged in the retailing of footwear using the international brand "Clarks". This would be a 50:50 joint venture with C & J Clark International, a company incorporated in UK, for the Single brand retailing of the "Clarks" branded footwear and allied products. The joint venture would also be engaged in wholesale business of Clarks branded products in India. The Joint Venture activities would be carried out by a separate joint venture company.

With this Joint Venture, the Company has taken a strategic business decision to enlarge its business activities and have a better footprint in retail as well as wholesale of branded footwear and allied products in India.

### Other joint ventures of the subsidiaries companies

Subsidiaries of the Companies have also entered into

few joint ventures. Real Term FCH Logistics Advisors Private Limited is the JV of Future Capital Holdings Limited for the undertaking the investment advisory services relating to logistics, warehousing facilities.

During the year the Company also terminated joint venture arrangement with Pan India Food Solutions Private Limited and settled the matter.

#### **DIRECTORS**

Mrs. Bala Deshpande, Mr. V. K. Chopra, Mr. Rakesh Biyani and Mr. Gopikishan Biyani retire by rotation and being eligible, offer themselves for re-appointment. The details as required by clause 49 of the listing agreement, is given as part of the notice.

During the current year, Mr. Vijay Biyani and Mr. Kailash Bhatia have been co-opted to the Board and then they were also appointed as Wholtime Directors. Mr. Gopikishan Biyani, who was Wholtime Director, has resigned as executive director and would continue to be non-executive promoter director.

#### **GROUP**

Pursuant to intimation received from the Promoter(s) and in accordance with regulation 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997("SEBI Regulations") regarding identification of persons constituting "Group" (within the meaning as defined in the Monopolies and Restrictive Trade Practices Act, 1969) are disclosed in this Annual Report as separate disclosure.

#### **DIRECTORS RESPONSIBILITY STATEMENT**

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company hereby state and confirm that: -

- (i) in preparation of the annual accounts, the applicable accounting standards have been followed with proper explanation relating to material departures;
- (ii) the accounting policies selected have been applied consistently and judgments made and estimates given are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 30th June, 2010 and the profit of the company for the year ended on that date;
- (iii) The proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (iv) the accounts have been prepared on a going concern basis.

#### **AUDITORS**

M/s. NGS & Co., Chartered Accountants, Mumbai, hold office as Statutory Auditors upto the conclusion of the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. Shareholders are requested to appoint them as Statutory Auditors to hold

office upto the conclusion of the next Annual General Meeting and to fix their remuneration. The observations made by the auditors are self-explanatory.

#### **CONSOLIDATED FINANCIAL STATEMENTS**

The Audited consolidated financial statements are provided as part of the Annual Report in accordance with Accounting Standard AS-21, AS-23 & AS 27 dealing with the consolidated financial reporting. These statements have been prepared on the basis of the financial statements received from subsidiaries and joint ventures, as approved by their respective Board of Directors.

#### **PARTICULARS OF EMPLOYEES**

The Company has certain employees / ex-employees who were in receipt of the prescribed annual remuneration for the full period or prescribed monthly remuneration for the part period. The statement containing particulars of employees as required under section 217(2A) of the Companies Act, 1956 and the rules made thereunder, is given as an annexure appended hereto and forms part of this report. In terms of section 219(1)(iv) of the Act, the report and accounts are being sent to the shareholders excluding the aforesaid annexure. Any shareholder interested in obtaining the copy of annexure may write to the company secretary at the registered office of the company.

#### **CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO**

A Statement giving details of conservation of energy (in Form A) and foreign exchange earnings and outgo, as required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988, in Annexure I is attached and forms part of this report. However there is no expenditure on R&D, Technology absorption, adoption & innovation during the current financial year. The Company being concentrating on the domestic consumption space do not have any specific exports initiatives to report to members.

#### **ACKNOWLEDGMENT**

The Board wishes to place on record their sincere appreciation to all the consumers, working capital consortium bankers lead by Bank of India, vendors, and other stakeholders for the continued support and patronage during the previous year. The board further wishes to record their sincere appreciation to the employees of the Company whose efforts, hard work and dedication has enabled the Company to achieve the targets and recognitions.

**For and on behalf of the Board,**

Place: Mumbai  
Date : 1st October, 2010

**Shailesh Haribhakti**  
Chairman

## ANNEXURE I

(A) Conservation of energy

## FORM A

Form for Disclosure of Particulars with respect to Conservation of Energy.

A) Power and fuel consumption (Manufacturing Facility)	2009-2010	2008-2009
<b>(1) ELECTRICITY</b>		
Purchased		
Unit	8,93,040	7,48,924
Total amount (in ₹)	52,67,380	37,94,760
Rate/unit	5.90	5.07
<b>(2) FURNACE OIL</b>		
Quantity (K.Ltrs.)	1,09,795	1,38,504
Total amount (in ₹)	32,63,386	33,43,985
Average rate (₹ / Ltr.)	29.72	24.14
<b>(3) HSD</b>		
Quantity (K.Ltrs.)	4,516	39,284
Total amount	1,66,987	14,42,342
Average rate (₹ / Ltr.)	36.98	36.70

(B) Foreign Exchange Earnings and Outgo

	(₹ in Crores)	
<b>FOREIGN EXCHANGE OUTGO</b>		
Travelling Expenditure	1.41	0.56
Interest on FCNR Loan	16.98	6.24
Consulting Fees	0.55	0.78
License Fees and Royalty	-	0.02
<b>Imports</b>		
Raw Materials including (Stitching Materials)	1.65	2.00
Finished Goods	126.47	73.28
Capital Goods	13.79	78.03
Accessories & Others	0.99	0.68
<b>FOREIGN EXCHANGE EARNING</b>		
Earnings in Foreign Currency	60.74	69.28

## GROUP

(As referred in the Directors' Report)

Persons constituting "Group" coming within the definition of "Group" for the purpose of Regulations 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997, includes the following persons:

- |   |  |
|---|--|
| 1. Mr. Kishore Biyani                   | 20. Kavi Sales Agency Pvt. Ltd.          |
| 2. Mr. Gopikishan Biyani                | 21. Liquid Foot Infraprojects Pvt. Ltd.  |
| 3. Mr. Laxminarayan Biyani              | 22. Oviya Multitrading Pvt. Ltd.         |
| 4. Mr. Vijay Biyani                     | 23. Raaka Multitrading Pvt. Ltd.         |
| 5. Mr. Sunil Biyani                     | 24. Radha Multitrading Pvt. Ltd.         |
| 6. Mr. Anil Biyani                      | 25. Raja Infrastructure Pvt. Ltd.        |
| 7. Mr. Rakesh Biyani                    | 26. Saachi Multitrading Pvt. Ltd.        |
| 8. Ms. Ashni Biyani                     | 27. Salajung Multitrading Pvt. Ltd.      |
| 9. Mr. Vivek Biyani                     | 28. Samreen Multitrading Pvt. Ltd.       |
| 10. Future Corporate Resources Ltd.     | 29. Sanavi Multitrading Pvt. Ltd.        |
| 11. Pantaloon Industries Ltd.           | 30. Silver Base Infrastructure Pvt. Ltd. |
| 12. Manz Retail Pvt. Ltd.               | 31. Softtouch Multitrading Pvt. Ltd.     |
| 13. Future Realtors India Pvt. Ltd.     | 32. Tanushri Infrastructure Pvt. Ltd.    |
| 14. Future Capital Investment Pvt. Ltd. | 33. Taraka Infrastructure Pvt. Ltd.      |
| 15. Future Ideas Company Ltd.           | 34. Uccal Infrastructure Pvt. Ltd.       |
| 16. Akar Estate & Finance Pvt. Ltd.     | 35. U-Phase Infraprojects Pvt. Ltd.      |
| 17. Brahmabrata Trading Pvt. Ltd.       | 36. White Circle Mercantile Pvt. Ltd.    |
| 18. Eclipse Infrastructure Pvt. Ltd.    | 37. White Knight Mercantile Pvt. Ltd.    |
| 19. Gargi Developers Pvt. Ltd.          |  |

## GOVERNANCE REPORT

Corporate Governance indicates transparency, accountability and reliability on any organisation.

One of the core missions of your organisation is to achieve excellence in all spheres, be it profitability, growth in market share, superior quality of products and services to the satisfaction of the stakeholders through an efficient and effective code of governance.

We aim at providing fairness, clarity and transparency in all our dealings and increasing the value of all stakeholders of the Company.

The Corporate Governance Report of the Company for the year ended 30th June, 2010 is as follows:

### 1. BOARD OF DIRECTORS

The composition of the Board of Directors of Pantaloon Retail (India) Limited (PRIL) is as on 30th June, 2010 as follows:

- 1) Executive Promoter Directors - 3
- 2) Executive Non Promoter Director - 1
- 3) Independent Non Executive Directors - 7

### 2. BOARD MEETINGS

During the financial year 2009-10, Nine Board Meetings were held. These were held on 17/08/2009, 26/09/2009, 23/10/2009, 30/10/2009, 25/01/2010, 23/02/2010, 31/03/2010, 23/04/2010 and 31/05/2010.

Composition of the Board of Directors and their attendance in the Board Meetings held as specified above are as follows:

Name of the Director	Category	No. of Board Meetings attended	No. of other Directorships in Public Ltd. Cos.	Attendance in the last AGM held on 02/12/2009	No. of committee positions held including PRIL#	
					Chairman	Member
Mr. Kishore Biyani	Executive Promoter	9	12	Yes	-	5
Mr. Gopikishan Biyani*	Non executive Promoter	6	3	Yes	-	1
Mr. Rakesh Biyani	Executive Promoter	7	9	Yes	-	3
Mr. Shailesh Haribhakti	Independent Non executive	9	14	Yes	5	5
Dr. Darlie Koshy	Independent Non executive	9	-	No	-	2
Mr. S. Doreswamy	Independent Non executive	9	6	Yes	2	5
Mrs. Bala Deshpande	Independent Non executive	3	2	No		3
Mr. Anil Harish	Independent Non executive	8	14	Yes	5	6
Mr. V. K. Chopra	Independent Non executive	9	14	No	1	2
Mr. Vijay Biyani**	Executive Promoter	7	4	Yes	-	-
Mr. Kailash Bhatia***	Executive Director	3	3	-	-	-

# Memberships of only Audit Committee and Shareholders and Investors Grievance Committee of listed companies considered.

\* Upto 31st March, 2010, Executive Director and w.e.f. 1st April, 2010, Non executive.

\*\* Mr. Vijay Biyani has been appointed w.e.f. 26th September, 2009.

\*\*\* Mr. Kailash Bhatia has been appointed w.e.f. 1st April, 2010.

### 3. AUDIT COMMITTEE

The Audit Committee of the Board of Directors was formed in 2000 and the Committee comprises of three members. The functions of the Committee are as specified in clause 49 of the Listing Agreement entered into with Stock Exchanges in which the Company's shares are listed.

A total of five audit committee meetings were held in the financial year July 2009 – June 2010. The meetings were held on 17/08/2009, 26/09/2009, 23/10/2009, 25/01/2010, and 23/04/2010.

Name of the Member	Designation	No. of meetings attended
Mr. S. Doreswamy	Chairman	5
Mr. Shailesh Haribhakti	Member	5
Dr. Darlie Koshy	Member	5

#### 4. REMUNERATION COMMITTEE

The Remuneration Committee of the Company consists of the following members and two meetings were held on 26/09/2009 and 31/03/2010.

The Directors on this Committee are :

Mr. S. Doreswamy

Dr. Darlie Koshy

Mrs. Bala Deshpande

Mr. Anil Harish

Mr. Shailesh Haribhakti appointed w.e.f. 31/03/2010

The detail of remuneration paid (including commission due as on 30/06/2010 but not paid) to the Directors for the year ended on 30th June 2010 is as follows:

Name of the Director	Salary & Perquisites in ₹	Sitting Fees in ₹	Commission in ₹	Total in ₹
Mr. Kishore Biyani	25663953	NA	12500000	38163953
Mr. Gopikishan Biyani	4618953	22000	1945205	6586159
Mr. Rakesh Biyani	14658600	NA	6250000	20908600
Mr. Vijay Biyani	11197542	NA	4760274	15957816
Mr. Kailash Bhatia	7486569	NA	NA	7486569
Mr. Shailesh Haribhakti	NA	360000	1000000	1360000
Mr. S. Doreswamy	NA	348000	1000000	1348000
Dr. Darlie Koshy	NA	320000	1000000	1320000
Mr. Anil Harish	NA	240000	1000000	1240000
Mrs. Bala Deshpande	NA	80000	1000000	1080000
Mr. V. K. Chopra	NA	188000	1000000	1188000

#### 5. INVESTOR RELATIONS & GRIEVANCE COMMITTEE

The Investor Relations & Grievance Committee was constituted by the Board in 1999 to redress any grievances of the investors. A total of four meetings of the Investor Relations & Grievance Committee were held in the financial year July 2009-June 2010. The meeting were held on 26/09/2009, 23/10/2009, 25/01/2010 and 23/04/2010. The composition of the Committee and the number of meetings attended by the members are as follows:

Name	Designation	No. of Meetings attended
Mr. V. K. Chopra	Chairman	4
Mr. S. Doreswamy	Member	4
Mr. Gopikishan Biyani	Member	4
Mr. Rakesh Biyani	Member	4

A total of 156 complaints were received during the year. All these complaints have been resolved to the satisfaction of complainants.

#### 6. COMMITTEE OF DIRECTORS

The Board of Directors have constituted a Committee of Directors and delegated powers to transact certain regular business of the Company. A total of 15 meetings were held during the period under review.

## 7. CORPORATE GOVERNANCE COMMITTEE

Corporate Governance Committee was constituted by the Board on 13th April, 2009 to ensure and implement better governance practices. The Corporate Governance Committee comprising of the following members:

Mr. Shailesh Haribhakti – Chairman

Mr. Kishore Biyani

Mr. Rakesh Biyani

Mr. Anil Harish

Mrs. Bala Deshpande

A total of 2 meetings were held during the period under review.

## 8. SHARE TRANSFER COMMITTEE

The Share Transfer Committee consists of 3 members. The Committee meets on a regular basis to approve transfer of shares, transmission of shares, splitting, consolidation and rematerialisation of shares. The Shares in physical form sent for transfer in physical form are processed and registered by our registrar & transfer agent (Link Intime India Pvt. Limited) within 30 days of receipt of documents, if found in order. A total of 27 meetings were held during the year in which 27355 Equity shares and 1712 Class B shares (Series 1) were transferred.

## 9. GENERAL BODY MEETINGS

The details of the Annual General Meetings held during the last three years are as follows:

Year	No. of AGM	Day, Date & Time of AGM	Venue
2008-09	22	2nd December, 2009 at 10:30 am	Y.B. Chavan Centre, Gen. Jagannath Bhosale Marg, Mumbai – 400 021
2007-08	21	10th November, 2008 at 10:30 am	Y.B. Chavan Centre, Gen. Jagannath Bhosale Marg, Mumbai – 400 021
2006-07	20	15th November, 2007 at 10:30 am	Y.B. Chavan Centre, Gen. Jagannath Bhosale Marg, Mumbai – 400 021

Special Resolutions passed in the previous three Annual general Meetings are as follows:

AGM	AGM date	Special Resolutions passed through show of hands
22	02/12/2009	Appointment of Mr. Vijay Biyani as Wholetime Director for period of 5 years w.e.f. 26th September, 2009
21	10/11/2008	Payment of Commission to Independent Directors;
20	15/11/2007	Re-appointment of Mr. Rakesh Biyani as Wholetime Director for a further period of 5 years w.e.f. 1st April, 2007;

### Extraordinary General Meeting

An Extraordinary general Meetings of the Company were held on 7th July, 2009, 10th June, 2010 and 28th June, 2010 and the following special resolutions were passed:

- (1) First Extraordinary General Meeting on 7th July, 2009
  - a. Issue securities of ₹1000 Crores through preferential basis to Qualified Institutional Buyers (QIBs);
- (2) Second Extraordinary General Meeting on 10th June, 2010
  - a. Alteration of Articles of Association;
  - b. Increase in Authorised Capital;
  - c. Utilisation of Share Premium Account in relation to Scheme of Arrangement between Home Solutions Retail (India) Ltd. and Pantaloon Retail (India) Ltd. and their respective shareholders and creditors;
  - d. Utilisation of Share Premium Account in relation to Scheme of Arrangement between Pantaloon Retail (India) Ltd. and Future Mall Management Ltd. and Future Merchandising Ltd. and their respective shareholders and creditors;
  - e. Appointment Mr. Kailash Bhatia as a Wholetime Director and
  - f. Re-appointment of Mr. Kishore Biyani as Managing Director;



(3) Third Extraordinary General Meeting on 28th June, 2010

- a. Issue and allotment of 1,00,00,000 warrants upto ₹ 400 Crores to Future Idea Realtors India Limited promoter group Company, convertible into equity shares within 18 months from the date of issue of warrants;

**Postal Ballot**

The Company had successfully completed the process of obtaining the approval of its members through Postal Ballot as per provisions of Section 192A of the Companies Act, 1956, during the year. The approval of members obtained through postal ballot was pertaining to:-

- (i) Ordinary Resolution: Sale / Transfer of Value Retail Business of the Company to its wholly owned subsidiary, Future Value Retail Limited.

The results for the above matter was announced on 15th December, 2009.

Voting Pattern and Procedure for Postal Ballot:

- (i) The Board of Directors of the Company had its meeting held on 30th October, 2009 appointed Mr. Virendra Bhatt, Practising Company Secretary, as the Scrutiniser for conducting the postal ballot voting process;
- (ii) Process for the Postal Ballot was carried out in a fair and transparent manner. The postal ballot forms had been kept under safe custody of Scrutiniser in sealed and tamper proof ballot boxes before commencing the scrutiny of such postal ballot forms;
- (iii) All postal forms received / receivable up to the close of working hours on 14th December, 2009 the last date and time fixed by the Company for receipt of the forms in the postal ballot, had been considered by Scrutiniser in his scrutiny;
- (iv) Envelopes containing postal ballot forms received on / after 14th December, 2009 for the postal ballot had not been considered for his scrutiny;
- (v) The result of the Postal Ballot were announced on 15th December, 2009 at the Registered Office of the Company as per scrutinizer's Report are as under:

Result declared on 15th December, 2009

Particulars	In favour			Against			Neutral votes			Total No. of Shares
	No. of Ballot Papers	No. of Votes in favour of	%	No. of Ballot Papers	No. of Votes against	%	No. of Ballot Papers	No. of Votes	%	
<b>Resolution No. 1</b>	360	9,16,78,365	99.99%	20	6,515	0.01	4	1,157	0.01	9,16,86,037

**Court Convened Meetings of Shareholders**

Two Court Convened Meetings of Shareholders of the Company were held on 10th June, 2010

- a. at 10:00 am to approve the Scheme of Arrangement between Home Solutions Retail (India) Limited (HSRIL) and the Company and their respective Shareholders and Creditors ("the HSRIL Scheme")
- b. at 03:00 pm to approve the Scheme of Arrangement between the Company and Future Mall Management Limited (FMML) and Future Merchandising Limited (FML) and their respective Shareholders and Creditors ("the FMML Scheme")

**10. MEANS OF COMMUNICATION:**

**Financial Results**

The Results of the Company are furnished to the Stock Exchanges on a periodic basis (quarterly, half yearly and annually) after the approval of the Board of Directors

The results are normally published in "The Free Press Journal"- English Daily and "Nav Sakthi" - Marathi Newspaper within 48 hours after the approval by the Board.

The details of the financial results and shareholding pattern are hosted on the Company's website: [www.pantaloonretail.in](http://www.pantaloonretail.in). All other official news and press releases are displayed on the same website.

The Annual Report, Quarterly Results, Shareholding Pattern of the Company are posted through Corporate Filing, a portal which is a single source to view information filed by listed companies. Hard copies of the said disclosure and correspondence are also filed with the Stock Exchanges.

**11. INFORMATION TO SHAREHOLDERS**

**11.1 Date, time and Venue of the 23rd Annual General Meeting:**

Wednesday, 3rd November, 2010 at 4:00 pm or soon after conclusion of the Court Convened Meeting of the Members for the Scheme of Arrangement between the Company and Future Value Retail Limited and their respective Shareholders whichever is later at Rangswar, 4th Floor, Y. B. Chavan Centre, Gen. Jagannath Bhosale Marg, Mumbai 400021.

11.2 Date of Book Closure

From Friday, 22nd October, 2010 to Monday, 25th October, 2010 (both days inclusive).

11.3 Dividend

The Board of Directors of the Company has recommended a dividend of 0.01% per compulsorily convertible preference share, (40%) ₹ 0.80 (Eighty Paise only) per equity share and dividend of (45%) ₹ 0.90 (Ninety paise only) per Class B share (Series 1). Further, warrants, if converted into shares before the Book Closure date would also be entitled to dividend as may be declared at the ensuing Annual General Meeting. Dividend, if approved, at the ensuing Annual General Meeting, will be paid to all Beneficial Owners in respect of shares held in electronic form, as per the data made available by the National Securities Depository Limited and Central Depository Services (India) Limited, at the close of business hours on 21st October, 2010 and to all Members in respect of shares held in physical form, after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on 25th October, 2010.

11.4 Registered office:

"Knowledge House", Shyam Nagar,  
Off Jogeshwari-Vikhroli Link Road,  
Jogeshwari (East), Mumbai – 400 060

11.5 Listing in Stock Exchanges

The Equity shares and Class B shares (Series 1) of the Company are listed in the Following Stock Exchanges:

Bombay Stock Exchange Limited

National Stock Exchange of India Limited

The Non-convertible Debentures of the Company are listed on the Bombay Stock Exchange Limited.

11.6 Stock Code

Shares	ISIN No.	Stock Code	
		BSE	NSE
Equity	INE623B01027	523574	PANTALOONR
Class B Shares (Series 1)	IN9623B01058	570002	PRETAILDVR
11.50% Secured Non-Convertible Debentures (Series I)	INE623B07032	946288	–
11.50% Secured Non-Convertible Debentures (Series II)	INE623B07040	946822	–

11.7 Listing Fees

Listing Fees, as prescribed, has been paid fully to all the Stock Exchanges where the shares of the Company are listed

11.8 Stock Performance

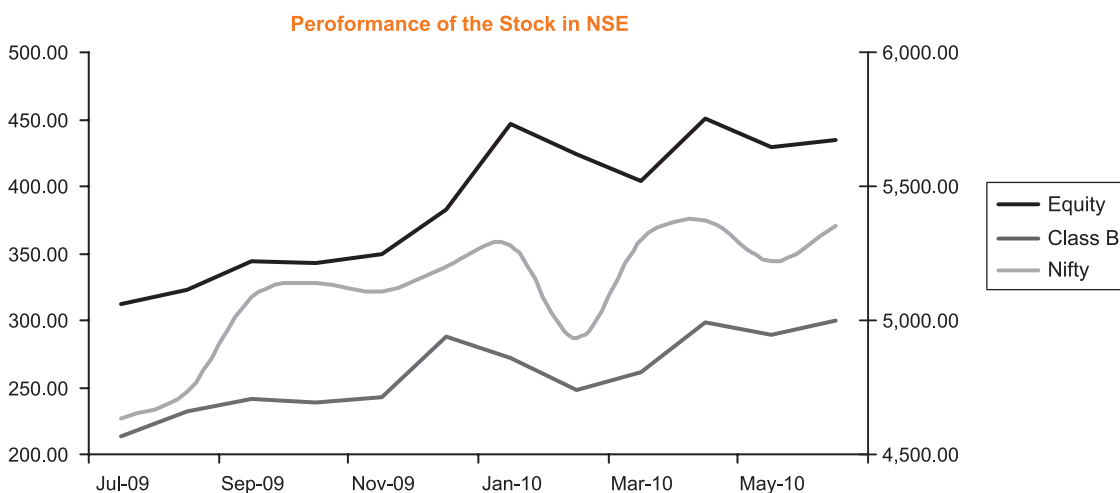
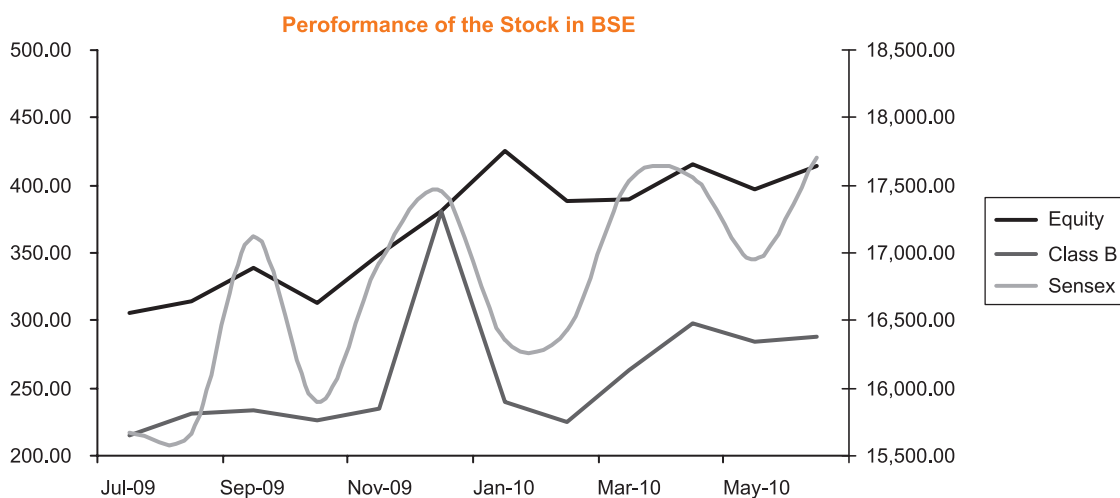
The performance of the Equity shares in the Bombay Stock Exchange Limited & National Stock Exchange of India Limited for the period from 1st July, 2009 to 30th June, 2010 was as follows:

Month	Bombay Stock Exchange Limited (BSE)			National Stock Exchange of India Limited (NSE)		
	High	Low	Volume	High	Low	Volume
July	318.00	252.05	27,00,752	319.70	252.30	69,44,305
August	329.20	265.00	38,79,109	330.00	260.00	1,27,49,226
September	353.00	293.00	27,66,486	358.00	294.25	98,90,810
October	348.00	300.00	11,19,365	348.90	293.20	50,78,267
November	352.00	277.65	25,58,495	352.00	278.20	89,75,516
December	391.00	336.00	41,78,169	391.85	336.05	1,38,29,484
January	455.00	360.00	21,99,738	450.25	351.15	91,20,310
February	439.90	372.00	9,35,455	460.50	372.00	48,89,480
March	407.70	372.00	15,30,718	407.90	372.00	62,87,874
April	436.50	391.05	9,14,205	450.15	387.60	49,72,906
May	436.00	354.90	6,37,391	437.00	353.00	32,19,948
June	435.85	382.00	20,35,985	436.95	382.50	71,94,836



The performance of the Class B Shares (Series 1) in the Bombay Stock Exchange Limited & National Stock Exchange of India Limited for the period from 1st July, 2009 to 30th June 2010 was as follows:

Month	Bombay Stock Exchange Limited (BSE)			National Stock Exchange of India Limited (NSE)		
	High	Low	Volume	High	Low	Volume
July	234.00	170.10	1,46,036	235.90	171.15	1,67,181
August	245.00	182.05	33,408	249.80	178.00	2,18,678
September	243.00	181.00	1,43,875	249.50	201.05	1,12,686
October	250.00	192.10	19,099	243.90	175.00	1,05,334
November	240.00	185.10	75,617	245.00	205.10	1,33,626
December	285.00	203.00	1,86,875	298.00	214.00	1,64,647
January	299.00	220.00	4,99,112	285.00	230.50	4,99,295
February	268.95	220.10	12,953	289.70	215.00	72,593
March	272.60	195.00	19,35,589	275.00	220.00	7,04,866
April	319.80	240.10	3,05,563	318.80	250.20	1,73,569
May	298.95	255.30	22,038	297.00	252.00	34,819
June	308.00	259.95	27,69,887	304.00	250.00	3,68,980



11.9 Dematerialisation of shares

The shares of your Company are under compulsory Demat trading. A total of 18,88,98,081 equity shares aggregating to 99.31% of the total equity shares and 1,57,93,834 Class B Shares (Series 1) aggregating to 99.15% of the total Class B Shares of the Company are in dematerialised form as on 30th June, 2010.

11.10 Share Transfer Agents:

Link Intime India Private Limited (Formerly known as Intime Spectrum Registry Limited)  
C-13, Pannalal Silk Mills Compound, L B S Marg, Bhandup (West),  
Mumbai – 400 078  
Telephone No. : 022- 25963838  
Fax No. : 022 – 25946969  
email : [rnt.helpdesk@linktime.co.in](mailto:rnt.helpdesk@linktime.co.in)

11.11 Distribution of Shareholding of Equity and Class B Shares (Series 1) as on 30th June, 2010  
Equity

No. of Shares	No. of shareholders	%	No. of Shares	%
1-500	23,333	88.96	26,26,410	1.38
501-1000	1,711	6.52	11,45,394	0.60
1001-5000	767	2.93	15,63,278	0.82
5001-10000	104	0.40	7,53,492	0.40
10001-50000	140	0.53	32,39,648	1.70
50001-100000	56	0.21	42,49,780	2.24
Above 100000	118	0.45	17,66,35,619	92.86
Total	26,229	100.00	19,02,13,721	100.00

Class B Equity Shares (Series 1)

No. of Shares	No. of shareholders	%	Amount in ₹	%
1-500	19,300	98.37	4,91,414	3.09
501-1000	125	0.64	96,195	0.60
1001-5000	90	0.46	2,02,598	1.27
5001-10000	23	0.12	1,72,214	1.08
10001-50000	42	0.21	10,69,539	6.71
50001-100000	10	0.05	7,76,523	4.88
Above 100000	30	0.15	1,31,20,669	82.37
Total	19,620	100.00	1,59,29,152	100.00

11.12 Categories of Shareholders as on 30th June 2010

Category	Equity		Class B	
	No. of Shares	% holding	No. of Shares	% holding
Promoters and their Relatives / Associates	8,50,76,986	44.73%	74,07,693	46.50%
Mutual Funds	1,64,62,388	8.65%	14,89,317	9.35%
Banks, Financial Institutions	63,17,834	3.32%	1,66,342	1.04%
Insurance Companies	82,95,117	4.36%	3,91,752	2.46%
Foreign Institutional Investors	4,90,84,269	25.81%	16,30,258	10.24%
Non Resident Indians	1,90,082	0.10%	21,024	0.13%
Indian Companies	1,29,64,775	6.82%	18,68,595	11.73%
Indian Public	1,14,21,871	6.00%	28,40,151	17.83%
Director & their Relatives	37,600	0.02%	1,270	0.01%
Clearing Members	3,62,799	0.19%	1,12,750	0.71%
Total	19,02,13,721	100.00%	1,59,29,152	100.00%

## 11.13 Financials release dates for 2010-11

Quarter	Release Date (tentative & subject to change)
1st Quarter ending 30th September	Second week of November, 2010
2nd Quarter ending 31st December	Second week of February, 2011
3rd Quarter ending 31st March	Second week of May, 2011
4th Quarter ending 30th June	Fourth week of August, 2011

11.14 Internet access: [www.pantaloonretail.in](http://www.pantaloonretail.in)

The website of the Company contains all relevant information about the pantaloons family. The Annual Reports, Shareholding pattern, unaudited quarterly results and all other material information are hosted in this site.

## 11.15 Plant Location

G-6, MIDC, Tarapur, Dist. Thane.

**12. CODE OF CONDUCT FOR PREVENTION OF INSIDER TRADING**

PRIL Code of Conduct for prevention of Insider Trading (PRIL INSIDER CODE) as approved by the Board of Directors, inter alia, prohibits purchase / sale of securities of the Company by Directors and employees while in possession of unpublished price sensitive information in relation to the Company. The PRIL Insider Code is available on the Company's corporate website.

**13. DISCLOSURES**

- Besides the transactions mentioned elsewhere in the Annual Report, there were no materially significant related party transactions with the Promoters, Directors etc. that may have potential conflict with the interests of the Company at large.
- There were no non compliance by the Company, penalties, strictures imposed on the Company by Stock exchange or SEBI or any statutory authority, on any matter relating to the capital markets during the last three years.
- There was no pecuniary relationship or transactions of Non-executive Directors vis-a-vis the Company.
- The Company has complied with all mandatory requirements and adopted non mandatory requirements as mentioned hereunder.

**Non-mandatory requirements:**

- Chairman of the Board: At its meeting held on 13th April, 2009, the Board of Directors had appointed Mr. Shailesh Haribhakti, Non-executive Director as Chairman of the Board. As there is no separate office of the Chairman being maintained, no reimbursement of expenses is being made for maintenance of separate Chairman's office.
- Remuneration Committee: Details regarding Remuneration Committee has already been dealt under para 4 of this Report.
- Shareholders' Rights: Quarterly and half yearly financial results of the Company are furnished to the Stock Exchanges and are also published in the news papers and uploaded on website of the Company. Hence, half yearly results were not separately sent to shareholders. Significant events are also posted on the Company's Website under the Investors Section. The complete Annual Report sent to every shareholder of the Company. The Company is considering to commence this additional communication with shareholders in order to give them updated information about the Company at regular interval.
- Audit qualifications: There are no audit qualifications in the financial statement for the year 2009-10. Standard practices and procedures are in place to ensure unqualified financial statements.

5. **Training to Board Members:** The Board equipped to perform its role of business assessment through inputs from time to time. Directors are fully briefed on all business related matters, risk assessment & minimisation procedures and new initiatives. No training has been provided to the Board Members as on the date of this Report.
6. **Mechanism for evaluating Non-executive Board Members:** The role of the Board of Directors is to provide direction and exercise control to ensure that the Company is managed in a manner that fulfils stakeholders' aspirations and social expectations. The Company is working on the mechanism and will be adopted in due course.

**Whistle Blower Policy:** The Company has adopted the code of conduct for Directors and Senior Management. Board has considered and deliberated on the whistle blower policy of the Company. The same would be implemented at appropriate time.

#### **CORPORATE GOVERNANCE VOLUNTARY GUIDELINES 2009**

The Company's policies and practices embrace most of the elements of the Corporate governance Voluntary Guidelines 2009 issued by the Ministry of Corporate Affairs. The Company will be reviewing its Corporate Governance Parameters in the context of other recommendations under the Guidelines for appropriate adoption in keeping with the Company's unique business model.

**AUDITORS REPORT ON CORPORATE GOVERNANCE**

To  
The Shareholders of  
Pantaloon Retail (India) Limited

We have examined the compliance of conditions of Corporate Governance by Pantaloon Retail (India) Limited for the year ended on June 30, 2010 as stipulated by Clause 49 of the Listing Agreement of the Company with the Stock Exchanges, with the relevant records and documents maintained by the Company and furnished to us and the report of Corporate Governance as approved by the Board of Directors.

The compliance of conditions of Corporate Governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the provisions relating to Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given us, we certify that the Company has complied in all material aspects with the conditions of Corporate Governance as stipulated in the above-mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**for NGS & Co.**  
Chartered Accountants

**Navin T. Gupta**  
Partner  
Membership No. 40334

Place: Mumbai  
Date : 1st October, 2010

**Declaration on compliance of Code of Conduct**

I hereby confirm that:

Board members and Senior Management of the Company have affirmed compliance of the Code of Conduct laid down by the Board for the financial year July 2009-June 2010.

Place: Mumbai  
Date : 1st October, 2010

**Kishore Biyani**  
Managing Director

## RATIOS

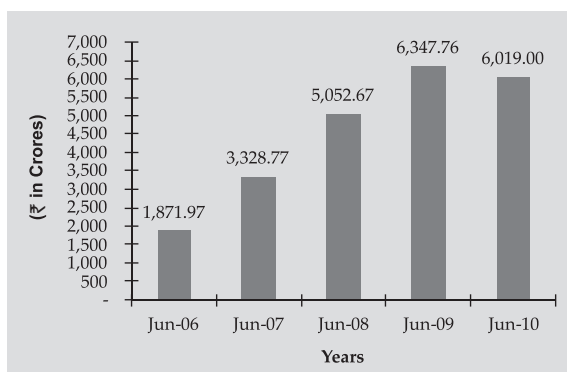
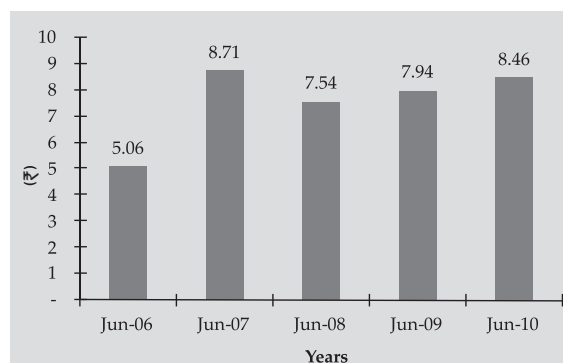
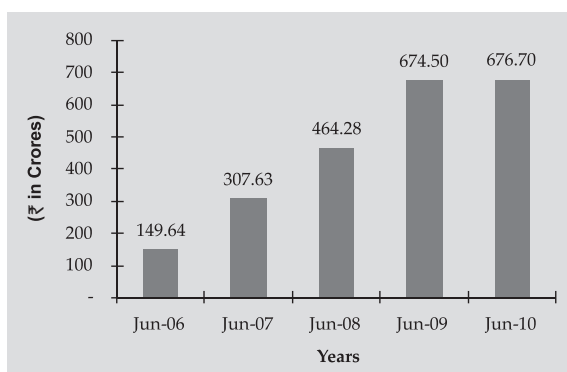
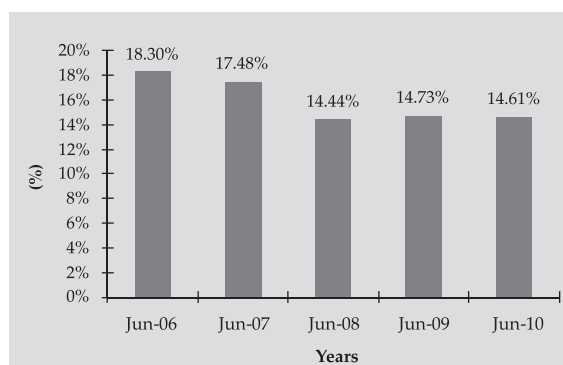
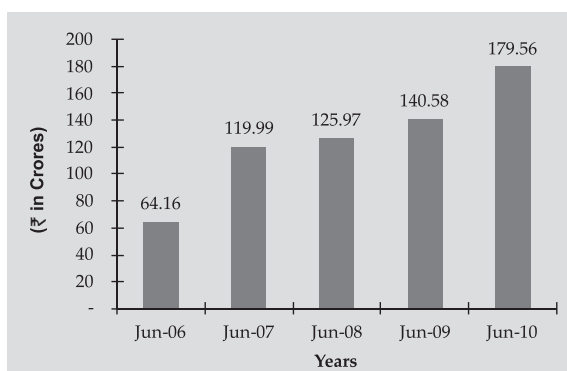
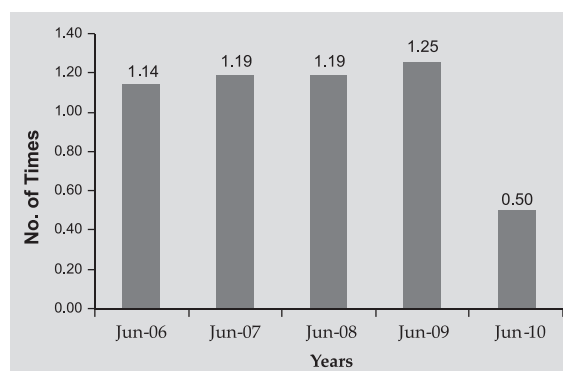
Financial Performance	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10
Cost of Goods Sold / Net Sales	66.53%	69.36%	69.56%	69.85%	68.46%
Manpower Costs / Total Income	5.99%	6.19%	5.42%	4.32%	4.64%
Advertising and Selling Cost / Total Income	2.72%	2.80%	2.34%	1.80%	2.48%
Interest / Total Income	1.97%	2.70%	3.67%	5.01%	4.79%
PBDIT/ Interest (Debt-Service Ratio)	4.05	3.43	2.51	2.12	2.35

Profitability	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10
PBDIT / Total Income	7.99%	9.24%	9.19%	10.63%	11.24%
PBDT / Total Income	6.02%	6.55%	5.52%	5.61%	6.45%
Net profit / Total Income	3.43%	3.60%	2.49%	2.21%	2.98%
RONW (PAT / Average Net Worth)	17.15%	14.82%	8.57%	6.83%	7.14%
ROCE (PBDIT / Average capital employed)	18.30%	17.48%	14.44%	14.73%	14.61%

Balance Sheet	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10
Debt-Equity Ratio	1.14	1.19	1.19	1.25	0.50
Debtors Turnover (Days)	3	7	8	10	7
Inventory Turnover (Days)	98	99	102	101	77
Current Ratio	1.44	2.19	1.71	1.97	1.62
Quick Ratio	0.58	1.08	0.78	0.75	0.49
Asset Turnover (Total Income / Total Assets)	1.62	1.36	1.23	1.21	1.43

Key Financial Parameters (₹in Crores)	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10
Total Revenue	1,871.97	3,328.77	5,052.67	6,347.76	6,019.00
Profit Before Interest, Tax and Depreciation	149.64	307.63	464.28	674.50	676.70
Profit After Tax	64.16	119.99	125.97	140.58	179.56
Cash Profit	99.85	184.78	246.64	328.88	342.70

Per Share Data	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10
Basic Earnings (less Extraordinary Income)	5.06	8.71	7.54	7.94	8.46
Basic Cash Earnings(₹)	6.70	11.39	14.76	18.58	16.16
Dividend (₹)	0.50	0.50	0.60	0.60	0.80
Book Value (₹)	39.20	74.42	111.96	118.20	124.61

**Growth in Total Income (₹ in Crores)**

**Earnings per share (₹)**

**Growth in PBDIT (₹ in Crores)**

**ROCE (%)**

**Growth in Profit after Tax (₹ in Crores)**

**Debt-Equity Ratio (X)**


## 10 YEAR FINANCIAL SUMMARY - BALANCE SHEET

₹ in Crores

Balance Sheet as at	Jun-01	Jun-02	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10
Sources of Funds										
Equity Share Capital	13.32	17.32	18.18	19.14	22.00	26.88	29.35	31.86	38.06	41.23
Share Capital (Pending)	-	-	-	-	-	-	-	-	-	64.66
Share Application Money	-	-	-	-	-	-	0.01	-	-	-
Warrant Application Money	-	-	-	-	3.00	-	-	63.26	22.88	122.88
Reserves & Surplus	22.75	36.68	49.50	75.75	196.53	500.02	1,062.82	1,751.50	2,211.48	2,527.48
Shareholders Fund	36.07	54.00	67.68	94.89	221.53	526.90	1,092.18	1,846.62	2,272.42	2,756.25
Secured Loans	68.22	109.53	141.32	214.76	256.17	428.10	951.93	1,991.77	2,525.53	1,236.03
Unsecured Loans	1.42	0.30	4.23	21.36	30.04	173.29	347.65	200.01	324.86	150.19
Total Loans	69.64	109.83	145.55	236.12	286.21	601.39	1,299.58	2,191.78	2,850.39	1,386.22
Deferred Tax Liability	-	1.79	2.92	6.03	13.04	27.92	55.84	67.84	116.10	72.43
Total Liabilities	105.71	165.62	216.15	337.04	520.78	1,156.20	2,447.60	4,106.24	5,238.91	4,214.90

Application of Funds										
Gross Block	41.24	77.72	122.98	184.71	251.10	366.01	767.07	1,368.76	1,876.45	1,417.04
Depreciation	5.22	9.43	15.67	24.32	37.36	56.58	92.47	170.59	307.69	294.89
Net Block	36.01	68.29	107.31	160.39	213.74	309.43	674.60	1,198.17	1,568.76	1,122.15
Capital WIP	7.86	6.28	3.32	14.44	15.79	86.06	131.13	330.64	345.23	59.68
NB + CWIP	43.87	74.57	110.63	174.83	229.53	395.49	805.73	1,528.81	1,913.99	1,181.83
Investment	5.07	5.07	5.26	5.26	31.92	161.67	252.01	586.52	954.03	2,002.91
Current Assets										
Inventories	56.33	87.41	114.38	157.60	275.93	507.02	885.96	1,429.84	1,787.84	1,270.67
Debtors	12.98	17.69	22.32	17.58	12.31	17.03	65.17	113.16	177.25	123.57
Cash & Bank Balance	2.38	4.03	8.07	13.85	21.50	21.77	162.97	121.10	109.34	100.54
Loans & Advances	11.10	23.33	21.43	40.95	93.68	297.57	633.85	962.32	1,202.56	421.68
Other Current Assets	-	-	-	-	0.46	1.09	1.50	2.16	5.75	1.34
Total Current Assets	82.78	132.46	166.21	229.98	403.87	844.48	1,749.45	2,628.58	3,282.74	1,917.80
Current Liabilities										
Creditors	13.75	23.82	17.64	13.58	78.69	136.08	223.72	310.40	385.38	446.48
Other Current Liabilities	12.04	22.05	44.44	52.91	48.39	93.73	120.15	309.68	506.01	416.93
Provisions	0.98	1.23	4.40	6.95	17.74	15.62	15.71	17.58	20.47	24.22
Total Current Liabilities	26.77	47.10	66.48	73.44	144.82	245.44	359.58	637.66	911.86	887.63
Net Current Assets	56.01	85.36	99.73	156.54	259.05	599.04	1,389.86	1,990.91	2,370.88	1,030.17
Misc. Expenditure	0.76	0.63	0.53	0.40	0.28	-	-	-	-	-
<b>Total Assets</b>	<b>105.71</b>	<b>165.62</b>	<b>216.16</b>	<b>337.04</b>	<b>520.78</b>	<b>1,156.20</b>	<b>2,447.60</b>	<b>4,106.24</b>	<b>5,238.91</b>	<b>4,214.90</b>



## 10 YEAR FINANCIAL SUMMARY - PROFIT &amp; LOSS ACCOUNT

₹ in Crores

Profit & Loss Account as at	Jun-01	Jun-02	Jun-03	Jun-04	Jun-05	Jun-06	Jun-07	Jun-08	Jun-09	Jun-10
Sales & Operating Income	180.58	285.29	444.83	658.31	1,052.80	1,868.97	3,236.74	5,048.91	6,341.70	5,934.37
Other Income	0.44	0.67	0.79	1.33	3.05	3.00	92.03	3.76	6.06	84.63
Total Income	181.02	285.96	445.62	659.64	1,055.85	1,871.97	3,328.77	5,052.67	6,347.77	6,019.00
Cost of Goods Cons. & Sold	117.98	186.11	303.50	438.01	700.31	1,243.43	2,245.05	3,512.19	4,429.95	4,062.53
Labour Charges	8.28	6.51	6.77	6.97	15.27	20.66	14.62	21.28	15.79	14.82
Packing Materials	1.24	2.11	3.10	5.64	12.44	19.22	27.80	40.40	51.74	26.74
Power	2.02	5.34	7.94	12.08	21.95	37.41	61.51	78.20	98.97	83.20
Excise	0.43	4.58	3.40	3.36	0.28	-	-	-	-	-
Rent	6.18	10.03	15.71	27.59	47.97	113.46	207.01	326.27	405.76	477.07
Personnel Cost	6.81	13.59	19.13	27.53	50.65	112.07	206.09	274.07	274.26	279.58
Advertisement Expenses	6.05	8.77	11.83	18.75	32.56	50.96	93.14	118.28	114.23	149.52
Transportation Expenses	1.73	2.72	3.43	5.95	12.66	19.08	-	-	-	-
Sales Tax	3.55	5.26	7.75	14.91	-	-	-	-	-	-
Misc. Expenditure	12.00	17.96	24.88	41.72	67.84	106.03	165.92	217.70	282.55	248.84
Total Cost	166.27	262.98	407.44	602.50	961.94	1,722.34	3,021.14	4,588.39	5,673.27	5,342.30
PBDIT	14.74	22.98	38.18	57.14	93.91	149.64	307.63	464.28	674.50	676.70
Finance Charges	6.22	11.24	17.67	23.94	27.46	36.92	89.76	185.27	318.22	288.24
PBDT	8.52	11.74	20.51	33.20	66.46	112.71	217.87	279.01	356.28	388.46
Depreciation	1.63	4.22	6.35	8.79	13.33	20.82	36.86	83.39	140.05	161.88
PBT	6.89	7.53	14.16	24.41	53.12	91.90	181.01	195.62	216.23	226.57
Prior Period Items	0.04	0.01	0.78	0.07	0.03	0.07	0.06	(0.03)	-	12.93
Profit after EOI	6.85	7.52	13.38	24.33	53.09	91.82	180.96	195.64	216.23	213.64
Current Tax	0.45	0.39	0.85	1.45	7.28	11.04	30.71	29.16	25.23	36.00
Deferred Tax	-	0.10	1.13	3.11	7.01	14.87	27.93	37.28	48.26	1.25
Fringe Benefit Tax	-	-	-	-	0.24	1.75	2.32	3.24	1.89	-
Earlier Year Income Tax	-	-	-	-	-	-	-	-	0.27	(3.17)
PAT	6.40	7.03	11.41	19.78	38.55	64.16	119.99	125.97	140.58	179.56



# **Financial Statements and Notes**

## Auditors' Report

### The Members of Pantaloon Retail (India) Limited

1. We have audited the attached Balance Sheet of Pantaloon Retail (India) Limited as at June 30, 2010 and also the Profit and Loss account and the cash flow statement for the year 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 subsection (3C) of section 211 of the Companies Act, 1956, read with note B(3) of schedule 19 related to the accounting of the effect of the composite scheme of Amalgamation and Arrangements, which has been done in accordance with the terms of the scheme as approved by the High Court;
  - v. On the basis of the written representations received from the directors, as on June 30, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on June 30, 2010 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 read together with significant accounting policies and other notes to accounts of Schedule 19 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 June 30, 2010;
    - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
    - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

**For NGS & Co.**

Chartered Accountants  
Firm Registration No.119850W

**Navin T. Gupta**

Partner

Membership No.: 40334

Place: Mumbai

Date : August 28, 2010

**Annexure to the Auditors Report**  
**Re: Pantaloon Retail (India) Limited ('the Company')**

With reference to the Annexure referred to in Paragraph 3 of the report of the Auditors to the members of the company for the year ended June 30,2010, 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 physically verified certain assets during the period in accordance with a program of verification, which in our opinion provides for physical verification of the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (c) Pursuant to the composite scheme of Amalgamation and Arrangement the scheme involving the company, Future Mall Management Limited (FMML) and Future Merchandising Limited (FML), the company has transferred the fixed assets pertaining to the value retail business and mall management business to FMML and FML respectively. In our opinion and according to the information and explanations given to us, the aforesaid transfer does not affect going concern assumption.
- ii. (a) The Company has conducted physical verification of inventory at regular intervals during the year.
- (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and its nature of business.
- (c) In our opinion and according to the information and explanations given to us, the Company is maintaining proper records of inventory. The discrepancies noticed on verification between physical stocks and the book records were not material having regard to the size of the operations of the company.
- iii. The Company has not granted or taken any loan secured/unsecured to/from Companies, firms or parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly,

clause (iii) of Paragraph 4 of the Companies (Auditor's Report) Order, 2003 (as amended) is not applicable to the Company.

- iv. In our opinion, and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and nature of its business for purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas. Further, we have not observed any continuing failure to correct major weakness in internal control system of the Company.
- v. In respect of particulars of contracts or arrangements and transactions entered in the register maintained in pursuance of section 301 of the Companies Act, 1956.
  - a. To the best of our knowledge and belief and according to the information and explanations given to us, particulars of contracts or arrangements that needed to be entered into the register have been so entered.
  - b. According to the information and explanations given to us, the transactions made in pursuance of these contracts or arrangements referred to in 5(a) above and exceeding the value of ₹five lakhs with any party during the year have been made at prices which are reasonable having regards to prevailing market prices at the relevant time.
- vi. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A, 58AA and other relevant provisions of the Companies Act, 1956 and the rules framed there under with regard to the deposits accepted from public. To the best of our knowledge and according to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or Tribunal.
- vii. In our opinion, the internal audit functions carried out during the year by firms of Chartered Accountants appointed by the management have been commensurate with the size of the Company and the nature of its business.

- 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 Act, in respect of Company's products. Accordingly the provision of clause 4(viii) of paragraph 4 of the Companies (Auditors Report) Order 2003 (as amended) is not applicable to the Company.
- ix. (a) According to the information and explanations given to us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess and other material statutory dues applicable to it. According to the information and explanations given to us, no undisputed statutory dues as above were outstanding as at June 30, 2010 for a period of more than 6 months from the date, they became payable. Further since the Central Government of India has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, there is no statutory due payable under Section 441A of the Act.
- (b) According to the information and explanation given to us, the dues of Sales Tax, Income Tax, Customs Duty, Wealth Tax, Excise Duty, Cess, Service Tax and other statutory dues which have not been deposited on account of any dispute and the forum where the dispute is pending are as under:

Name of the Statute	Nature of the dues	Amount (in Crores)	Period	Forum
The Indian Stamp Act, 1899	Stamp Duty	1.81	-	District Collector of Stamps, Gautam-budhnagar, UP.
The Indian Stamp Act, 1899	Stamp Duty	1.55	-	Upper Collector, Ghaziabad, U.P.
The Indian Stamp Act, 1899	Stamp Duty	0.51	-	Collector of Stamp, Kanpur, U.P.
The Indian Stamp Act, 1899	Stamp Duty	0.92	-	Assistant District Magistrate (Finance & Revenue), Allahabad
UP Trade Tax Act	Sales Tax Demand	0.02	-	Additional Commissioner of Commercial Tax.
Karnataka VAT	Sales Tax Demand	0.27	A.Y. 2006-07	Joint commission of commercial taxes, Karnataka

- x. The Company does not have accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.
- xi. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to financial institutions, banks and debenture holders.
- xii. According to the information and explanations given to us, the Company has not given any loans and advances on the basis of security by way of pledge of shares, debentures and other securities and hence the question of maintenance of adequate records for this purpose does not arise.
- xiii. In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause (xiii) of Paragraph 4 of the Companies (Auditors Report) Order 2003(as amended) are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly provisions of clause 4(xiv) of the Companies (Auditors Report) Order 2003(as amended) are not applicable to the Company.
- xv. In our opinion and according to the information and explanations given to us, the Company has given guarantees on behalf of subsidiaries and joint ventures for loans taken from banks, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.
- xvi. In our opinion and according to the information and explanations given to us, the term loans obtained during the year have prima facie been applied for the purpose for which they were taken.
- xvii. According to information and explanations given to us and on 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. According to the information and explanations given to us, the Company has made preferential allotments of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956 and the price at which shares have been issued is not prejudicial to the interests of the Company.

- xix. During the year covered by our audit report, the Company has created security or charge in respect of debentures issued.
- xx. The Company has not raised any money by public issues during the year. Accordingly, the provisions of clause 4(xx) of the Companies (Auditors Report) Order 2003(as amended) are not applicable to the Company.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud by the Company was noticed or reported during the year, although there were

some instances of fraud on the Company noticed by the Management, the amounts whereof were not material in the context of the size of the Company and the nature of its business and the amounts were adequately provided for.

**For NGS & Co.**  
Chartered Accountants  
Firm Registration No.119850W

**Navin T. Gupta**  
Partner  
Place : Mumbai  
Date : August 28, 2010  
Membership No.: 40334

## BALANCE SHEET AS AT JUNE 30, 2010

	Schedule	As At June 30, 2010 (₹ in Crores)	As At June 30, 2009 (₹ in Crores)
<b>SOURCES OF FUNDS :</b>			
<b>Shareholders' Funds</b>			
Share Capital	1	41.23	38.06
Share Capital (Pending Allotment)	19B (2)	64.66	-
Equity Warrants	19B 13(b)	122.88	22.88
Reserves & Surplus	2	2527.48	2211.48
		<b>2756.25</b>	<b>2272.42</b>
<b>Loan Funds</b>			
Secured Loans	3	1236.03	2525.53
Unsecured Loans	4	150.19	324.86
		<b>1386.22</b>	<b>2850.39</b>
<b>Deferred Tax Liability</b>			
		<b>72.43</b>	<b>116.10</b>
		<b>4214.90</b>	<b>5238.91</b>
<b>APPLICATION OF FUNDS :</b>			
<b>Fixed Assets</b>			
Gross Block	5	1417.04	1876.45
Less : Depreciation		294.89	307.69
Net Block		1122.15	1568.76
Capital work-in-progress		59.68	345.23
<b>Investments</b>	6	<b>2002.91</b>	<b>954.03</b>
<b>Current Assets, Loans &amp; Advances</b>			
Inventories	7	1270.67	1787.84
Sundry Debtors	8	123.57	177.25
Cash & Bank Balances	9	100.54	109.34
Loans & Advances	10	421.68	1202.56
Other Current Assets		1.34	5.75
		<b>1917.80</b>	<b>3282.74</b>
<b>Less : Current Liabilities &amp; Provisions</b>			
Current Liabilities	11	863.42	891.39
Provisions	12	24.22	20.46
		<b>887.64</b>	<b>911.85</b>
<b>Net Current Assets</b>		<b>1030.16</b>	<b>2370.89</b>
		<b>4214.90</b>	<b>5238.91</b>

### SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS 19

The Schedules referred to above form an integral part of the Balance Sheet

As per our Report of even date attached

For and on behalf of Board of Directors

For NGS & CO.

Chartered Accountants

Navin T. Gupta  
Partner  
Membership No.:40334

Shailesh Haribhakti  
Chairman

Vijay Biyani  
Wholetime Director

Dr. Darlie O. Koshy  
Director

C. P. Toshniwal  
Chief Financial Officer

Kishore Biyani  
Managing Director

Kailash Bhatia  
Wholetime Director

S. Doreswamy  
Director

Deepak Tanna  
Company Secretary

Rakesh Biyani  
Wholetime Director

Gopikishan Biyani  
Director

V. K. Chopra  
Director

Place : Mumbai  
Date : 28th August, 2010



**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010**

	Schedule	2009-10 (₹ in Crores)	2008-09 (₹ in Crores)
<b>INCOME</b>			
Sales & Operating Income	13	5934.37	6341.70
Other Income	14	84.63	6.06
		<b>6019.00</b>	<b>6347.76</b>
<b>EXPENDITURE</b>			
Cost of goods consumed & sold	15	4062.53	4429.95
Personnel cost	16	279.58	274.26
Operating & other expenses	17	1000.20	969.05
Finance Charges	18	288.24	318.22
Depreciation	5	161.88	140.05
		<b>5792.43</b>	<b>6131.53</b>
<b>Profit before taxes and exceptional item</b>		<b>226.57</b>	<b>216.23</b>
Less : Exceptional Item	19B (2)	12.93	-
<b>Profit Before Tax</b>		<b>213.64</b>	<b>216.23</b>
Less : Adjustment for earlier year's Income Tax		(3.17)	0.27
Less : Tax Expenses	19B (16)	37.25	75.38
<b>Profit After Tax</b>		<b>179.56</b>	<b>140.58</b>
Add : Balance brought forward		380.54	267.56
Less : Dividend and dividend tax paid to Qualified Institutional Buyers		1.13	-
<b>Available for Appropriation</b>		<b>558.97</b>	<b>408.14</b>
Debenture Redemption Reserve		25.00	-
Transfer to General Reserve		17.95	14.06
Proposed Dividend		17.13	11.57
Proposed Dividend on Preference Share		0.00	-
Tax on Proposed Dividend		2.91	1.97
Balance carried to Balance Sheet		<b>495.98</b>	<b>380.54</b>
		<b>558.97</b>	<b>408.14</b>
<b>Earnings Per Share in ₹ (Face value ₹ 2)</b>			
<b>Basic &amp; Diluted - Equity</b>		<b>8.46</b>	<b>7.94</b>
<b>Basic &amp; Diluted - Class B series 1</b>		<b>8.56</b>	<b>8.04</b>
Refer Note No. 20 of schedule 19B			

**SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS 19**

The Schedules referred to above form an integral part of the Profit &amp; Loss Account

As per our Report of even date attached

For and on behalf of Board of Directors

For NGS &amp; CO.

Chartered Accountants

**Navin T. Gupta**  
Partner  
Membership No.:40334

**Shailesh Haribhakti**  
Chairman

**Vijay Biyani**  
Wholtime Director

**Dr. Darlie O. Koshy**  
Director

**C. P. Toshniwal**  
Chief Financial Officer

**Kishore Biyani**  
Managing Director

**Kailash Bhatia**  
Wholtime Director

**S. Doreswamy**  
Director

**Deepak Tanna**  
Company Secretary

**Rakesh Biyani**  
Wholtime Director

**Gopikishan Biyani**  
Director

**V. K. Chopra**  
Director

Place : Mumbai  
Date : 28th August, 2010

## SCHEDULES TO BALANCE SHEET AS AT JUNE 30, 2010

	As At June 30,2010 (₹ in Crores)	As At June 30,2009 (₹ in Crores)
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>Authorised</b>		
25,00,00,000 Equity Shares of ₹ 2/- each.	50.00	50.00
70,00,000 Preference Share of ₹ 100/- each	70.00	-
5,00,00,000 Class B Series 1 Shares of ₹ 2/- each	10.00	10.00
	<u>130.00</u>	<u>60.00</u>
<b>Issued</b>		
19,02,25,121 (17,44,02,921) Equity Shares of ₹ 2/-each fully paid up	38.04	34.88
1,59,29,152 Class B Series 1 Shares as Bonus of ₹ 2/- each fully paid	3.19	3.18
	<u>41.23</u>	<u>38.06</u>
<b>Subscribed &amp; Paid Up</b>		
19,02,13,721 (17,43,91,521) Equity Shares of ₹ 2/- each fully paid	38.04	34.88
1,59,29,152 Class B Series 1 shares of ₹ 2/-each fully paid (of the above class B series 1 shares 1,59,29,152 shares allotted as fully paid up by way of capitalisation of share premium)	3.19	3.18
	<u>41.23</u>	<u>38.06</u>
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>		
<b>Capital Reserve</b>		
Balance, at beginning of the year	63.26	-
Transfer on forfeiture of equity warrants	-	63.26
	<u>63.26</u>	<u>63.26</u>
<b>Share Premium</b>		
Balance, at beginning of the year	1,717.71	1,448.04
Add : Premium received during the year	496.81	273.31
Less : Utilised for share issue expenses	9.16	0.46
Less : Utilised for Bonus shares Issued	-	3.18
Less : Utilised as per demerger scheme (Note No. 19(B)(2) )	330.04	-
	<u>1,875.32</u>	<u>1,717.71</u>
<b>Debenture Redemptipon Reserve</b>		
Balance, at beginning of the year	-	-
Transfer From Profit & Loss Account	25.00	-
	<u>25.00</u>	<u>-</u>
<b>General Reserve</b>		
Balance, at beginning of the year	49.97	35.91
Add : Transfer from Profit & Loss Account	17.95	14.06
	<u>67.92</u>	<u>49.97</u>
<b>Profit and Loss Account</b>	<u>495.98</u>	<u>380.54</u>
	<u>2,527.48</u>	<u>2,211.48</u>
<b>SCHEDULE 3 : SECURED LOANS</b>		
(1) Non Convertible Debentures	500.00	-
(2) Term Loans From Banks		
a) Foreign Currency Loans	179.09	97.30
b) Rupee Loans	262.58	1,671.21
(3) Working Capital Loans From Banks		
a) Foreign Currency Loans	-	82.39
b) Rupee Loan	292.60	487.32
c) Commercial Paper	-	185.00
(4) Hire Purchase	1.76	2.31
	<u>1,236.03</u>	<u>2,525.53</u>
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
Long Term Loans from Banks	-	299.85
Debenture application money	-	25.00
Short Term Loans from Banks	99.61	-
Public Deposits	-	0.01
Inter Corporate Deposits	50.58	-
	<u>150.19</u>	<u>324.86</u>

## SCHEDULES TO BALANCE SHEET AS AT JUNE 30, 2010

## Schedule 5 : FIXED ASSETS

(₹ in Crores)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As at 01/07/2009	Additions / Adjustment *	Deductions / Adjustment *	As at 30/06/2010	Up to 01/07/2009	Adjustment for the year *	Depreciation for the year	Up to 30/06/2010	As at 30/06/2010	As at 30/06/2009
Freehold Land	4.83	-	-	4.83	-	-	-	-	4.83	4.83
Leasehold Land	1.17	-	-	1.17	0.14	-	0.02	0.16	1.01	1.03
Building & leasehold improvements	236.95	258.08	293.72	201.31	32.00	22.62	28.73	38.11	163.20	204.95
Plant & Machinery	58.67	13.68	41.58	30.77	8.93	4.54	2.42	6.81	23.96	49.74
Office Equipments	35.23	12.74	23.98	23.99	6.19	3.17	2.31	5.33	18.66	29.04
Computers & Software	386.56	103.96	127.37	363.15	106.10	33.68	56.98	129.40	233.75	280.46
Furniture & Fittings	657.40	343.98	538.36	463.02	101.82	69.60	43.30	75.52	387.50	555.58
Electrical Installations	357.80	224.91	315.15	267.56	38.65	28.83	21.44	31.26	236.30	319.15
Vehicles	3.99	0.52	1.01	3.50	2.11	0.58	0.34	1.87	1.63	1.88
Air Conditioners	133.85	72.34	148.45	57.74	11.75	11.66	6.34	6.43	51.31	122.10
<b>Total</b>	<b>1876.45</b>	<b>1030.21</b>	<b>1489.62</b>	<b>1417.04</b>	<b>307.69</b>	<b>174.68</b>	<b>161.88</b>	<b>294.89</b>	<b>1122.15</b>	<b>1568.76</b>
Previous Year	1368.76	521.74	14.05	1876.45	170.59	2.95	140.05	307.69	1568.76	1198.17

\* Refer note no ( 19B (2), 19B (3) &amp; 19B (27))

## SCHEDULES TO BALANCE SHEET AS AT JUNE 30, 2010

	As At June 30,2010 (₹ in Crores)	As At June 30,2009 (₹ in Crores)
<b>SCHEDULE 6 : INVESTMENTS</b>		
<b>LONG TERM INVESTMENT</b>		
<b>Non-Trade</b>		
<b>In Equity Shares - Quoted, Fully paid up of ₹ 10/- each unless otherwise stated</b>		
<b>Subsidiary Company</b>		
3,47,79,999 Equity Shares of Future Capital Holdings Limited	59.53	59.53
<b>Others</b>		
5,631 Equity shares of Andhra Bank Limited	0.05	0.05
49,37,935 Equity shares of Galaxy Entertainment Corporation Limited	19.03	19.03
<b>In Equity Shares - Unquoted, Fully paid up ₹ 10/- each unless otherwise stated</b>		
<b>Subsidiary Companies</b>		
5,100 Equity Shares of CIG Infrastructure Private Limited	0.01	0.01
3,51,00,000 Equity Shares of Future Agrovvet Limited	35.10	35.10
1,91,60,000 Equity Shares of Futurebazaar India Limited	19.16	19.16
NIL (1,40,00,000) Equity Shares of Future Brands Limited	-	14.00
NIL (50,000) Equity Shares of Future Consumer Enterprises Limited	-	0.05
NIL (50,000) Equity Shares of Future Consumer Products Limited	-	0.05
1,69,98,000 Equity Shares of Future E-Commerce Infrastructure Limited	17.00	17.00
4,46,97,790 Equity Shares of Future Knowledge Services Limited	44.70	44.70
2,82,65,550 Equity Shares of Future Learning and Development Limited	28.26	28.26
2,74,62,962 (2,45,00,000) Equity Shares of Future Supply Chain Solutions Limited (Formerly Known as Future Logistic Solutions Limited)	64.50	24.50
NIL (50,000) Equity Shares of Future Mall Management Limited (Note No. 19B (3))	-	0.05
21,06,062 Equity Shares of Future Media (India) Limited	11.38	11.38
NIL (50,000) Equity Shares of Future Merchandising Limited	-	0.05
55,50,000 Equity Shares of Future Mobile and Accessories Limited	5.55	5.55
6,68,624 (2,01,51,095) Equity shares of Home Solutions Retail (India) Limited (Note No. 19B (2))	3.61	165.35
6,64,99,912 (21,00,000) Equity Shares of Future Value Retail Limited (Formerly Known as Pantaloon Future Ventures Limited)	978.50	28.50
2,40,000 Equity Shares of Winners Sports Limited (Formerly Known as Winner Sports Private Limited)	27.38	27.38
<b>In Preference Shares - Unquoted, Fully paid up of ₹10/-each unless otherwise stated</b>		
<b>Subsidiary Companies</b>		
7,60,000 0.01% Non-Cumulative Redeemable Preference Shares of Winners Sports Limited (Formerly Known as Winner Sports Private Limited)	0.76	0.76

## SCHEDULES TO BALANCE SHEET AS AT JUNE 30, 2010

	As At June 30,2010 (₹ in Crores)	As At June 30,2009 (₹ in Crores)
<b>In Equity Shares - Unquoted, Fully paid up of ₹ 10/-each unless otherwise stated</b>		
Joint Venture Companies		
22,03,500 Equity Shares of Apollo Design Apparel Parks Limited	66.86	66.86
1,00,00,000 Equity Shares of Future Axiom Telecom Limited	10.00	10.00
7,90,50,000 (5,61,00,000) Equity Shares of Future Generali India Insurance Company Limited	79.05	56.10
17,90,10,000 (12,94,67,500) Equity Shares of Future Generali India Life Insurance Company Limited	179.01	129.47
21,19,394(16,50,000) Equity Shares of Staples Future Office Products Private Limited	27.91	13.74
22,81,500 Equity Shares of Goldmohur Design and Apparel Park Limited	62.88	62.88
NIL (25,62,000) Equity Shares of Gupta Infrastructure (India) Private Limited (Note No.19B (3))	-	7.68
8,66,12,431 (5,08,34,473) Equity Shares of Sain Advisory Services Private Limited	86.61	50.83
3,81,70,000 (2,71,45,000) Equity Shares of Shendra Advisory Services Private Limited	38.17	27.14
1,00,000 Equity Shares of Talwalkars Pantaloon Fitness Private Limited of ₹ 100/- each	1.00	1.00
<b>Others</b>		
<b>Equity Shares - Unquoted, Fully paid up of ₹ 10/-each unless otherwise stated</b>		
48,281 Equity Shares of Foot-Mart Retail India Limited	0.08	0.08
20,000 (4,000) Equity Shares of Kalyan Janata Sahakari Bank Limited of ₹ 25/- each	0.05	0.01
35,78,278 Equity Shares of Pan India Food Solutions Private Limited	3.58	3.58
5,79,771 Equity Shares of Planet Retail Holdings Private Limited	2.90	2.90
5 Shares of Y.A. Chunawala Industrial Co-op Society Limited. (₹ 250)	-	-
<b>In Government and Other Securities - Unquoted</b>		
National Saving Certificates (Deposited with Sales Tax Authorities)	0.01	0.01
<b>Share Application Money Pending Allotment</b>	130.28	21.29
	<b>2,002.91</b>	<b>954.03</b>
 Aggregate Book Value - Quoted	78.61	78.61
- Unquoted	1,924.30	875.42
Aggregate Market Value - Quoted	730.54	928.58
 <b>SCHEDULE 7 : INVENTORIES</b>		
Packing Materials, Branding Material and Stores & Spares	21.12	22.31
Raw Materials	4.59	12.31
Semi finished goods	5.33	4.81
Finished Goods (Including In-Transit)	1,239.63	1,748.41
	<b>1,270.67</b>	<b>1,787.84</b>

## SCHEDULES TO BALANCE SHEET AS AT JUNE 30, 2010

	As At June 30,2010 (₹ in Crores)	As At June 30,2009 (₹ in Crores)
<b>SCHEDULE 8 : SUNDRY DEBTORS</b>		
(Unsecured)		
(a) Debts due for more than six months		
Considered Good	4.05	21.87
Considered Doubtful	0.48	1.76
	4.53	23.63
Less : Provision for Doubtful Debts	0.48	1.76
	4.05	21.87
(b) Other Debts : Considered Good	119.52	155.38
	<b>123.57</b>	<b>177.25</b>
<b>SCHEDULE 9 : CASH &amp; BANK BALANCES</b>		
Cash in Hand	4.44	8.87
Balance with Scheduled Banks :		
- in Current Accounts (including in transit)	80.02	96.04
- in Fixed Deposit Accounts (Including Margin Money Deposit of ₹ 5.89 Crores, 2009: ₹ 4.12 Crores)	15.74	4.15
- in Unpaid Dividend Accounts	0.34	0.28
	<b>100.54</b>	<b>109.34</b>
<b>SCHEDULE 10 : LOANS &amp; ADVANCES</b>		
(Unsecured & Considered good)		
Inter Corporate Deposits	19.57	5.55
Advances Recoverable in cash or in kind for value to be received #	223.09	365.40
Deposits	175.20	816.33
Payments/Deductions of Income Tax ( Net of Provisions)	3.82	15.28
	<b>421.68</b>	<b>1,202.56</b>
<b>SCHEDULE 11 : LIABILITIES</b>		
Acceptances	294.05	413.22
Sundry Creditors*	446.49	385.95
Advances from Customer*	33.61	10.73
Other Liabilities @	59.52	81.14
Interest accrued but not due	29.41	0.07
Unpaid Dividend	0.34	0.28
	<b>863.42</b>	<b>891.39</b>
<b>SCHEDULE 12 : PROVISIONS</b>		
Proposed Dividend	17.13	11.57
Dividend Tax	2.91	1.97
Gratuity & Leave Encashment	4.18	6.92
	<b>24.22</b>	<b>20.46</b>

# Includes ₹ 0.15 Crores (previous year ₹ 2.77 Crores) Receivable from Subsidiaries

\* Includes ₹ 36.63 Crores (previous year ₹ 180.67 Crores) Payables to Subsidiaries.

@ Includes ₹ 0.62 Crores (previous year ₹ 4.15 Crores) Payable to Subsidiaries.

## SCHEDULES TO PROFIT &amp; LOSS ACCOUNT FOR YEAR ENDED JUNE 30, 2010

	2009-10 (₹ in Crores)	2008-09 (₹ in Crores)
<b>SCHEDULE 13 : SALES &amp; OPERATING INCOME</b>		
Sales	6088.36	6423.07
Less: VAT / Sales Tax	382.29	319.72
	5706.07	6103.35
Other Operating Income	228.30	238.35
	5934.37	6341.70
<b>SCHEDULE 14 : OTHER INCOME</b>		
Dividend from Other Investments	1.81	0.15
Profit on Sale of Investments	75.10	0.20
Miscellaneous Income	7.72	5.71
	84.63	6.06
<b>SCHEDULE 15 : COST OF GOODS CONSUMED &amp; SOLD</b>		
<b>Opening Stock</b>		
Raw materials	12.31	10.22
Semi finished goods	4.81	6.94
Finished goods (Note No.19B (2))	2024.03	1393.17
	2041.15	1410.33
<b>Add : Purchase</b>		
Raw materials	27.76	44.01
Finished goods	3243.17	4741.14
	3270.93	4785.15
<b>Less : Closing Stock</b>		
Raw materials	4.59	12.31
Semi finished goods	5.33	4.81
Finished goods	1239.63	1748.41
	1249.55	1765.53
	4062.53	4429.95
<b>SCHEDULE 16 : PERSONNEL COST</b>		
Salaries, Wages & Bonus	253.83	246.58
Welfare expenses	10.66	11.26
Contribution to Provident & Other Funds	12.76	14.25
Gratuity and Leave Encashment	2.33	3.67
	279.58	275.76

## SCHEDULES TO PROFIT & LOSS ACCOUNT FOR YEAR ENDED JUNE 30, 2010

	2009-10 (₹ in Crores)	2008-09 (₹ in Crores)
<b>SCHEDULE 17 : OPERATING &amp; OTHER EXPENSES</b>		
Labour Charges	14.82	15.79
Packing Material	26.74	51.74
Stores & Spares	0.24	0.26
Branding Material	1.39	1.90
Power & Fuel	83.20	98.97
Repairs & Maintenance		
Building	0.29	2.34
Plant & Machinery	1.12	1.15
Others	14.47	13.13
	15.88	16.62
Rent including lease Rentals	477.07	405.76
Mall Maintenance Charges	77.54	96.13
Rates & Taxes	7.24	5.28
Donation	0.25	0.57
Insurance	4.46	6.10
Auditors' Remuneration	0.31	0.50
Commission	11.32	9.41
Advertisement & Marketing	149.52	114.23
Directors Sitting Fees	0.16	0.12
Directors Commission	0.60	0.18
Loss on Sale/Discarded of Fixed Assets (Net)	8.38	3.81
Provision for Doubtful Debts	-	1.23
Other Expenses	121.08	138.95
	<u>1000.20</u>	<u>967.55</u>
<b>SCHEDULE 18 : FINANCE CHARGES</b>		
Interest : On Debenture and Fixed Loans	149.24	149.28
Others	101.69	121.59
Discounting and Other Charges	48.86	46.89
Exchange Fluctuation Loss	1.25	6.68
	301.04	324.44
Less : Interest Income *		
On fixed deposits	0.07	1.09
Others	12.73	5.13
	12.80	6.22
	<u>288.24</u>	<u>318.22</u>
* Tax deducted at Source	1.32	1.35



## **SCHEDULE 19 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF ACCOUNTS FOR THE YEAR ENDED 30TH JUNE 2010**

### **A. SIGNIFICANT ACCOUNTING POLICIES**

#### **1. Basis of Accounting**

The financial statements are prepared under historical cost convention on accrual basis and in accordance with applicable accounting standards notified by the Government of India/issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

#### **2. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods. Difference between the actual results and estimates is recognised in the period in which the results are known/materialized.

#### **3. Fixed Assets and Depreciation**

Fixed assets are stated at cost, less accumulated depreciation. Cost comprises the purchase price and all attributable cost of bringing the asset to its working condition for its intended use. Financing and other cost relating to acquisition of fixed assets are also included to the extent they relate to the period till such time as the assets are ready for commercial operation. Depreciation is provided on Straight Line Method as per the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 except Leasehold improvements which are amortised over the lease period and employee perquisite- related assets which are depreciated over three years. Intangible Assets are amortised over their useful life not exceeding ten years.

#### **4. Investments**

Current investments are carried at lower of cost and fair value. Long-term investments are stated at cost. Provision for diminution is being made if necessary to recognise a decline, other than temporary in the value thereof.

#### **5. Inventories**

Inventories are valued as follows :

- |  |  |
|--|--|
| a) Stores, Spare parts, Packing material and Branding material | : At Cost                                      |
| b) Raw material & Stitching material                           | : At Cost                                      |
| c) Finished goods and Work in Progress                         | : At the lower of cost or net realisable value |

Cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present condition and location. Cost is computed on weighted average basis.

#### **6. Transaction in Foreign Currency**

Foreign currency transactions are recorded at the exchange rates prevailing at the date of the transaction. Monetary foreign currency assets and liabilities are translated into Indian rupees at the exchange rate prevailing at the balance sheet date. All exchange differences are dealt with in profit and loss account.

#### **7. Revenue Recognition**

Revenue is recognised when it is earned and no significant uncertainty exists as to its realization or collection. Sale of Goods is accounted on delivery to customers. Sales is net of returns, discounts and Value Added Tax/ Sales Tax. Export sales is accounted as revenue on the basis of Bill of Lading. Interest income is recognized on accrual basis. Dividend income is accounted for when the right to receive is established.

#### **8. Retirement and other employee benefits**

Short Term Employee Benefits:

Short Term employee benefits are recognised as an expense at the undiscounted amount in the profit and loss account of the year in which the related service is rendered.

#### **Post Employment Benefits:**

Post employment and other long term employee benefits are recognised as an expense in the Profit and Loss account for the year in which the employee has rendered services. The expense is recognised at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long term benefits are charged to Profit and Loss account.

#### **9. Provision for current and deferred tax**

- a. Provision for current tax is made on the basis of estimated taxable income for the current accounting period in accordance with the provisions of Income tax Act, 1961. Deferred tax resulting from "timing differences" between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date.
- b. Tax Expenses comprise of current tax and deferred tax. The provision for current income tax is the aggregate of the balance provision for 9 months ended March 31, 2010 and the estimated provision based on the taxable profit of remaining 3 months upto June 30, 2010, the actual tax liability, for which, will be determined on the basis of the results for the period April 1, 2010 to March 31, 2011.

#### **10. Provisions, Contingent Liabilities and Contingent Assets**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

#### **11. Impairment of Assets**

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to Profit & Loss Account in the year in which the asset is impaired and the impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest level of cash generating units.

#### **12. Leases**

Leases where significant portion of risk and reward of ownership are retained by the lessor are classified as operating leases and lease rental thereon are charged to Profit and Loss account.

### **B. NOTES ON ACCOUNTS**

1. The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary. Amounts and other disclosures for the preceding year included as an integral part of the current year financial statements and are to be read in relation to the amounts and other disclosures relating to the current year. Current year figures are not comparable with the previous year due to business restructuring.
2. Demerger of Business Undertaking of Home Solutions Retail (India) Limited into the Company (HSRIL Scheme)  
Pursuant to the Scheme of Arrangement approved by the Hon'ble High Court of Judicature at Bombay on August 24, 2010, entire assets and liabilities pertaining to business undertaking except 'Collection i' of Home Solutions Retail (India) Limited (HSRIL), a 66.86% subsidiary of the Company, were transferred and stand vested in the Company as a going concern, effective from April 1, 2009 ("Appointed Date"). The Company has filed the certified copy of the court order approving the HSRIL Scheme with the Registrar of Companies (ROC), Mumbai on August 27, 2010 as required under applicable provisions of the Companies Act, 1956. Accordingly, the said scheme became effective from the Appointed Date on August 27, 2010 (Effective Date).

#### **Salient features of the Scheme are as under:**

- (a) With effect from the 1<sup>st</sup> day of April, 2009 ("Appointed Date"), all the assets and liabilities of the demerged Business Undertaking of HSRIL shall be transferred and vested into the Company.
- (b) In consideration of the HSRIL Scheme, the Company will issue :
  - i. 59,28,818 Equity shares of face value ₹ 2/- each fully paid up aggregating to ₹ 1.19 Crores to the equity shareholders of HSRIL other than the Company; and

- ii. 63,47,635 0.01% Compulsorily Convertible Preference Shares of face value of ₹100/- each fully paid up aggregating to ₹ 63.48 Crores to the equity shareholders of HSRIL other than the Company.

Pending issue of these Equity Shares and, Compulsorily Convertible Preference Shares a sum of ₹ 64.66 Crores has been shown as Share Capital pending allotment.

Accounting (As per the approved scheme)

- a. The Company has recorded all the assets and liabilities, pertaining to the Business Undertaking of HSRIL, at the respective book values appearing in the books of HSRIL.
  - b. Loans and advances and other dues outstanding between the Company and the Business Undertaking of HSRIL are cancelled.
  - c. The difference of ₹ 64.06 Crores between shares to be issued by the Company pursuant to HSRIL Scheme and the net assets of the Business Undertaking acquired are adjusted in the Securities Premium Account of the Company.
  - d. Company has revalued its investment in HSRIL at its fair values, and adjusted the difference between the book value of the investments and the fair value of the investments against Securities Premium Account.
  - e. All costs, charges, taxes including duties, levies and all other expenses (including those of the HSRIL) arising out of, or incurred in carrying out and implementing HSRIL Scheme, aggregating to ₹ 2.00 Crores are adjusted in the Securities Premium Account in the books.
  - f. The results of the operation of Business Undertaking of HSRIL for the period April 1, 2009 to June 30, 2009 has been reflected as exceptional item in the Profit and Loss Account.
3. Demerger from the Company (FMML Scheme)

Pursuant to the Scheme of Arrangement approved by the Hon'ble High Court of Judicature at Bombay on August 24, 2010, entire assets and liabilities of Mall Management Undertaking and Project Management Undertaking of the Company were transferred to Future Mall Management Limited ("FMML"), a wholly owned subsidiary (WOS) of the Company and Mall Asset Management Undertaking and Food Services Undertaking of the Company were transferred to Future Merchandising Limited ("FML"), a WOS of FMML, effective from April 1, 2010 ("Appointed Date"). The Company has filed the certified copy of the court order approving the FMML Scheme with the Registrar of Companies (ROC), Mumbai on August 28, 2010 as required under applicable provisions of the Companies Act, 1956. Accordingly, the said scheme became effective from the Appointed Date on August 28, 2010 ("Effective Date").

**Salient features of the Scheme are as under:**

- (a) With effect from the 1<sup>st</sup> day of April, 2010 ("Appointed Date"), Mall Management Undertaking and Project Management Undertaking of the Company shall be transferred and vested into FMML and Mall Asset Management Undertaking and Food Services Undertaking of the Company shall be transferred and vested into FML.
- (b) In consideration of the demerger of the said undertakings to FMML and FML, FMML will issue shares to the shareholders of the Company in following ratio:
  - (i) 1 fully paid Equity Share of ₹ 10/- each of FMML shall be issued and allotted for every 20 Equity Shares of ₹ 2/- each held in the Company.
  - (ii) 1 fully paid Equity Share of ₹ 10/- each of FMML shall be issued and allotted for every 20 Class B (Series 1) shares of ₹ 2/- each held in the Company.
  - (iii) 1 fully paid up Equity Share of ₹ 10/- each of FMML shall be issued and allotted for every 20 compulsory convertible preference shares of ₹ 100/- each held in Company.

Fractional shares entitlement would be consolidated in the hands of one person nominated by FMML Board and Equity shares will be issued and allotted to such person to be sold by him after listing. The sale proceeds of these shares will be proportionately distributed to shareholders who were entitled to such fractional shares.

Accounting (As per the approved scheme)

- a. The book values of the assets and liabilities pertaining to the Mall Management Undertaking and Project Management Undertaking transferred by the Company to FMML and Mall Asset Management Undertaking and Food Services Undertaking transferred by the Company to FML are reduced from the book values of the assets and liabilities appearing in the books of the Company.

- b. Investment of the Company in FMML has been cancelled.
- c. The difference of the book value of assets transferred over the book value of liabilities transferred and cancellation of investments in FMML has been adjusted against the balance in the Securities Premium Account of the Company.
4. As per Accounting Standard 15 "Employee benefits", the disclosures as defined in the Accounting Standard are given below :

**A. Change in Present Value of Obligation** (₹ in Crores)

Particulars	Gratuity (Funded)	Gratuity (Unfunded)	Leave encashment (Unfunded)
Present Value of the Obligation as on July 1, 2009*	2.05 (1.95)	1.21 (2.25)	2.51 (2.64)
Interest Cost	- (-)	0.48 (0.33)	0.31 (0.21)
Current Service Cost	- (-)	4.18 (2.25)	2.70 (2.27)
Benefits Paid	- (-)	0.41 (0.33)	1.46 (1.31)
Actuarial (gain)/ loss on obligations	- (-)	(3.88) (1.00)	(1.46) (0.39)
Present Value of the Obligation as on June 30, 2010	2.23 (2.05)	1.58 (3.50)	2.60 (3.42)

\* Refer note no 19 B (2), 19 B (3) and 19 1B (27)

**B. Amount recognised in the Balance Sheet** (₹ in Crores)

Particulars	Gratuity (Funded)	Gratuity (Unfunded)	Leave encashment (Unfunded)
Present Value of the Obligation as on June 30, 2010	2.23 (2.05)	1.58 (3.50)	2.60 (3.42)
Fair value of plan assets	2.23 (2.05)	- (-)	- (-)
Un-funded Liability	- (-)	1.58 (3.50)	2.60 (3.42)
Unrecognized actuarial gains/ losses	- (-)	- (-)	- (-)
Un-funded liability recognized in Balance Sheet	- (-)	1.58 (3.50)	2.60 (3.42)

**C. Amount recognised in the Profit and Loss Account** (₹ in Crores)

Particulars	Gratuity (Funded)	Gratuity (Unfunded)	Leave encashment (Unfunded)
Interest Cost	- (-)	0.48 (0.33)	0.31 (0.21)
Current Service Cost	- (-)	4.18 (2.25)	2.70 (2.27)
Expected Return on Plan Assets	0.18 (0.10)	- (-)	- (-)
Actuarial (gain)/ loss on obligations	0.18 (0.10)	(3.88) (1.00)	(1.46) (0.39)
Total expense recognised in the Profit and Loss Account	- (-)	0.78 (1.58)	1.55 (2.09)

**D. Reconciliation of Balance Sheet****(₹ in Crores)**

Particulars	Gratuity (Funded)	Gratuity (Unfunded)	Leave Encashment (Unfunded)
Present Value of the Obligation as on July 1, 2009	2.05 (1.95)	1.21 (2.25)	2.51 (2.64)
Total expense recognised in the Profit and Loss Account	- (-)	0.78 (1.58)	1.55 (2.09)
Benefit paid during the year	- (-)	0.41 (0.33)	1.46 (1.31)
Present Value of the Obligation as on June 30, 2010	2.23 (2.05)	1.58 (3.50)	2.60 (3.42)

**E. The Assumptions used to determine the benefit obligations are as follows :**

Particulars	Gratuity	Leave Encashment
Discount Rate	8.00%	8.00%
Expected Rate of increase in compensation levels	5.00%	5.00%
Expected Rate of return on plan Assets	8.50%	N.A.

The estimate of rate of escalation in salary considered in actuarial valuation takes into account inflation, seniority, Promotion and other relevant factors including supply and demand in the employment market. The above Information is certified by the actuary.

5. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 29.68 Crores (2009: 54.06 Crores).

**6. Contingent Liabilities not provided for :****(₹ in Crores)**

Particulars	2009-10	2008-09
A. Claims against the Company not acknowledged as debts		
i) Value Added Tax Act	0.29	0.41
ii) Others	4.79	6.35
B. Corporate Guarantees given to banks and Financial Institutions on behalf of Group Companies	3519.47	79.12
C. Total Guarantees by banks on behalf of the company and Group Companies	22.50	25.62

**7. Secured Loans: Amount Outstanding****(₹ in Crores)****A. Non Convertible Debenture**

Secured by pari passu first charge on fixed assets (excluding specific fixed assets charged in favour of exclusive charge lender) 500.00

Debentures referred as above are redeemable at par, in one or more installments. The Debentures are redeemable as follows: ₹ 375.00 Crores in financial year 2014-15, ₹ 125.00 Crores in 2015-16

**B. Term Loans****Foreign Currency Loans**

Secured by pari passu first charge on the fixed assets (excluding specific fixed assets charged in favour of exclusive charge lender), credit card receivables of all the stores and pari passu second charge on current assets. 23.00

Secured by pari passu third charge on current assets and Fixed Assets 156.09

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**179.09**

**Rupee Loans**

Secured by pari passu first charge on the fixed assets (excluding specific fixed assets charged in favour of exclusive charge lender), credit card receivables of all the stores and pari passu second charge on current assets.	138.94
Secured by earmarked Fixed Deposit and security deposit paid for premises	9.32
Secured by pari passu first charge on fixed assets (excluding specific fixed assets charged in favour of exclusive charge lender),	29.26
Secured by pari passu third charge on current assets and Fixed Assets	29.37
Secured by exclusive charge on store/warehouse specific fixed assets	55.69
	<u>262.58</u>

**C. Working Capital Loans**

Secured by pari passu first charge on the current assets of the company excluding credit card receivables and pari passu second charge on fixed assets and credit card receivables	292.60
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**D. Hire Purchases**

1.76

Secured by hypothecation of Specific fixed assets.

8. Of the unsecured loans, amount repayable within one year is ₹ 99.61 Crores (2009: ₹Nil) and of the Secured Loans amount repayable within one year is ₹ 130.97 Crores (2009: ₹ 286.47 Crores).

9. Auditors Remuneration:

Particulars	2009-10	2008-09
	₹ in Crores	₹ in Crores
Audit Fees	0.28	0.46
Tax Audit	0.03	0.03
Other Services	-	0.01
TOTAL	0.31	0.50

10. Future interest liabilities in respect of assets of the value of ₹ 3.16 Crores (2009: ₹ 3.16 Crores) acquired on hire purchase basis is ₹ 0.24 Crores (2009: ₹ 0.41 Crores).
11. Interest allocated against fixed assets amounts to ₹ 18.84 Crores (2009: ₹ 23.56 Crores).
12. The Company has entered into operating lease arrangements for fixed assets and premises. The future minimum lease rental obligation under non-cancellable operating leases in respect of these assets is ₹ 1069.63 Crores (2009: 716.88 Crores). The Lease Rent payable not later than one year is ₹ 325.93 Crores (2009 : 293.16 Crore), payable later than one year but not later than five year is ₹ 634.29 Crores (2009 : 348.96 Crores) and payable later than five years is ₹ 109.41 Crores (2009 : 74.76 Crores)
13. a) During the year company has issued and allotted 15,822,200 Equity shares of ₹ 2/- each at a premium of ₹ 314/- by way of Qualified Institutional Placement.
- b) During the year company has issued 1,00,00,000 warrants on preferential allotment basis, which can be converted to same number of equity shares at the option of the holders within 18 months from the date of allotment of the warrants at a premium of ₹ 398/- per share.
14. (A) Particulars of Remuneration and other benefits provided to Directors for the year ended June 30, 2010 and 2009 are set out below :

(₹ in Crores)

Particulars	Year	Salary & Perquisites	Sitting Fees	Commission
Managing Director and other Wholetime Directors	2010	6.36	-	2.55
	2009	4.32	-	1.50
Non-Wholetime Directors	2010	-	0.16	0.60
	2009	-	0.12	0.18

Note: As the future liability towards gratuity and Leave encashment is provided on an actuarial basis for the company as a whole, amount pertaining to the Directors is not ascertainable and therefore not included in above.

- (B) Computation of net profit in accordance with Section 349 of the Companies Act, 1956 and calculation of commission payable to Non-Wholetime directors.

	Year Ended 30/06/2010	
	Amount (₹ in Crores)	Amount (₹ in Crores)
<b>Profit before tax</b>		213.64
Add : Director Sitting Fees	0.16	
Commission paid to Non-Executive Directors	0.60	
Loss on sale/retirement of fixed assets	8.38	
Depreciation as per accounts	161.88	
Managerial Remuneration	8.91	179.93
Less : Depreciation as per Section 350 of the Companies Act,1956	161.88	
Profit on sale of Investment	75.10	236.98
Profit under section 349/350 for computing Managerial Remuneration		156.59
Maximum approved by the Shareholders (1%)		1.57
Commission approved by the Board		0.60

15. The Company has not received any intimation from “suppliers” regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures, if any, relating to amounts unpaid as at the year end together with interest paid / payable as required under the said Act have not been given.

#### 16. Tax Charges

The Tax Expenses for the year comprises of :

(₹ in Crores)

Particulars	2009-10	2008-09
Income Tax		
Current tax	36.00	25.23
Deferred tax	1.25	48.26
Fringe benefit tax	-	1.89
<b>TOTAL</b>	<b>37.25</b>	<b>75.38</b>

#### 17. Related Party Disclosure

Disclosure as required by the accounting Standard 18 “Related Party Disclosure” are given below:

##### a) List of Related Parties

###### Subsidiaries

1. Ambit Investment Advisory Company Limited
2. Axon Development Solutions Limited
3. CIG Infrastructure Private Limited
4. FLSL Distribution Services Limited
5. Future Agrovet Limited
6. Future Brands Limited (Subsidiary till 22.05.2010)
7. Future Capital Financial Services Limited
8. Future Capital Holdings Limited
9. Future Consumer Enterprises Limited (Subsidiary till 31.05.2010)
10. Future Consumer Products Limited (Subsidiary till 29.06.2010)
11. Future E-Commerce Infrastructure Limited
12. Future Finance Limited
13. Future Hospitality Management Limited
14. Future Knowledge Services Limited
15. Future Learning and Development Limited

16. Future Mall Management Limited (Subsidiary till 31.03.2010)
17. Future Media (India) Limited
18. Future Merchandising Limited (Subsidiary till 31.03.2010)
19. Future Mobiles and Accessories Limited
20. Future Supply Chain Solutions Limited (Formerly known as Future Logistic Solutions Limited)
21. Future Value Retail Limited (Formerly known as Pantaloon Future Ventures Limited)
22. Futurebazaar India Limited
23. Home Solutions Retail (India) Limited
24. Indivision Investment Advisors Limited
25. Kshitij Investment Advisory Company Limited
26. Kshitij Property Solutions Private Limited
27. Myra Mall Management Company Limited
28. Pairs Retail India Limited (Formerly known as Home Lighting India Limited (Subsidiary till 03.01.2010))
29. Winner Sports Limited (Formerly known as Winner Sports Private Limited)

**Associate Companies/Firms**

1. Bansi Mall Management Company Private Limited
2. Aashirwad Malls Private Limited
3. Shreya Mall Management Private Limited
4. Future Ventures India Limited
5. KB Mall Management Company Limited
6. Nishta Mall Management Company Private Limited
7. Iskrupa Mall Management Company Private Limited
8. Manz Retail Private Limited
9. Unique Malls Private Limited
10. Acute Realty Private Limited
11. Niyaman Mall Management Company Private Limited
12. Future Corporate Resources Limited (Formerly known as PFH Entertainment Limited)
13. Idiom Design & Consulting Limited
14. Future Ideas Company Limited
15. Pantaloon Industries Limited
16. Galaxy Entertainment Corporation Limited

**Key Management Personnel**

1. Mr. Kishore Biyani – Managing Director
2. Mr. Gopikishan Biyani – Whole time Director (till 31.03.2010)
3. Mr. Rakesh Biyani – Whole time Director
4. Mr. Vijay Biyani – Whole time Director (W.e.f. 26.09.2009)
5. Mr. Kailash Bhatia- Whole time Director (W.e.f. 01.04.2010)

**Relatives of Key Management Personnel**

1. Mr. Anil Biyani
2. Mrs. Godavari Devi Biyani
3. Mrs. Sangita Biyani
4. Mrs. Sampat Biyani
5. Mrs. Santosh Biyani



**b) Transaction with related Parties**

(₹ in Crores)

Nature of transactions	Associate Companies/ Joint Ventures	Subsidiaries	Key Management Personnel & Relatives
Sales and Operating Income	103.29 (59.96)	331.30 (39.97)	
Sale of Fixed Assets	1.66 (0.01)	1.24 (3.23)	
Purchases	41.12 (377.84)	534.96 (782.37)	
Purchase of Fixed Assets including CWIP	8.62 (6.10)	39.05 (12.92)	
Expenditure on Services and Others	95.32 (109.39)	23.79 (201.64)	0.24 (0.07)
Managerial Remuneration & Commission			8.91 (5.82)
Inter Corporate Deposit Given	- (1.63)	5.00 (-)	
Advances Given	2.04 (5.68)	3.11 (12.93)	
Advance Taken	0.02 (11.63)	15.12 (10.21)	
Loans & Deposit Given	3.00 (164.51)	- (9.51)	
Loans & Deposit Taken	- (2.43)	0.51 (0.15)	
Investment	133.48 (187.41)	990.00 (221.08)	
Share Application Money	120.18 (10.45)	7.00 (3.91)	
Outstanding Balances as on 30/06/2010 Receivable	109.95 (321.44)	51.38 (40.54)	
Payable	35.31 (98.94)	37.25 (184.82)	

**c) Disclosure in respect of material Related Party Transactions during the year :**

- Sales and Operating Income includes Future Learning and Development Limited ₹14.19 Crores (2009: ₹ 0.23 Crores), Talwalkars Pantaloon Fitness Private Limited ₹ 2.02 Crores (2009: ₹ 2.45 Crores), Staple Future Office Products Private Limited ₹ 2.02 Crores (2009: ₹ 0.24 Crores), Future Value Retail Limited ₹ 271.84 Crores (2009: Nil), Future Knowledge Services Limited ₹ 21.79 Crores (2009: 0.06 Crores), Pantaloon Industries Limited ₹ 80.26 Crores (2009 : NIL)
- Purchases includes Future Mobile and Accessories Limited ₹ 87.32 Crores (2009: ₹ Nil), Future Agrovat Limited ₹ 276.96 Crores (2009: ₹ 268.91 Crores), Winner Sports Limited ₹ 56.51 Crores (2009: ₹ 6.87 Crores), Pantaloon Industries Limited ₹ 31.85 Crores (2009 : 42.38 Crores)
- Sale of Fixed Assets includes Future Value Retail Limited ₹ 0.59 Crores (2009: ₹ Nil), Future Knowledge Services Limited ₹ 0.43 Crores (2009: ₹ 2.22 Crores), Pantaloon Industries Limited ₹ 1.66 Crores (2009 : NIL)
- Expenditure on services and others includes Future Media (India) Limited ₹ 6.30 Crores (2009: ₹ 3.29 Crores), Future Mobiles and Accessories Limited ₹ 2.39 Crores (2009: ₹ Nil) and Future Learning and Development Limited ₹ 6.44 Crores (2009: ₹ 4.83 Crores), Future Capital Holdings Limited ₹ 7.09 Crores (2009: 0.08 Crores), Bansi Mall Management Company Private Limited ₹ 18.32 Crores (2009 : 0.80 Crores), Future Corporate Resources Limited ₹ 48.16 Crores (2009 : 65.84 Crores),

Mr. Anil Biyani ₹ 0.04 Crores (2009:0.003 Crores), Mrs. Godavari Devi Biyani ₹ 0.06 Crores (2009: Nil), Mrs. Sampat Biyani ₹ 0.01 Crores(2009:0.006 Crores), Mrs. Sangeeta Biyani ₹ 0.06 Crores (2009:0.06 Crores), Mrs. Santosh Biyani ₹ 0.06 Crores (2009 : Nil)

- (v) Purchase of Fixed Assets including CWIP includes Future Knowledge Services Limited ₹ 34.91 Crores (2009: ₹ 12.86 Crores), Idiom design and consulting limited ₹ 1.90 Crores (2009 : Nil)
- (vi) Deposit given includes Pantaloon Industries Limited ₹ 3.00 Crores (2009 : Nil)
- (vii) Advance given includes Future Idea Company Limited ₹ 0.30 Crores (2009 : Nil)

#### Joint Venture Information:

Joint Venture, as required by (AS-27) "Financial Reporting of interest in Joint Venture" is given below:

#### Detail of Joint Venture Interest

Sr. No.	Name of the Company	Description of Interest	Country of Incorporation	Percentage of Interest as on 30.06.2010	Percentage of Interest as on 30.06.2009
1	Apollo Design Apparel Parks Limited	Equity	India	39.00%	39.00%
2	Future Axiom Telecom Limited	Equity	India	50.00%	50.00%
3	Future Generali India Insurance Company Limited	Equity	India	25.50%	25.50%
4	Future Generali India Life Insurance Company Limited	Equity	India	25.50%	25.50%
5	Goldmohur Design and Apparel Park Limited	Equity	India	39.00%	39.00%
6	Mobile Repair Service City India Limited (100% Subsidiary of Future Axiom Telecom Limited)	Equity	India	50.00%	50.00%
7	RealTerm FCH Logistics Advisors Private Limited (50% Joint Venture of Future Capital Holdings Limited)	Equity	India	27.38%	27.38%
8	Sain Advisory Services Private Limited	Equity	India	49.80%	49.80%
9	Shendra Advisory Services Private Limited.	Equity	India	49.80%	49.80%
10	Staples Future Office Products Private Limited	Equity	India	39.59%	37.50%
11	Talwalkars Pantaloon Fitness Private Limited	Equity	India	50.00%	50.00%

#### Company's Interest in the Joint Venture

Sr. No.	Name of the Company	As on	Assets (₹ in Crores)	Liabilities (₹ in Crores)	For the Year ended	Income (₹ in Crores)	Expenditure (₹ in Crores)
1	Apollo Design Apparel Parks Limited	31.03.2010	33.21	4.13	31.03.2010	81.77	78.58
2	Future Axiom Telecom Limited	31.03.2010	61.51	39.02	31.03.2010	132.26	155.14
3	Future Generali India Insurance Company Limited	31.03.2010	109.72	84.06	31.03.2010	56.91	79.76
4	Future Generali India Life Insurance Company Limited	31.03.2010	182.82	152.69	31.03.2010	148.34	239.34
5	Goldmohur Design and Apparel Park Limited	31.03.2010	31.79	4.11	31.03.2010	79.82	76.80
6	Mobile Repair Service City India Limited (100% Subsidiary of Future Axiom Telecom Limited)	31.03.2010	10.13	12.96	31.03.2010	15.91	15.73
7	RealTerm FCH Logistics Advisors Private Limited (50% Joint Venture of Future Capital Holdings Limited)	31.03.2010	1.35	0.31	31.03.2010	2.51	2.08
8	Sain Advisory Services Private Limited	31.03.2010	186.99	0.33	31.03.2010	0.01	0.57
9	Shendra Advisory Services Private Limited.	31.03.2010	72.05	0.00	31.03.2010	0.00	0.03
10	Staples Future Office Products Private Limited	31.03.2010	31.61	17.26	31.03.2010	52.64	59.24
11	Talwalkars Pantaloon Fitness Private Limited	31.03.2010	15.12	14.50	31.03.2010	3.94	6.91

18. The company has acquired and sold the following investments during the year. Previous Year figures are given in bracket:

Particulars	No. of Units/ Shares	
	Purchase	Sold
Home Solutions Retail India Limited	- (3,758,378)	- (3,758,378)
Future Consumer Enterprises Limited	8,50,000 (-)	8,50,000 (-)
Mutual Funds Scheme	- (94,056,153)	- (94,056,153)

#### 19. Earning Per Share

The calculation of Earning per Share (EPS) as disclosed in the Balance Sheet Abstract has been made in accordance with Accounting Standard (AS-20) on Earning per Share issued by the Institute of Chartered Accountants of India. A statement on calculation of diluted EPS is as under:

Particulars	UNITS	2009-10	2008-09
Profit after tax	₹ In Crores	179.56	140.58
The Weighted average number of Ordinary Shares for Basic and Diluted EPS	No. In Crores	19.61	16.10
The Weighted average number of Class 'B' Series Shares for Basic and Diluted EPS	No. In Crores	1.59	1.59
The Nominal Value per Share (Ordinary and Class 'B' Shares)	₹	2.00	2.00
Share of Profit for Ordinary Shares for Basic and Diluted EPS	₹ In Crores	165.95	127.80
Share of Profit for Class 'B' Shares for Basic and Diluted EPS	₹ In Crores	13.61	12.78
Earning per Ordinary share (Basic and Diluted)	₹	8.46	7.94
Earning per Class 'B' Share (Basic and Diluted)	₹	8.56	8.04

#### 20. Deferred Tax Liability

As per Accounting Standard (AS-22) on Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India (ICAI), the deferred tax liability (DTL) comprises of the following :

(₹ In Crores)

Particulars	2009-10	2008-2009
Deferred Tax Liability		
Related to Fixed Assets	102.30	118.87
Deferred Tax Asset		
Disallowances under the Income Tax Act, 1961/Provisions	29.87	2.77
Deferred Tax Liability	72.43*	116.10

\* Refer note no 19 B (2), 19 B (3) and 19 B (27)

#### 21. Sundry Debtors

Sundry Debtors includes amount due from the following companies under the same management

Future Media (India) Limited ₹ 10.95 Crores (2009: 20.55 Crores), Future Mobiles & Accessories Limited ₹ 1.55 Crores (2009: 10.81 Crores), Future Mall Management Limited ₹ 0.05 Crores (2009: Nil), Indivision Investment Advisors Limited ₹ 0.48 Crores (2009: Nil), Future Value Retail Limited ₹ 38.20 Crores (2009: Nil), Future E-Commerce Infrastructure Limited ₹ Nil (2009 : 1.17 Crores), Future Supply Chain Solutions Limited ₹ Nil (2009: 5.24 Crores).

22. Additional information in pursuance of the provisions of the paragraph 3, 4C, 4D, Part II of Schedule VI of the Companies Act, 1956, are as certified by the Management of the Company.

Licensed / Installed Annual Capacities And Production :

	Licensed Capacity		Installed Capacity		Actual Production	
	As at	As at	As at	As at	As at	As at
	30-06-2010	30-06-2009	30-06-2010	30-06-2009	30-06-2010	30-06-2009
			Stitching Machines (Nos.)		Nos. In Crores (Pcs)	
Apparels	N.A.	N.A	416	398	0.16*	0.20*

\* includes job work done by third parties.

The Company is not required to obtain License under Industries (Development and Regulation) Act, and therefore licensed capacity is not applicable.

23. Sales, Purchases, Opening And Closing Stock

(Qty. & Value in Crores)

Particulars	Sales*		Purchases**		Opening Stock**		Closing Stock**	
	Qty* (In Pcs)	Amount	Qty (In Pcs)	Amount	Qty (In Pcs)	Amount	Qty (In Pcs)	Amount
Apparels/Household Items etc.	11.02	4480.63	7.01	2600.65	6.10	1659.33	2.25	1224.58
	(15.19)	(4140.38)	(15.58)	(3080.30)	(5.25)	(1091.86)	(5.84)	(1383.71)
Others		1217.98		642.52		364.70		15.05
		(1956.57)		(1660.84)		(301.31)		(364.70)
Total	11.02	5698.61	7.01	3243.17	6.10	2024.03	2.25	1239.63
	(15.19)	(6096.95)	(15.58)	(4741.14)	(5.25)	(1393.17)	(5.84)	(1748.41)

\* Sales is inclusive of samples, free gifts, shortages.

\*\* Refer note no 19 B (2) and 19 B (27)

The Company having dealt in a large number of products, the quantitative information has been furnished only in respect of major items namely Apparels and Household Items. Other items are grouped together, as quantitative information in respective of each product is not practical to ascertain in view of nature of retailing operation of the Company.

Raw Material :

(Qty. & Value in Crores)

Particulars	Sales		Purchases		Opening Stock		Closing Stock	
	Qty (In Mts.)	Amount (₹)	Qty (In Mts.)	Amount (₹)	Qty (In Mts.)	Amount (₹)	Qty (In Mts.)	Amount (₹)
Fabric & Stitching Material	0.09	7.46	0.21	27.76	0.10	12.31	0.03	4.59
	(0.06)	(6.40)	(0.35)	(44.01)	(0.09)	(10.22)	(0.10)	(12.31)

Raw Material Consumption :

(Qty. & Value in Crores)

		2009-10			2008-09		
		Qty (In Mts)	Value	Percentage	Qty (In Mts)	Value	Percentage
Raw Material	Imported	0.02	2.71	9.67	0.03	3.74	10.53
	Indigenous	0.17	25.31	90.33	0.25	31.78	89.47
	Total	0.19	28.02	100.00	0.28	35.52	100.00

Note: Value of consumption has not been adjusted in respect of Profit /Loss (if any) made on sale of Raw Materials.

**Stores & Spares Consumption**

(Value in Crores)

		2009-10		2008-09	
		Value	% of Consumption	Value	% of Consumption
Stores & Spares	Imported	-	-	-	-
	Indigenous	0.24	100.00	0.26	100.00
	Total	0.24	100.00	0.26	100.00

**24. Value of Imports (CIF Basis)**

(₹ in Crores)

Particulars	2009-10	2008-09
Raw Material	1.65	2.00
Finished goods	126.47	73.28
Capital Goods	13.79	78.03
Accessories & Others	0.99	0.68

**25. Expenditure in foreign currency**

(₹ in Crores)

Particulars	2009-10	2008-09
Traveling Expenses	1.41	0.56
Consulting Fees	0.55	0.78
License Fees & Royalty	-	0.002
Interest on FCNR Loan/Term Loan/Foreign Currency Loan	16.98	6.24
Brokerage & Commission	-	0.15

**26. Foreign Currency Earnings**

(₹ in Crores)

Particulars	2009-10	2008-09
Earning in foreign currency*	60.74	69.28

\*Earning in foreign currency includes ₹ 40.19 Crores (2008: ₹ 45.03 Crores) being indirect foreign exchange earnings during the year through credit cards, as certified by the bankers.

27. As approved by the shareholders, the company had transferred its Value Retail business, as a going concern, to its 100% subsidiary Future Value Retail Limited, with effect from 1<sup>st</sup> January 2010.
28. The Board of Directors, subject to approval of members, have recommended a dividend of ₹ 0.80 (40%) per ordinary equity share and ₹ 0.90 (45%) per class B share (Series 1) & 0.01% on compulsory convertible preference share.
29. The Company continues to retain 11,400 shares of rights issue under abeyance.
30. The Company regards the business retail as a single reportable segment. Accordingly, Segment information is not being disclosed pursuant to the provision of Accounting Standard 17 on "Segment Reporting" issued by the Institute of Chartered Accountants of India.
31. The Book value of certain unquoted long term investments is lower than cost, considering the strategic and long term nature of the investments, in the opinion of the management such decline is temporary in nature and accordingly no provision is necessary for the same.
32. The High Courts of various states have granted an interim stay against recovery of service tax on renting of immovable property arising out of amendment to section 65(105)(zzzz) retrospectively from 01.06.2007 introduced by Finance Act 2010. Accordingly no provision has been made for ₹ 29.07 Crores towards service tax liability. The amount involved in the year ended June 30, 2009 was ₹15.65 Crores.

As per our Report of even date attached

For and on behalf of Board of Directors

For NGS &amp; CO.

Chartered Accountants

Navin T. Gupta  
Partner

Shailesh Haribhakti  
Chairman

Kishore Biyani  
Managing Director

Rakesh Biyani  
Wholetime  
Director

Membership No.:40334

Vijay Biyani  
Wholetime Director

Kailash Bhatia  
Wholetime Director

Gopikishan Biyani  
Director

Dr. Darlie O. Koshy  
Director

S. Doreswamy  
Director

V. K. Chopra  
Director

Place : Mumbai  
Date : 28th August, 2010

C. P. Toshniwal  
Chief Financial Officer

Deepak Tanna  
Company Secretary

**Balance Sheet Abstract and Company's General Business Profile:**  
**Information Pursuant to Part IV of Schedule VI to the Companies Act, 1956**

<b>I. Registration Details :</b>			
	Registration No.	44954/1987	State Code 11
	Balance Sheet date	30/06/2010	
<b>II. Capital raised during the year (Amount Rs. in Thousand)</b>			
	Public Issue	NIL	Bonus Issue NIL
	Rights Issue	NIL	Private Placement 31644
<b>III. Position of Mobilisation and Deployment of Funds (Amount ₹ in Thousands)</b>			
<b>Total liabilities</b>		42149005	<b>Total assets</b> 42149005
<b>Sources of funds :</b>			
	Paid up Capital	412286	Reserves & Surplus 25274823
	Equity Warrants	1228750	Unsecured Loans 1501903
	Deferred Tax	724331	Share Capital (pending Allotment) 646621
	Secured Loans	12360334	
<b>Application of Funds :</b>			
	Net Fixed Assets	11818280	Investments 20029131
	Net Current Assets	10301595	Misc. Expenditure NIL
	Accumulated Losses	NIL	
<b>IV. Performance of Company (Amount in ₹ in Thousands)</b>			
	Turnover *	60190041	Total Expenditure 57924289
	Profit before Tax	2136365	Profit after Tax 1795623
	*Including Other Income		
	Earnings per Share Rs.		Dividend rate %
	Ordinary Share :	8.46	Ordinary Share : 40
	Class B Series 1:	8.56	Class B Series 1: 45
<b>V. Generic Names of three principal Products / Services of Company (As per Monetary Terms)</b>			
	<b>Item Code No.(ITC Code)</b>	<b>Product Description</b>	
	620343	Trousers of Synthetic Fibers	
	520530	Shirts of Man-made Fibers	
	521211	Woven Fabrics of Synthetic Staple Fibers	

For **PANTALOON RETAIL (INDIA) LIMITED**

**Shailesh Haribhakti**  
Chairman

**Kishore Biyani**  
Managing Director

**Rakesh Biyani**  
Wholetime Director

**Vijay Biyani**  
Wholetime Director

**Kailash Bhatia**  
Wholetime Director

**Gopikishan Biyani**  
Director

**Dr.Darlie O.Koshy**  
Director

**S.Doreswamy**  
Director

**V.K. Chopra**  
Director

Place : Mumbai  
Date : 28th August, 2010

**C.P.Toshniwal**  
Chief Financial Officer

**Deepak Tanna**  
Company Secretary

## Cash Flow Statement for the year ended 30th June 2010

(Pursuant to Clause 32 of the Listing Agreement)

	2009-2010 (₹ in Crores)	2008-2009 (₹ in Crores)
<b>A Cash Flow from Operating Activities</b>		
Net Profit Before Tax and Extraordinary items	213.64	216.23
Adjustments :		
Depreciation	161.88	140.05
On account of Demerger	(310.29)	-
Interest (Net)	288.24	318.22
Dividend Income	(1.81)	(0.15)
(Profit) / Loss on sale of investments	(75.10)	(0.20)
(Profit) / Loss on Sale/Retirement of assets	8.38	3.81
<b>Operating profit before working capital changes</b>	<b>284.94</b>	<b>677.96</b>
Adjusted for:		
Trade and other receivable	58.08	(67.68)
Inventories	517.17	(358.01)
Loans & advances	192.58	(170.70)
Trade payables	116.81	157.61
Net Cash generated from operations	1,169.58	239.18
Direct taxes paid	(24.55)	(32.81)
Earlier year's Income Tax	3.17	(0.27)
<b>Net Cash generated by Operating Activities</b>	<b>1,148.20</b>	<b>206.11</b>
<b>B Cash Flow From Investing Activities</b>		
Acquisition Fixed Assets	(1,030.21)	(521.74)
(Increase)/Decrease in capital work - in - progress	285.55	(14.60)
Share Application Money	(108.99)	(10.36)
Proceeds from sale of fixed assets	1,306.56	7.24
Proceeds on Sale of investments	90.10	71.60
Purchase of investments	(954.89)	(428.56)
Due to Subsidiary	(144.95)	135.11
Inter Corporate Deposits	(14.02)	24.83
Deposit given leased premises	588.24	(108.25)
Dividend Income	1.81	0.15
<b>Net Cash used in Investing Activities</b>	<b>19.20</b>	<b>(844.59)</b>

**Cash Flow Statement for the year ended 30th June 2010**  
(Pursuant to Clause 32 of the Listing Agreement)

	2009-2010 (₹ in Crores)	2008-2009 (₹ in Crores)
<b>C Cash Flow from Financing Activities</b>		
Dividend paid (Including distribution tax)	(14.61)	(12.42)
Working Capital from Banks/Institutions	(277.66)	(47.26)
Proceeds from Issue of Share Capital (Net of Expenses)	590.82	298.75
Proceeds/ (repayment) of Commercial Paper	(185.00)	105.00
Proceeds from long term borrowing	(826.84)	775.87
Proceeds/ (repayment) of short term borrowings (Net)	(174.67)	(200.00)
Proceeds from debenture application money	-	25.00
Interest (Net)	(288.24)	(318.22)
<b>Net Cash from financing activities</b>	<b>(1,176.20)</b>	<b>626.72</b>
 Net Cash used in Cash and Cash Equivalents (A + B + C)	 (8.80)	 (11.76)
Cash & Cash Equivalents (Opening balance)	109.34	121.10
Cash & Cash Equivalents (Closing balance)	100.54	109.34
 <b>Cash and Cash Equivalents include:</b>		
Cash in Hand (as certified)	4.44	8.87
Balance with Scheduled Banks :		
in Current Accounts (including in transit)	80.02	96.04
in Fixed Deposit Account	15.74	4.15
in Unpaid Dividend Accounts	0.34	0.28
	100.54	109.34

Note:

- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 "Cash Flow Statements" issued by the Institute of Chartered Accountants of India.

As per our Report of even date attached

For and on behalf of Board of Directors

For NGS & CO.

Chartered Accountants

Navin T. Gupta  
Partner

Shailesh Haribhakti  
Chairman

Kishore Biyani  
Managing Director

Rakesh Biyani  
Wholetime  
Director

Membership No.:40334

Vijay Biyani  
Wholetime Director

Kailash Bhatia  
Wholetime Director

Gopikishan Biyani  
Director

Dr. Darlie O. Koshy  
Director

S. Doreswamy  
Director

V. K. Chopra  
Director

Place : Mumbai  
Date : 28th August, 2010

C. P. Toshniwal  
Chief Financial Officer

Deepak Tanna  
Company Secretary



**Statement Pursuant to Section 212 of the Companies Act, 1956,  
relating to Subsidiaries Companies as on June 30, 2010**

Sr. No.	Name of the Subsidiary Companies	Financial Period Ended	Extent of the Holding Companies Interest(%)	Net aggregate amount of the Profit/ (Loss) of the Subsidiary, so far as it concerns the members of the Holding Company (₹ in Crores)					
				Not Dealt with in the holding Company's Account				Dealt with in the holding Company's Account	
				Profit After Taxation	For the Financial Year of the subsidiary	B/F Profit	For the previous financial years since they became subsidiary	For the Financial Year of the subsidiary	For the previous financial years since they became subsidiary
1	Ambit Investment Advisory Company Limited #	March 31, 2010	54.75%	(0.43)	(0.24)	0.02	0.01	-	-
2	Axon Development Solutions Limited#	March 31, 2010	54.75%	(0.01)	(0.00)	(0.04)	(0.02)	-	-
3	CIG Infrastructure Limited	March 31, 2010	51.00%	(0.00)	(0.00)	(0.01)	(0.00)	-	-
4	Future Capital Financial Services Limited#	March 31, 2010	54.75%	24.90	13.63	(56.33)	(30.84)	-	-
5	Future Capital Holdings Limited	March 31, 2010	54.75%	17.32	9.48	14.67	8.03	-	-
6	Future Capital Investment Advisors Limited #	March 31, 2010	54.75%	3.89	2.13	5.36	2.93	-	-
7	Future E-Commerce Infrastructure Limited	March 31, 2010	72.00%	(13.94)	(10.04)	(28.28)	(20.36)	-	-
8	Future Finance Limited #	March 31, 2010	54.75%	0.78	0.42	0.79	0.43	-	-
9	Future Hospitality Management Limited #	March 31, 2010	54.75%	(0.01)	(0.00)	(0.03)	(0.01)	-	-
10	Future Knowledge Services Limited	March 31, 2010	100.00%	(5.47)	(5.47)	(2.53)	(2.53)	-	-
11	Future Learning and Development Limited	March 31, 2010	100.00%	(2.08)	(2.08)	(0.16)	(0.16)	-	-
12	Future Supply Chain Solutions Limited (Formerly Future Logistics Solutions Limited)	March 31, 2010	94.82%	0.24	0.22	(4.16)	(3.94)	-	-
13	Future Media (India) Limited	March 31, 2010	84.24%	(5.63)	(4.74)	(18.36)	(15.46)	-	-
14	Future Mobile and Accessories Limited	March 31, 2010	100.00%	(3.07)	(3.07)	(4.37)	(4.37)	-	-
15	Futurebazaar India Limited	March 31, 2010	100.00%	0.24	0.24	(13.46)	(13.46)	-	-
16	Home Solutions Retail (India) Limited	June 30, 2010	66.86%	(3.62)	(2.42)	(113.04)	(75.58)	-	-
17	Kshitij Investment Advisory Company Limited #	March 31, 2010	54.75%	7.05	3.86	5.31	2.91	-	-
18	Myra Mall Management Company Limited #	March 31, 2010	54.75%	5.39	2.95	(2.43)	(1.33)	-	-
19	Future Agrovet Limited	March 31, 2010	96.16%	(0.27)	(0.26)	(5.78)	(5.56)	-	-
20	Future Value Retail Limited (Formerly Pantaloon Future Ventures Limited)	June 30, 2010	100.00%	50.60	50.60	(0.19)	(0.19)	-	-
21	FLSL Distribution Services Limited \$	March 31, 2010	94.82%	(0.02)	(0.02)	(0.00)	(0.00)	-	-
22	Kshitij Property Solution Private Limited #	March 31, 2010	54.75%	(0.17)	(0.10)	(4.34)	(2.38)	-	-
23	Winner Sports Limited (Formerly Winner Sports Private Limited)	March 31, 2010	100.00%	(2.16)	(2.16)	(0.41)	(0.41)	-	-

Note : Consequent to the Court approval to demerger scheme investment in shares of Future Mall Management Limited (FMML) has been cancelled in Companies accounts with effect from April 1, 2010. Hence FMML and its wholly owned subsidiary Future Merchandising Limited (FML) has not been considered as subsidiaries as on balance sheet date and accordingly not included in above statement.

# Subsidiaries of Future Capital Holding Limited

\$ Subsidiaries of Future Supply Chain Solutions Limited

Addendum to the Annual Report of Pantaloon Retail (India) Limited for the year ended June 30, 2010, Pursuant to the direction given by the Central Government of India vide approval letter no. 47/528/208-CL-III dtd. 22/08/2008 directing the company to give following information in the annual report while granting approval under Section 212(8) of the Companies Act 1956.

**Statement Containing Financial details of subsidiaries of Pantaloon Retail (India) Limited**

(₹ in Crores)											
Sr. No.	Name of the Subsidiary Companies	Capital	Reserves	Total Assets	Total Liabilities	Investment (excluding investments in subsidiaries)	Turnover	Profit Before Taxation	Provision for Taxation	Profit After Taxation	Proposed Dividend
1	Ambit Investment Advisory Company Limited #	2.25	(0.41)	4.70	4.70	4.69	-	(0.29)	0.14	(0.43)	-
2	Axon Development Solutions Limited #	0.05	(0.05)	0.00	0.00	-	-	(0.01)	-	(0.01)	-
3	CIG Infrastructure Limited	0.01	(0.01)	0.01	0.01	0.01	0.00	(0.00)	-	(0.00)	-
4	Future Capital Financial Services Limited #	26.13	98.76	924.23	924.23	0.79	147.37	17.32	(7.58)	24.90	-
5	Future Capital Holdings Limited	63.53	689.97	1,226.80	1,226.80	317.28	55.38	20.80	3.48	17.32	6.35
6	Future Capital Investment Advisors Limited #	2.25	9.25	13.29	13.29	5.90	9.86	5.32	1.44	3.89	-
7	Future E-Commerce Infrastructure Limited	45.13	(5.31)	53.38	53.38	-	116.69	(20.40)	(6.46)	(13.94)	-
8	Future Finance Limited #	10.75	1.75	12.55	12.55	1.74	1.09	1.11	0.33	0.78	-
9	Future Hospitality Management Limited #	0.05	(0.03)	0.02	0.02	-	-	(0.01)	-	(0.01)	-
10	Future Knowledge Services Limited.	44.70	(8.00)	201.96	201.96	28.08	57.83	(4.69)	0.78	(5.47)	-
11	Future Learning and Development Limited	28.27	(2.24)	75.32	75.32	0.20	13.45	(2.06)	0.02	(2.08)	-
12	Future Supply Chain Solutions Limited	28.96	33.12	198.49	198.49	-	196.73	1.02	0.78	0.24	-
13	Future Media (India) Limited	50.50	(13.91)	72.66	72.66	-	35.70	(5.99)	(0.36)	(5.63)	-
14	Future Mobile and Accessories Limited	5.55	(7.44)	23.43	23.43	0.01	234.23	(0.20)	2.87	(3.07)	-
15	Futurebazaar India Limited	19.16	(13.22)	8.53	8.53	0.00	64.55	0.34	0.10	0.24	-
16	Home Solutions Retail (India) Limited	1.00	4.44	7.57	7.57	-	13.59	(3.62)	0.01	(3.62)	-
17	Kshitij Investment Advisory Company Limited #	3.00	12.36	18.37	18.37	6.50	17.23	10.62	3.57	7.05	-
18	Myra Mall Management Company Limited #	1.00	2.95	84.21	84.21	6.00	12.14	4.71	(0.68)	5.39	-
19	Future Agrovet Limited	36.50	(6.05)	114.16	114.16	0.01	577.64	(0.47)	(0.20)	(0.27)	-
20	Future Value Retail Limited (Formerly Pantaloon Future Ventures Limited)	66.50	961.86	3,380.94	3,380.94	0.24	2,991.71	74.67	24.07	50.60	-
21	FLSL Distribution Services Limited \$	0.05	(0.02)	3.71	3.71	0.01	1.84	(0.02)	-	(0.02)	-
22	Kshitij Property Solution Private Limited #	0.68	(0.20)	0.97	0.97	-	0.76	(0.17)	-	(0.17)	-
23	Winner Sports Limited (Formerly Winners Sports Private Limited)	1.00	20.20	21.82	21.82	-	158.51	(2.16)	-	(2.16)	-

Note : Consequent to the Court approval to demerger scheme investment in shares of Future Mall Management Limited (FMML) has been cancelled in Companies accounts with effect from April 1, 2010. Hence FMML and its wholly owned subsidiary Future Merchandising Limited (FML) has not been considered as subsidiaries as on balance sheet date and accordingly not included in above statement.

# Subsidiaries of Future Capital Holding Limited

\$ Subsidiaries of Future Supply Chain Solutions Limited

Turnover excludes Other Income

## AUDITORS REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors,

Pantaloon Retail (India) Limited, Mumbai

1. We have audited the attached Consolidated Balance Sheet of Pantaloon Retail (India) Limited ('the Company') and its subsidiaries, joint ventures (the Company and its subsidiaries, joint ventures constitute 'the Group') as at June 30, 2010 and also the Consolidated Profit & Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. 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 required 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 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of certain Subsidiaries and Joint Ventures, whose financial statements reflect total assets (net) of ₹1197.59 Crores as at March 31, 2010, total revenue of ₹1545.37 Crores and net cash flows amounting to ₹9.57 Crores and of associates whose financial statements reflect the Group's share of losses of ₹6.31 Crores for the year ended March 31, 2010. These financial statements and other financial information have been audited by other auditors

whose reports have been furnished to us by the Management of Group, and our opinion is based solely on the reports of other auditors.

4. We report that the consolidated financial statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard (AS) 21, 'Consolidated Financial Statements'; Accounting Standard (AS) 23, 'Accounting for Investments in Associates in Consolidated Financial Statements' and Accounting Standard (AS) 27, 'Financial Reporting of interest in Joint Ventures' issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of reports of other auditors on separate financial statements and other financial statements of the components and read with other notes of Schedule No.20 and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India,
  - i) In case of Consolidated Balance Sheet, of the state of affairs of the Pantaloon Group as at June 30, 2010;
  - ii) In case of Consolidated Profit and Loss Account, of the profit for the year ended on that date; and
  - iii) In case of Consolidated Cash Flow Statement, of the cash flow for the year ended on that date.

For NGS & Co.,

Chartered Accountants

Firm Registration No. 119850W

Place : Mumbai

Dated : August 28, 2010

Navin T. Gupta

Partner

Membership No.: 40334

## CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2010

	SCH. No.	As At June 30, 2010 (₹ in Crores)	As At June 30, 2009 (₹ in Crores)
<b>I SOURCES OF FUNDS :</b>			
1 SHAREHOLDERS' FUNDS			
Share Capital	1	110.75	107.59
Share Application Money		16.42	44.96
Equity Warrants	20(17)(b)	122.88	22.88
Share Capital (Pending Allotment)	20(3)	64.66	
Reserves & Surplus	2	2,561.66	2,326.83
		2,876.37	2,502.26
2 MINORITY INTEREST		318.30	384.59
3 LOAN FUNDS			
Secured Loans	3	3,257.13	3,285.99
Unsecured Loans	4	1,094.91	572.27
		4,352.04	3,858.26
4 DEFERRED TAX LIABILITY (NET)		110.17	4.02
		<u>7,656.88</u>	<u>6,749.13</u>
<b>II APPLICATION OF FUNDS :</b>			
1 FIXED ASSETS			
Gross Block	5	3,086.79	2,594.51
Less : Depreciation		439.98	393.58
Net Block		2,646.81	2,200.93
Capital work-in-progress		304.38	429.72
2 INVESTMENTS	6	909.77	897.81
3 CURRENT ASSETS, LOANS & ADVANCES			
Inventories	7	2,491.18	2,191.25
Sundry Debtors	8	391.43	306.61
Cash & Bank Balances	9	286.45	202.54
Loans & Advances	10	2,661.95	1,910.55
Other Current Assets		15.71	12.16
		5,846.72	4,623.11
LESS : CURRENT LIABILITIES & PROVISIONS			
Current Liabilities	11	1,970.63	1,351.94
Provisions	12	80.17	52.99
		2,050.80	1,404.93
NET CURRENT ASSETS		3,795.92	3,218.18
4 MISCELLANEOUS EXPENDITURE	13	-	2.49
(To the extent not written off or adjusted)			
		<u>7,656.88</u>	<u>6,749.13</u>
<b>SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS</b>	20		

The Schedules referred to above form an integral part of the Balance Sheet

As per our Report of even date attached

For and on behalf of Board of Directors

For NGS & CO.

Chartered Accountants

Navin T. Gupta  
Partner  
Membership No.:40334

Shailesh Haribhakti  
Chairman

Vijay Biyani  
Wholetime Director

Dr. Darlie O. Koshy  
Director

C. P. Toshniwal  
Chief Financial Officer

Kishore Biyani  
Managing Director

Kailash Bhatia  
Wholetime Director

S. Doreswamy  
Director

Deepak Tanna  
Company Secretary

Rakesh Biyani  
Wholetime Director

Gopikishan Biyani  
Director

V. K. Chopra  
Director

Place : Mumbai  
Date : August 28, 2010

**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010**

	SCH No.	2009-10 (₹ in Crores)	2008-09 (₹ in Crores)
<b>INCOME</b>			
Sales & Operating Income	14	9,786.94	7,669.04
Other Income	15	126.06	95.76
		<u>9,913.00</u>	<u>7,764.80</u>
<b>EXPENDITURE</b>			
Cost of Goods Consumed & Sold	16	6,682.84	5,127.25
Personnel Cost	17	624.47	578.72
Manufacturing & Other Expenses	18	1,653.46	1,449.83
Finance Charges	19	493.38	418.54
Depreciation	5	278.32	206.57
		<u>9,732.47</u>	<u>7,780.91</u>
<b>Profit (Loss) Before Taxation</b>		<b>180.53</b>	<b>(16.11)</b>
Less : Earlier Year's Income Tax		(3.17)	0.30
Less : Tax Expense	20(11)	107.30	(10.25)
<b>Profit (Loss) After Taxation before Prior Period Items</b>		<b>76.40</b>	<b>(6.16)</b>
Less : Prior Period Items		0.05	1.30
<b>Profit (Loss) After Taxation</b>		<b>76.35</b>	<b>(7.46)</b>
Add : Share in Loss of Associate Company		(6.31)	(5.84)
Add : Goodwill on Consolidation written back / written off		-	(1.08)
Less : Share of Minority Interest		2.55	(24.45)
Profit After Minority Interest		67.49	10.07
Add : Balance brought forward		26.01	65.47
Less : Dividend and Dividend Tax Paid to Qualified Institutional Buyers		1.13	-
Add : Adjustment As per Demerger Scheme	20(3 & 4 )	67.53	-
<b>Available for Appropriation</b>		<b>159.90</b>	<b>75.54</b>
Debenture Redemption Reserve		50.00	-
Transfer to General Reserve		0.66	14.53
Proposed Dividend		25.27	13.37
Proposed Dividend on Preference Shares		0.00	-
Dividend Tax		4.29	2.27
Transfer to Reserve under section 45 (1C) of the RBI Act		8.60	1.99
Amount Charged to Reserve pursuant to scheme		28.57	-
Adjustment arising on consolidation		-	17.37
Balance carried to Balance Sheet		42.51	26.01
		<u>159.90</u>	<u>75.54</u>
Earnings Per Share in ₹ (Face value ₹2)		₹	₹
Basic & Diluted - Equity		3.18	0.56
Basic & Diluted - Class B series 1		3.28	0.66

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS** 20

The Schedules referred to above form an integral part of the Profit &amp; Loss Account

As per our Report of even date attached

For and on behalf of Board of Directors

For NGS &amp; CO.

Chartered Accountants

Navin T. Gupta  
Partner  
Membership No.:40334

Shailesh Haribhakti  
Chairman

Vijay Biyani  
Wholetime Director

Dr. Darlie O. Koshy  
Director

C. P. Toshniwal  
Chief Financial Officer

Kishore Biyani  
Managing Director

Kailash Bhatia  
Wholetime Director

S. Doreswamy  
Director

Deepak Tanna  
Company Secretary

Rakesh Biyani  
Wholetime Director

Gopikishan Biyani  
Director

V. K. Chopra  
Director

Place : Mumbai  
Date : August 28, 2010

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2010

	As At June 30, 2010 (₹ in Crores)	As At June 30, 2009 (₹ in Crores)
<b>SCHEDULE 1 : SHARE CAPITAL</b>		
<b>ISSUED, SUBSCRIBED &amp; PAID UP</b>		
19,02,25,121* (17,44,02,921*) Equity Shares of ₹ 2/- each fully paid	38.04	34.88
1,59,29,152 (1,59,29,152) Class B Series 1 shares of ₹ 2/-each fully paid (of the above class B series 1 shares 1,59,29,152 shares allotted as fully paid up by way of Capitalisation of Share Premium Account)	3.19	3.19
48,00,000 (48,00,000) 0.01% Non Cumulative Compulsory Convertible Preference Shares of ₹ 100 each	48.00	48.00
21,518,460 (21,518,460) 0.001% Non Cumulative Compulsory Convertible Preference shares of ₹ 10 each (* 11400 Equity Shares are kept under abeyance)	21.52	21.52
	<u>110.75</u>	<u>107.59</u>
<b>SCHEDULE 2 : RESERVES &amp; SURPLUS</b>		
<b>Share Premium</b>		
Balance, at beginning of the year	1,717.69	1,448.03
Add : Premium received during the year	496.82	273.31
Less : Utilised for Share Issue Expenses	9.16	0.46
Less : Utilised for Bonus Shares Issued	-	3.19
Less : Utilised as per Demerger Scheme (Note No. 20(3 & 4))	330.05	-
	<u>1,875.30</u>	<u>1,717.69</u>
<b>Capital Reserve</b>		
- On Consolidation	467.48	466.02
- On Forfeiture of Equity Warrants	63.26	63.26
<b>Debenture Redemption Reserve</b>		
Balance, At beginning of the Year	-	-
Transfer from Profit & Loss Account	50.00	-
	<u>50.00</u>	<u>-</u>
<b>General Reserve</b>		
Add : Transfer from Profit & Loss Account	0.66	14.06
	<u>50.63</u>	<u>49.97</u>
Reserve under Section 45 (1C) of the RBI Act	3.88	1.87
Add : Transfer from Profit & Loss Account	8.60	2.01
	<u>12.48</u>	<u>3.88</u>
<b>Surplus in Profit and Loss Account</b>		
	42.51	26.01
	<u>2,561.66</u>	<u>2,326.83</u>

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2010

	As At June 30, 2010 (₹ in Crores)	As At June 30, 2009 (₹ in Crores)
<b>SCHEDULE 3 : SECURED LOANS</b>		
Debentures	1,000.00	-
Term Loans	1,480.25	2,318.01
Working Capital Loans From Banks	765.89	930.26
Others	6.41	2.58
Share in Jointly Controlled Entity	4.58	35.14
	<b>3,257.13</b>	<b>3,285.99</b>
<b>SCHEDULE 4 : UNSECURED LOANS</b>		
Debentures Application Money	-	25.00
Fully Convertible Debentures	153.85	142.60
Commercial Papers	506.94	299.85
Long Term Loans from Banks	193.33	28.00
Short Term Loans from Banks	124.61	-
Other Loan	6.50	-
Public Deposits	-	0.01
Inter Company Deposit	97.78	54.50
Share in Jointly Controlled Entity	11.90	22.31
	<b>1,094.91</b>	<b>572.27</b>

# SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2010

## SCHEDULE 5 : FIXED ASSETS & CAPITAL WORK-IN-PROGRESS

(₹ in Crores)

GROSS BLOCK						DEPRECIATION				NET BLOCK		
Description	As at July 1, 2009	Additions*	Deductions*	Adj for disposal of Sub/JV	As at June 30, 2010	Upto July 1, 2009	Adjustment for the year	Depreciation for the year	Adj for disposal of Sub/JV	Up to June 30, 2010	As at June 30, 2010	As at June 30, 2009
Land	4.83	-	-	-	4.83	-	-	-	-	-	4.83	4.83
Leasehold Land	57.75	0.47	53.66	-	4.56	12.88	12.12	0.45	-	1.21	3.35	44.87
Building	337.16	474.45	309.21	0.05	502.35	43.38	24.57	53.62	0.26	72.17	430.18	293.78
Plant & Machinery	115.79	58.60	49.28	-	125.11	16.54	12.31	9.47	-	13.70	111.41	99.25
Office Equipments	64.98	35.40	34.10	0.14	66.14	12.47	4.35	8.06	0.19	15.99	50.15	52.51
Computers & Softwares	482.38	278.58	144.17	0.49	616.30	118.24	37.15	85.57	0.44	166.22	450.08	364.14
Furniture & Fittings	777.30	806.69	636.88	0.97	946.14	115.78	80.52	60.54	0.33	95.47	850.67	661.51
Electrical Installations	429.72	504.35	380.57	-	553.50	45.22	35.65	29.84	-	39.41	514.09	384.50
Vehicles	5.22	1.21	1.57	-	4.86	2.48	0.76	0.46	0.01	2.17	2.69	2.74
Air Conditioner	135.31	196.15	151.06	0.08	180.32	11.91	11.69	9.51	0.03	9.70	170.62	123.40
Brand - Intangibles	100.05	12.47	40.93	51.58	20.01	3.36	4.58	6.75	-	5.53	14.48	96.69
Share in Jointly Controlled Entities	84.03	17.79	23.40	15.74	62.68	11.32	6.84	14.05	0.12	18.41	44.27	72.71
Total	2,594.51	2,386.16	1,824.83	69.05	3,086.79	393.58	230.54	278.32	1.38	439.98	2,646.81	2,200.93
Previous Year	1,881.02	824.93	34.42	77.05	2,594.51	210.42	6.49	206.57	16.94	393.58	2,200.93	
Capital Work-in-progress (Including advances on Capital Account)											303.34	390.76
Share in Jointly Controlled Entities											1.04	38.96
											304.38	429.72

\* Refer note no. 20(3) and 20(4)



## SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2010

	As At June 30, 2010 (₹ in Crores)	As At June 30, 2009 (₹ in Crores)
<b>SCHEDULE 6 : INVESTMENTS</b>		
<b>LONG TERM INVESTMENT</b>		
<b>QUOTED</b>		
Equity	10.73	13.97
<b>UNQUOTED</b>		
Equity	40.69	43.68
Others	0.29	27.77
<b>CURRENT INVESTMENTS</b>		
<b>UNQUOTED</b>		
Equity	0.20	0.20
In units of Mutual Funds	197.25	328.25
Others	186.66	220.05
Share in Jointly Controlled Entities	473.95	263.89
	<b>909.77</b>	<b>897.81</b>
<b>SCHEDULE 7 : INVENTORIES</b>		
Packing Materials , Branding Material and Stores & Spares	32.89	22.32
Raw Material	4.59	12.31
Semi Finished Goods	5.33	4.81
Finished Goods	2,439.48	2,138.71
Share in Jointly Controlled Entities	8.89	13.10
	<b>2,491.18</b>	<b>2,191.25</b>
<b>SCHEDULE 8 : SUNDRY DEBTORS</b>		
(Secured, Considered Good)		
(a) Debts due for more than six months	0.11	-
Less : Considered Doubtful	0.01	-
	0.10	-
(b) Other Debts	0.28	-
(Unsecured)		
(a) Debts due for more than six months		
Considered Good	53.99	38.55
Less : Considered Doubtful	8.88	5.54
	45.11	33.01
(b) Other Debts : Considered Good	295.02	240.53
Share in Jointly Controlled Entities	50.92	33.07
	<b>391.43</b>	<b>306.61</b>
<b>SCHEDULE 9 : CASH &amp; BANK BALANCES</b>		
Cash in Hand	19.12	11.12
Balance with Scheduled Banks :		
in Current Accounts (including in transit)	164.49	118.50
in Fixed Deposit Account	28.68	17.58
in Unpaid Dividend Account	0.34	0.28
Share in Jointly Controlled Entities	73.82	55.06
	<b>286.45</b>	<b>202.54</b>

## SCHEDULES TO CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 2010

	As At June 30, 2010 (₹ in Crores)	As At June 30, 2009 (₹ in Crores)
<b>SCHEDULE 10 : LOANS &amp; ADVANCES</b>		
(Secured, Considered Good Unless Otherwise Stated)		
Advances and Loans to Body Corporate	807.85	166.30
Retail Loans (₹ 539.68 Cr. Unsecured, 2009 : ₹ 242.80 Cr.)	626.56	301.31
Less : Considered Doubtful	24.98	-
	601.58	301.31
(Unsecured, Considered Good Unless Otherwise Stated)		
Inter Corporate Deposits	49.62	22.35
Advances Recoverable in cash or in kind or for value to be received	357.68	435.61
Less : Considered Doubtful	0.84	2.52
	356.84	433.09
Deposits	748.18	891.29
Less : Considered Doubtful	4.26	-
	743.92	891.29
Leased Assets	2.73	
Payments /Deduction of Income Tax (Net of Provisions)	24.81	46.35
Balance with Government Authorities	6.11	10.37
Share in Jointly Controlled Entity	68.49	39.49
	2,661.95	1,910.55
<b>SCHEDULE 11 : LIABILITIES</b>		
Acceptances	708.47	483.72
Sundry Creditors	680.45	504.33
Cash Collateral against Retail Loan	71.29	-
Unamortised Processing Fees / Subvention Income	2.59	-
Interest Accrued but not due	33.02	0.07
Other Liabilities	215.78	245.13
Unclaimed Share Application Money	0.23	0.25
Unpaid Dividend	0.34	0.28
Share in Jointly Controlled Entity	258.46	118.16
	1,970.63	1,351.94
<b>SCHEDULE 12 : PROVISIONS</b>		
Proposed Dividend	23.48	11.58
Dividend Tax	3.99	1.97
Provision for Leave Encashment / Gratuity	15.33	12.17
Others	-	1.74
Share in Jointly Controlled Entity	37.37	25.53
	80.17	52.99
<b>SCHEDULE 13 : MISCELLANEOUS EXPENDITURE</b>		
Pre-Operative Expenses	-	2.49
	-	2.49

## SCHEDULES TO CONSOLIDATED PROFIT &amp; LOSS ACCOUNT FOR YEAR ENDED JUNE 30, 2010

	2009-10 (₹ in Crores)	2008-09 (₹ in Crores)
<b>SCHEDULE 14 : SALES &amp; SERVICES</b>		
Sales	9,051.13	7,003.60
Other Operating Income	318.57	406.57
Share in Jointly Controlled Entities	417.24	258.87
	<u>9,786.94</u>	<u>7,669.04</u>
<b>SCHEDULE 15 : OTHER INCOME</b>		
Dividend from Investments	2.25	0.36
Miscellaneous Income	34.20	10.59
Profit on Sale of Investments	72.05	52.92
Share in Jointly Controlled Entities	17.56	31.89
	<u>126.06</u>	<u>95.76</u>
<b>SCHEDULE 16 : COST OF GOODS CONSUMED &amp; SOLD</b>		
<b>Opening Stock</b>		
Raw Materials	12.31	10.22
Semi Finished Goods	4.81	6.94
Finished Goods	2,120.54	1,658.46
	<u>2,137.66</u>	<u>1,675.62</u>
<b>Add : Purchase</b>		
Raw Material	27.76	44.01
Finished Goods	6,490.09	5,212.61
	<u>6,517.85</u>	<u>5,256.62</u>
<b>Less : Closing Stock</b>		
Raw Materials	4.59	12.31
Semi Finished Goods	5.33	4.81
Finished Goods	2,441.77	2,120.54
	<u>2,451.69</u>	<u>2,137.66</u>
Share in Jointly Controlled Entities	479.02	332.67
	<u>6,682.84</u>	<u>5,127.25</u>
<b>SCHEDULE 17 : PERSONNEL COST</b>		
Salaries, Wages & Bonus	496.50	458.22
Welfare Expenses	18.58	17.07
Contribution to Provident & Other Funds	25.77	21.58
Gratuity and Leave Encashment	7.30	4.38
Share in Jointly Controlled Entities	76.32	77.47
	<u>624.47</u>	<u>578.72</u>

## SCHEDULES TO CONSOLIDATED PROFIT & LOSS ACCOUNT FOR YEAR ENDED JUNE 30, 2010

	2009-10 (₹ in Crores)	2008-09 (₹ in Crores)
<b>SCHEDULE 18 : MANUFACTURING &amp; OTHER EXPENSES</b>		
Labour Charges	16.51	15.79
Packing Material	49.90	52.29
Stores & Spares	0.24	0.26
Branding Material	1.39	1.90
Power & Fuel	140.45	119.42
Mall Maintenance Charges	123.45	96.13
Repairs & Maintenance		
Building	1.36	2.14
Plant & Machinery	1.98	2.89
Others	<u>29.19</u>	<u>19.89</u>
	32.53	24.92
Rent Including Lease Rentals	686.00	532.53
Rates & Taxes	15.52	8.97
Donation	0.26	0.59
Insurance	6.80	8.53
Auditors' Remuneration	1.51	1.08
Sundry Balances Write off	0.15	0.01
Commission	18.39	17.27
Advertisement & Sales Promotion	222.88	163.03
Directors Sitting Fees	0.26	0.20
Directors Commission	0.60	1.68
Loss on Sale/Retirement of Fixed Assets	4.40	6.48
Provision for Doubtful Debts	8.29	6.33
Bad Debts Written off	0.79	17.33
Other Expenses	155.51	177.84
Stock Depreciation	2.06	-
Capital Issue Expenses Written off	0.57	0.27
Preliminary Expenses Written off	2.33	0.45
Share in Jointly Controlled Entities	162.67	196.53
	<u>1,653.46</u>	<u>1,449.83</u>
<b>SCHEDULE 19 : FINANCE CHARGES</b>		
Amortization of Discount on Issue of Commercial Paper	16.56	9.23
Interest : on Fixed Loans	223.93	201.03
on Other Loans	198.02	135.82
Other Finance Charges	69.72	70.54
Exchange Fluctuation Loss	<u>2.00</u>	<u>5.83</u>
	510.23	422.45
Less : Interest Income		
on Fixed Deposits	0.63	2.49
on Others	12.95	5.65
Add : Share in Jointly Controlled Entities	<u>(3.27)</u>	<u>4.23</u>
	<u>493.38</u>	<u>418.54</u>

## Consolidated Cash Flow Statement for the Year ended June 30, 2010

(Pursuant to Clause 32 of the Listing Agreement)

	2009-10 (₹ in Crores)	2008-09 (₹ in Crores)
<b>A Cash Flow from Operating Activities</b>		
Net Profit Before Tax and Extraordinary items	180.53	(16.11)
Adjustments for :		
Depreciation	278.32	206.57
Preliminary & Capital Issue Expenses Written off	2.90	0.72
Provision for Doubtful Debts/Advances	8.29	6.33
Stock Depreciation	2.06	-
Sundry Balance Written off (Net)	0.15	0.01
Bad Debts Written off	0.79	17.27
Interest (Net)	493.38	418.54
Dividend Income	(2.25)	(0.36)
(Profit) / Loss on Sale of Shares	(72.05)	(52.92)
(Profit) / Loss on Sale of Asset	4.40	6.48
<b>Operating Profit before Working Capital Changes</b>	<b>896.52</b>	<b>586.53</b>
Adjustments for :		
Trade and Other Receivable	(97.60)	(37.62)
Inventories	(301.99)	(420.16)
Loans & Advances	(893.05)	(472.12)
Trade Payables	677.90	212.45
Other Payables	13.19	25.50
<b>Cash Generated from Operations</b>	<b>294.97</b>	<b>(105.42)</b>
Share in Profit/(Loss) of Associate Company	(6.31)	(5.84)
Share of Minority Interest	(68.84)	2.88
Direct Taxes Paid	(38.82)	(59.54)
Preliminary / Capital Issue Expenses Paid	(0.41)	(3.06)
Cash Flow before Extraordinary items	180.59	(170.98)
Adjustment As per Demerger Scheme	67.53	-
Extraordinary items	3.12	(1.60)
<b>Net Cash from Operating Activities</b>	<b>251.24</b>	<b>(172.58)</b>
<b>B Cash Flow From Investing Activities</b>		
Sale / (Purchase) of Fixed Assets	(728.60)	(743.38)
(Increase)/Decrease in Capital work - in - progress	125.34	(45.68)
Sale / (Purchase) of Investments	32.99	(135.18)
Inter Corporate Deposits	(27.27)	86.68
Deposit Given	147.37	(116.04)
Dividend Income	2.25	0.36
<b>Net Cash Used in Investing Activities</b>	<b>(447.92)</b>	<b>(953.24)</b>

## Consolidated Cash Flow Statement for the Year ended June 30, 2010

(Pursuant to Clause 32 of the Listing Agreement)

	2009-10 (₹ in Crores)	2008-09 (₹ in Crores)
<b>C Cash Flow from Financing Activities</b>		
Payment of Dividend and Dividend Tax	(16.71)	(12.42)
Proceeds from Issue of Share Capital (Net of Expenses)	296.90	302.79
Proceeds from Long Term Borrowing	135.51	822.43
Proceeds from Other Borrowings	358.27	268.73
Interest (Net)	(493.38)	(418.54)
<b>Net Cash from Financing Activities</b>	<b>280.59</b>	<b>962.99</b>
<b>Net Cash used in Cash and Cash Equivalents (A + B + C)</b>	<b>83.91</b>	<b>(162.83)</b>
Cash & Cash Equivalents (Opening balance)	202.54	365.37
Cash & Cash Equivalents (Closing balance)	286.45	202.54
<b>Cash and Cash Equivalents include:</b>		
Cash in Hand	19.12	11.12
Balance with Scheduled Banks :		
in Current Accounts (including in transit)	164.49	118.50
in Fixed Deposit Account	28.68	17.58
in Unpaid Dividend Account	0.34	0.28
Share in Jointly Controlled Entities	73.82	55.06
	<b>286.45</b>	<b>202.54</b>

Notes:

- The Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard 3 "Cash Flow Statement" Issued by The Institute of Chartered Accounts of India (ICAI).
- Previous year's figures have been regrouped and rearranged wherever necessary.

As per our Report of even date attached

For and on behalf of Board of Directors

For NGS & CO.

Chartered Accountants

**Navin T. Gupta**  
Partner  
Membership No.:40334

**Shailesh Haribhakti**  
Chairman

**Vijay Biyani**  
Wholetime Director

**Dr. Darlie O. Koshy**  
Director

**C. P. Toshniwal**  
Chief Financial Officer

**Kishore Biyani**  
Managing Director

**Kailash Bhatia**  
Wholetime Director

**S. Doreswamy**  
Director

**Deepak Tanna**  
Company Secretary

**Rakesh Biyani**  
Wholetime Director

**Gopikishan Biyani**  
Director

**V. K. Chopra**  
Director

Place : Mumbai  
Date : August 28, 2010

### AUDITORS' CERTIFICATE

We have examined the attached Consolidated Cash Flow Statement for the year ended June 30, 2010. This statement has been reported by the Company in accordance with the requirements of the listing agreement (Clause 32) entered with the Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company converted by our report of August 28, 2010 to the Members of the Company.

**For NGS & Co.**  
Chartered Accountants

**Navin T. Gupta**  
Partner  
Membership No.:40334

Place : Mumbai  
Dated : August 28, 2010

## SCHEDULE 20 : SIGNIFICANT ACCOUNTING POLICIES AND NOTES FORMING PART OF CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED JUNE 30, 2010

### 1. SIGNIFICANT ACCOUNTING POLICIES :

#### 1.1 Basis of Accounting :

The Consolidated Financial Statements ('CFS') are prepared in accordance with Accounting Standard ('AS') 21 "Consolidated Financial Statements", AS-23 "Accounting for Investments in Associates in Consolidated Financial Statement" and AS- 27 "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India. The financial statements have been prepared under the historical cost convention on an accrual basis and in accordance with applicable accounting standards notified by the Government of India/issued by the Institute of Chartered Accountants of India and the provisions of the Companies Act, 1956.

The accounting policies have been consistently applied by the group and are consistent with those used in the previous year.

#### 1.2 Use of estimates :

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in current and future periods. Difference between the actual results and estimates is recognised in the period in which the results are known/materialized.

#### 1.3 Fixed Assets and Depreciation :

Fixed assets are stated at cost, less accumulated depreciation. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Financing costs relating to acquisition of fixed assets are also included to the extent they relate to the period till such assets are ready to be put to use.

Depreciation is provided on Straight Line Method as per the rates and in the manner prescribed in Schedule XIV to the Companies Act, 1956 except Leasehold improvements which are amortised over the lease period and employee perquisite-related assets which are depreciated over three years.

#### 1.4 Goodwill on Consolidation :

Goodwill arising on consolidation/acquisition is tested for impairment on periodic basis and written-off if found impaired.

#### 1.5 Leases :

Leases where significant portion of risk and reward of ownership are retained by the lessor are classified as operating leases and lease rental thereon are charged to Profit and Loss account.

#### 1.6 Investments :

Long-term investments are stated at cost. Provision for diminution is made if necessary to recognise a decline, other than temporary in the value thereof.

Current Investments are stated at the lower of cost and market / fair value.

#### 1.7 Inventories :

Inventories are valued as follows :

- a) Stores, Spare parts, Packing material, and Branding Material : At cost
- b) Raw material : At cost
- c) Finished goods and Work in Progress : At the lower of cost or net realisable value

Cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to their present condition and location. Cost is computed on weighted average basis.

#### **1.8 Transactions in Foreign Currency :**

Foreign currency transactions are recorded at the exchange rates prevailing at the date of the transaction. Monetary foreign currency assets and liabilities are translated into Indian rupees at the exchange rate prevailing at the balance sheet date. All exchange differences are dealt with in profit and loss account.

#### **1.9 Revenue Recognition :**

Sale of Goods is accounted on delivery to customers. Sales is net of returns, discounts and Sales tax/ Value Added Tax. Export sales is accounted as revenue on the basis of Bill of Lading. Interest income is recognized on accrual basis. Dividend income is accounted for when the right to receive is established. Revenue is recognised when it is earned and no significant uncertainty exists as to its realization or collection. Other Income are recognized on accrual basis.

Life Insurance Premium (net of service tax) is recognised as income when due from policyholders. Premium on lapsed policies is recognised as income on receipt basis on reinstatement or revival of these policies. In respect of linked business, premium income is recognised when the associated units are allotted.

General insurance Premium is recognized as income over the contract period or the period of risk whichever is appropriate on gross basis net of service tax. Premium is recorded for the policy period at the time of issuance of policy and for installment cases, it is recorded on installment due and received dates. Any subsequent revision to premium is recognized over the remaining period of risk or contract period. Commission received on reinsurance ceded is recognized as income in the period in which reinsurance premium is ceded.

#### **1.10 Miscellaneous Expenditure :**

Capital Issue Expenses are adjusted to Share Premium Account and Preliminary expenses are charged to Profit & Loss Account as incurred.

#### **1.11 Retirement and other employee benefits :**

##### **Short Term Employee Benefits:**

All employee benefits payable within twelve months of rendering the services are classified as short term employee benefits such as salaries, performance incentives etc, are recognised as an expense at the undiscounted amount in the Profit and Loss Account of the year in which the employee renders the related service.

##### **Post Employment Benefits:**

##### **a. Defined Contribution Plans:**

Defined Contribution to Provident Fund is charged to the Profit and Loss Account as incurred. There are no other obligations other than the contribution payable to the respective statutory authorities.

##### **b. Defined Benefit Plans:**

Company's liability towards gratuity to employees is determined using the projected unit credit method which considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Past services are recognized on a straight line basis over the average period until the amended benefits become vested. Actuarial gain and losses are recognized immediately in the Profit & Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government Securities where the currency and terms of the Government Securities are consistent with the currency and estimate terms of the defined benefit obligations.

##### **c. Other Long Term Employee Benefits:**

Other Long Term Employee Benefits viz, Leave encashment are recognized as an expense in Profit & Loss Account as and when it accrues. The Company determines the liability using the Projected Unit Credit Method, with the actuarial valuation carried out as at the Balance Sheet date. Actuarial gain and losses in respect of such benefit are charged to Profit and Loss Account.



**1.12 Provision for current and deferred tax :**

Provision for current tax is made on the basis of estimated taxable income and respectively for the current accounting period in accordance with the provisions of Income tax Act, 1961. Deferred tax resulting from “timing differences” between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognized and carried forward only to the extent that there is a reasonable certainty that the asset will be realised in future. In situation where the company has carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

**1.13 Provisions, Contingent Liabilities and Assets**

Provisions involving substantial degree of estimation in measurement are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognised but are disclosed in the notes. Contingent Assets are neither recognised nor disclosed in the financial statements.

**1.14 Impairment of Assets**

An asset is treated as impaired when the carrying cost of the asset exceeds its recoverable value. An impairment loss is charged to Profit and Loss Account in the year in which the asset is impaired and the impairment loss recognised in prior accounting periods is reversed if there has been a change in the estimate of recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest level of cash generating units.

**1.15 Intangible Assets :**

Intangible assets comprising acquired brands are recognized if they are separately identifiable and the company controls the future economic benefits arising out of them. Advertisement and other related subsequent expenditure incurred in development of this acquired brands which enhances the brands capacity to generate future economic benefits and which can be measured and attributed to the brands reliably are capitalized. Internally generated brands, customer lists and items similar in substance are not capitalized. Intangible assets are amortized over the estimated useful life.

**1.16 Employee Stock Option Scheme**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on “Accounting for Employee Share-based Payments” issued by The Institute of Chartered Accountants of India (‘ICAI’). The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortised over the vesting period of the option on a straight line basis.

**2. Principles of Consolidation:**

The consolidated financial statements relate to Pantaloon Retail (India) Limited, the holding company, its Subsidiaries, Joint Ventures and Associates (collectively referred to as Group).

The consolidation of accounts of the Company and its subsidiaries has been prepared in accordance with Accounting Standard (AS-21) “Consolidated Financial Statements”. The financial statements of the parent and its subsidiaries are combined on a line-by-line basis and intra group balances, intra group transactions and unrealized profits or losses are fully eliminated.

Investment in Associates are dealt with in accordance with Accounting Standard (AS-23) “Accounting for Investments in Associates in Consolidated Financial Statements”. Effect has been given to the carrying amount of investments in associates using the ‘Equity method’. The Company’s share of the post acquisition profits or losses is included in the carrying cost of investments.

Investments in Joint Ventures are dealt with in accordance with Accounting Standard (AS-27) “Financial Reporting of Interests in Joint Ventures”. The Company’s interest in jointly controlled entities are reported using proportionate consolidation, whereby the Company’s share of jointly controlled assets and liabilities and the share of income and expenses of the jointly controlled entities are reported as separate line items.

In Consolidated financial statements where financial results of Subsidiaries, Joint Ventures & Associate considered in consolidation, having different closing dates as against reporting date, necessary adjustments have been made for the effects of any significant events or transactions between the date of the entity's financial statements and the date of Consolidated Financial Statements.

### 3. Demerger of Business Undertaking of Home Solutions Retail (India) Limited into Pantaloon Retail (India) Limited

Pursuant to the Scheme of Arrangement approved by the Hon'ble High Court of Judicature at Bombay on August 24, 2010, entire assets and liabilities pertaining to business undertaking except 'Collection i' of Home Solutions Retail (India) Limited (HSRIL), a 66.86% subsidiary of the Company, were transferred and stand vested in the Company as a going concern, effective from April 1, 2009 ("Appointed Date"). The Company has filed the certified copy of the court order approving the HSRIL Scheme with the Registrar of Companies (ROC), Mumbai on August 27, 2010 as required under applicable provisions of the Companies Act, 1956. Accordingly, the said scheme became effective from the Appointed Date on August 27, 2010 (Effective Date).

**Salient features of the Scheme are as under:**

- (a) With effect from the 1<sup>st</sup> day of April, 2009 ("Appointed Date"), all the assets and liabilities of the demerged Undertaking of HSRIL shall be transferred and vested into the company.
- (b) In consideration of the HSRIL Scheme, the Company will issue :
  - i. 59,28,818 Equity shares of face value ₹ 2/- each fully paid up aggregating to ₹ 1.19 Crores to the equity shareholders of HSRIL other than the company; and
  - ii. 63,47,635 0.01% Compulsorily Convertible Preference Shares of face value of ₹100/- each fully paid up aggregating to ₹ 63.48 Crores to the equity shareholders of HSRIL other than the company.

Pending issue of these Equity Shares and, Compulsorily Convertible Preference Shares a sum of ₹ 64.66 Crores has been shown as Share Capital pending allotment.

Necessary effect to this scheme has been given in the accounts.

### 4. Demerger from the Company (FMML Scheme)

Pursuant to the Scheme of Arrangement approved by the Hon'ble High Court of Judicature at Bombay on August 24, 2010, entire assets and liabilities of Mall Management Undertaking and Project Management Undertaking of the Company were transferred to Future Mall Management Limited ("FMML"), a wholly owned subsidiary (WOS) of the Company and Mall Asset Management Undertaking and Food Services Undertaking of the Company were transferred to Future Merchandising Limited ("FML"), a WOS of FMML, effective from April 1, 2010 ("Appointed Date"). The Company has filed the certified copy of the court order approving the FMML Scheme with the Registrar of Companies (ROC), Mumbai on August 28, 2010 as required under applicable provisions of the Companies Act, 1956. Accordingly, the said scheme became effective from the Appointed Date on August 28, 2010 ("Effective Date").

**Salient features of the Scheme are as under:**

- (a) With effect from the 1<sup>st</sup> day of April, 2010 ("Appointed Date"), Mall Management Undertaking and Project Management Undertaking of the Company & Mall Asset Management Undertaking and Food Services Undertaking of the Company shall be transferred and vested into FMML and FML respectively.
- (b) In consideration of the demerger of the said undertakings to FMML and FML, FMML will issue shares to the shareholders of the Company in following ratio:
  - "(i) 1 fully paid Equity Share of ₹ 10/- each of FMML shall be issued and allotted for every 20 Equity Shares of ₹ 2/- each held in the company.
  - (ii) 1 fully paid Equity Share of ₹ 10/- each of FMML shall be issued and allotted for every 20 Class B Series 1 shares of ₹ 2/- each held in the company.
  - (iii) 1 fully paid up Equity Share of ₹ 10/- each of FMML shall be issued and allotted for every 20 compulsory convertible preference shares of ₹ 100/- each held in company."

Fractional shares entitlement would be consolidated in the hands of one person nominated by FMML Board and Equity shares will be issued and allotted to such person to be sold by him after listing. The sale proceeds of these shares will be proportionately distributed to shareholders who were entitled to such fractional shares.

Necessary effect to this scheme has been given in the accounts.

## 5. Information on subsidiaries, joint ventures and associates:

### (a) Subsidiary companies considered in the consolidated financial statements are:

Sr. No.	Name of the Company	Country of Incorporation	Proportion of ownership Interest as on June 30, 2010	Financial year Ends on
1	Ambit Investment Advisory Company Limited (100% subsidiary of Future Capital Holdings Limited)	India	54.75%	March 31, 2010
2	Axon Development Solutions Limited (100% subsidiary of Future Capital Holdings Limited)	India	54.75%	March 31, 2010
3	CIG Infrastructure Private Limited	India	51.00%	March 31, 2010
4	Future Capital Financial Services Limited (Formerly Future Finmart Limited) (100% subsidiary of Future Capital Holdings Limited)	India	54.75%	March 31, 2010
5	Future Capital Holdings Limited	India	54.75%	March 31, 2010
6	Future Capital Investment Advisors Limited (Formerly Indivision Investment Advisors Limited) (100% subsidiary of Future Capital Holdings Limited)	India	54.75%	March 31, 2010
7	Future E-Commerce Infrastructure Limited	India	72.00%	March 31, 2010
8	Future Finance Limited (Formerly Sivagami Finance and Investments Limited) (100% subsidiary of Future Capital Holdings Limited)	India	54.75%	March 31, 2010
9	Future Hospitality Management Limited (100% subsidiary of Future Capital Holdings Limited)	India	54.75%	March 31, 2010
10	Future Knowledge Services Limited	India	100.00%	March 31, 2010
11	Future Learning and Development Limited	India	100.00%	March 31, 2010
12	Future Supply Chain Solutions Limited (Formerly Future Logistic Solutions Limited)	India	94.82%	March 31, 2010
13	Future Media (India) Limited	India	84.24%	March 31, 2010
14	Future Mobile and Accessories Limited	India	100.00%	March 31, 2010
15	Futurebazaar India Limited	India	100.00%	March 31, 2010
16	Home Solutions Retail (India) Limited	India	66.86%	June 30, 2010
17	Kshitij Investment Advisory Company Limited (100% subsidiary of Future Capital Holdings Limited)	India	54.75%	March 31, 2010
18	Myra Mall Management Company Limited (100% subsidiary of Future Capital Holdings Limited)	India	54.75%	March 31, 2010
19	Future Agrovet Limited (Formerly Pantaloon Food Product (India) Limited)	India	96.16%	March 31, 2010
20	Future Value Retail (India) Limited (Formerly Pantaloon Future Ventures Limited)	India	100.00%	June 30, 2010
21	FLSL Distribution Services Limited (100% subsidiary of Future Supply Chain Solutions Limited)	India	94.82%	March 31, 2010
22	Kshitij Property Solution Private Limited (Formerly Kshitij Capital and Mall Management Company Private Limited) (100% Subsidiary of Future Capital Holdings Limited) (WEF April 10, 2008)	India	54.75%	March 31, 2010
23	Winner Sports Limited (Formerly Winner Sports Private Limited)	India	100.00%	March 31, 2010

Note : Consequent to the approval of the FMML demerger scheme by the Hon'ble High Court of original judicature at Bombay and to give effect to the said demerger scheme, Company's investment in FMML stands cancelled and hence the financial results of Future Mall Management Limited (FMML) and its 100% Subsidiary Company, Future Merchandising Limited were not considered for the purpose of consolidation.

**(b) Interests in Joint Ventures: (As required by AS-27 "Financial Reporting of Interest in Joint Venture")**

Sr. No.	Name of the Company	Description of interest	Country of Incorporation	Proportion of ownership Interest as on June 30, 2010	Financial Period Ends on
1	Apollo Design Apparel Parks Limited	Equity	India	39.00%	March 31, 2010
2	Future Axiom Telecom Limited (Formerly Convergem Communication India Limited)	Equity	India	50.00%	March 31, 2010
3	Future Generali India Insurance Company Limited	Equity	India	25.50%	March 31, 2010
4	Future Generali India Life Insurance Company Limited	Equity	India	25.50%	March 31, 2010
5	Goldmohur Design and Apparel Park Limited	Equity	India	39.00%	March 31, 2010
6	Mobile Repair Service City India Limited (100% Subsidiary of Future Axiom Telecom Limited)	Equity	India	50.00%	March 31, 2010
7	RealTerm FCH Logistics Advisors Private Limited (50% Joint Venture of Future Capital Holdings Limited)	Equity	India	27.38%	March 31, 2010
8	Sain Advisory Services Private Limited	Equity	India	49.80%	March 31, 2010
9	Shendra Advisory Services Private Limited	Equity	India	49.80%	March 31, 2010
10	Staples Future Office Products Private Limited	Equity	India	39.59%	March 31, 2010
11	Talwalkars Pantaloon Fitness Private Limited	Equity	India	50.00%	March 31, 2010

**(c) Interests in Associates:**

Sr. No.	Name of the Company	Country of Incorporation	Proportion of ownership Interest as on June 30, 2010	Financial Period Ends on
1	Galaxy Entertainment Corporation Limited	India	31.55%	March 31, 2010

**6 Contingent Liabilities not provided for:**

- 6.1 Guarantee outstanding ₹ 27.04 Crores (2009: ₹ 125.96 Crores)
- 6.2 Claims against the company not acknowledged as debts : ₹ 6.34 Crores (2009: ₹ 7.46 Crores)
- 6.3 Statutory Demand liabilities in dispute not provide for ₹ 0.49 Crores (2009: ₹ 0.01 Crores)
- 6.4 Insurance Claims in disputes to the extent not provided for ₹ 0.73 Crores (2009: Nil)
7. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 50.29 Crores (2009: ₹ 66.28 Crores)
8. Future interest liabilities in respect of assets of the value of ₹3.16 (2009: ₹ 3.16 Crores) acquired on hire purchase basis is ₹ 0.24 Crores. (2009: ₹ 0.41Crores)
9. The company has taken some assets on Finance Lease basis. Future Lease Rental obligations in respect of these assets is ₹ 3.81Crores (2009: ₹ 4.74 Crores). The Lease Rent payable not later than one year is ₹ 1.13 Crores (2009: ₹ 1.19 Crores), repayable later than one year but not later than 5 years is ₹ 2.68 Crores. (2009: ₹ 3.55) and repayable later than 5 years is NIL (2009: NIL)

10. The Company has entered into operating lease arrangements for the fixed assets. The future lease rental obligation in respect of these assets is ₹ 2073.83 Crores (2009: ₹ 1677.80 Crores). The Lease Rent payable not later than one year is ₹617.86 Crores (2009: ₹ 442.04 Crores), repayable later than one year but not later than 5 years is ₹ 1209.50 Crores (2009: ₹ 931.86 Crores) and that repayable later than 5 years is ₹ 246.47 Crores (2009: ₹ 303.90 Crores).

#### 11. Tax Charges

The Tax Expenses for the year comprises of :

(₹ In Crores)

Particulars	2009-10	2008-2009
INCOME TAX		
Current tax	60.35	30.67
Deferred tax	46.94	(45.68)
Fringe benefit tax	0.01	4.78
	107.30	(10.25)

#### 12. Related Party Disclosure :

Disclosures as required by the Accounting Standard 18 "Related Party Disclosure" are given below :

##### A) List of Related Parties

##### Associate Companies / Firm

- Galaxy Entertainment Corporation Limited

##### Enterprises over which key managerial personnel are able to exercise significant influence

- Bansi Mall Management Company Private Limited
- Aashirwad Malls Private Limited
- Shreya Mall Management Private Limited
- Future Ventures India Limited
- KB Mall Management Company Limited
- Nishta Mall Management Company Private Limited
- Iskrupa Mall Management Company Private Limited
- Manz Retail Private Limited
- Unique Malls Private Limited
- Acute Realty Private Limited
- Niyaman Mall Management Company Private Limited
- Future Corporate Resources Limited (Formerly known as PFH Entertainment Limited)
- Idiom Design & Consulting Limited
- Future Ideas Company Limited
- Pantaloon Industries Limited

##### Key Management Personnel and Relatives

##### Key Management Personnel

- Mr. Kishore Biyani – Managing Director
- Mr. Gopikishan Biyani – Whole time Director (till 31.03.2010)
- Mr. Rakesh Biyani – Whole time Director
- Mr. Vijay Biyani – Whole time Director (W.e.f. 26.09.2009)
- Mr. Kailash Bhatia- Whole time Director (W.e.f. 01.04.2010)

Relatives of Key Management Personnel

1. Mr. Anil Biyani
2. Mrs. Godavari Devi Biyani
3. Mrs. Sangita Biyani
4. Mrs. Sampat Biyani
5. Mrs. Santosh Biyani

**B) Transactions with related Parties**

(₹ in Crores)

Nature of transactions	Enterprises over which key managerial personnel are able to exercise significant influence	Key Management Personnel & Relatives
Sales and Operating Income	98.96 (36.09)	
Sale of Fixed Assets	1.66 (0.01)	
Purchase of Raw Material, Finished Goods and Stores	31.89 (216.62)	
Purchase of Fixed Assets	1.90 (-)	
Expenditure on Services and Others	91.88 (107.08)	0.24 (0.07)
Managerial Remuneration & Commission	(-)	8.91 (5.82)
Advances Given	0.41 (4.73)	
Deposit Given	3.00 (164.23)	
Share Application Money	- (8.95)	
Outstanding Balances as on 30/06/2010	105.11 (316.10)	
Receivable		
Payable	3.93 (88.08)	

**Significant Related Parties Transactions**

- i. Sales and other income includes Pantaloon Industries Limited ₹ 80.26 Crores.
- ii. Sale of fixed asset includes Pantaloon Industries Limited ₹ 1.66 Crores
- iii. Purchase of raw material and finished goods includes Pantaloon Industries Limited ₹ 31.85 Crores.
- iv. Purchase of fixed assets includes Idiom Design ₹ 1.90 Crores.
- v. Expenditure on services and other includes Bansi Mall Management Company Private Limited ₹ 18.32 Crores and Future Corporation Resources Limited ₹ 48.16 Crores.
- vi. Deposit given includes Pantaloon Industries Limited ₹ 3 Crores.
- vii. Advances given includes Future Ideas Company Limited ₹ 0.30 Crores.

**C) Joint Venture Information:**

Company's share of Assets, Liabilities, Income and Expenditure with respect to jointly controlled entities are as follows:

(₹ In Crores)

Particulars	As at June 30, 2010	As at June 30, 2009
Assets	736.31	597.49
Liabilities	329.36	195.53
Income	574.11	352.78
Expenditure	713.68	470.26

**13. Segment Report:**

The group regards the business segment retail as a single reportable segment. Accordingly, Segment Information is not being disclosed pursuant to the provision of Accounting Standard 17 on "Segment Reporting" issued by Institute of Chartered Accountants of India.

**14. Earning Per Share**

The calculation of Earning Per Share (EPS) as disclosed in the Balance Sheet Abstract has been made in accordance with Accounting Standard (AS-20) on Earning Per Share issued by the Institute of Chartered Accountants of India. A statement on calculation of diluted EPS is as under:

Particulars	UNITS	2009-10	2008-09
Profit after tax	₹ in Crores	67.49	10.07
The Weighted average number of Ordinary Shares for Basic and Diluted EPS	No. in Crores	19.61	16.10
The Weighted average number of Class 'B' Series Shares for Basic and Diluted EPS	No. in Crores	1.59	1.59
The Nominal Value per Share (Ordinary and Class 'B' Shares)	₹	2.00	2.00
Share of Profit for Ordinary Shares for Basic and Diluted EPS	₹ in Crores	62.27	9.02
Share of Profit for Class 'B' Shares for Basic and Diluted EPS	₹ in Crores	5.22	1.05
Earning per Ordinary share (Basic and Diluted)	₹	3.18	0.56
Earning per Class 'B' Share (Basic and Diluted)	₹	3.28	0.66

**15. Deferred Tax Liability :**

As per accounting Standard (AS – 22) on Accounting for Taxes on Income issued by the Institute of Chartered Accountants of India (ICAI), the deferred tax liability (DTL) comprises of the following :

Item	2009-2010	2008-2009
	(₹ In Crores)	(₹ In Crores)
<b>Deferred Tax Liability</b>		
Related to Fixed Assets	176.57	139.86
On Unamortized Loan Origination Cost	-	2.99
Share of Jointly Controlled Entities	0.03	0.02
	176.60	142.87
<b>Deferred Tax Asset</b>		
Disallowance under the Income Tax Act, 1961	33.02	9.26
Carry Forward of Losses and Unabsorbed Depreciation	26.42	129.27
Related to Fixed Assets	6.93	-
Share in Jointly Controlled Entity	0.06	0.32
	66.43	138.85
<b>Provision for Deferred Tax (Assets)/ Liability</b>	110.17	4.02

16. Capital Reserve is shown in the balance sheet is net of goodwill of ₹ 95.64 Crores (2008-09: ₹ 84.63 Crores)

17. a) During the year Pantaloon Retail (India) Limited has issued and allotted 15,822,200 Equity shares of ₹ 2/- each at a premium of ₹ 314/- by way of Qualified Institutional Placement.
- b) During the year Pantaloon Retail (India) Limited has issued 1,00,00,000 warrants on a preferential allotment basis, which can be converted to same number of equity shares at the option of the holders within 18 months from the date of allotment of the warrants at a premium of ₹ 398/- per share.

18. Future Capital Holdings Limited had acquired 50.10% each in FCH Centrum Direct Limited (FCDL) and FCH Centrum Wealth Managers limited (FCWML) respectively on March 12, 2008. Accordingly, these investments were classified as investment in subsidiary companies till March 31, 2009. During the year, the company has sold 0.10% each in FCDL and FCWML. Consequently the same has been classified as joint ventures of the company.

Investment in FCH Centrum Direct Limited (50% Joint Venture of Future Capital Holdings Limited), FCH Centrum Wealth Managers Limited (50% Joint Venture of Future Capital Holdings Limited) and Future Education Limited (50% Joint Venture of Future Learning and Development Limited) were held for temporary period with an intention to sale in the near future. Consequently, the same has not been considered for consolidation.

19. The High Courts of various states have granted an interim stay against recovery of service tax on renting of immovable property arising out of amendment to section 65(105)(zzzz) retrospectively from June 1, 2007 introduced by Finance Act 2010. Accordingly no provision has been made for ₹ 53.24 Crores towards service tax liability. The amount involved in the year ended June 30, 2009 was 15.65 Crores.
20. For certain items, the Company and its Subsidiaries and Joint Ventures have followed different accounting policies. However, impact of the same is not material.
21. Figures pertaining to the subsidiary companies and joint ventures have been reclassified wherever necessary to bring them in line with the group financial statements.
22. The previous year's figures have been reworked, regrouped, rearranged and reclassified wherever necessary. Amounts and other disclosures for the preceeding year included as an integral part of the current year financial statements and are to be read in relation to the amounts and other disclosures relating to the current year. Current year figures are not comparable with the previous year due to business restructuring.

As per our Report of even date attached

For and on behalf of Board of Directors

For NGS & CO.

Chartered Accountants

**Navin T. Gupta**  
Partner  
Membership No.:40334

**Shailesh Haribhakti**  
Chairman

**Kishore Biyani**  
Managing Director

**Rakesh Biyani**  
Wholetime Director

**Vijay Biyani**  
Wholetime Director

**Kailash Bhatia**  
Wholetime Director

**Gopikishan Biyani**  
Director

**Dr. Darlie O. Koshy**  
Director

**S. Doreswamy**  
Director

**V. K. Chopra**  
Director

Place : Mumbai  
Date : August 28, 2010

**C. P. Toshniwal**  
Chief Financial Officer

**Deepak Tanna**  
Company Secretary



## Notes

