

FUTURE SPECIALITY RETAIL LIMITED

2016-17

Independent Auditors' Report

To the Members of

FUTURE SPECIALITY RETAIL LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of **FUTURE SPECIALITY RETAIL LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss for the period from September 27, 2016 to March 31, 2017 and the Statement of Cash Flow for the period then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with relevant rules issued there under.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provision of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of information and according to the explanation given to us, the financial statements give the information required by the Act in the manner so required and give true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of company as at March 31, 2017, its loss and its cash flow for the year ended on that date.

Report on Other Legal and Regulatory Requirements.

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "**Annexure A**" a statement on the matters specified in the paragraph 3 and 4 of the Order.
2. As required by section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with relevant rule issued there under;
 - e. On the basis of written representations received from the Directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms of Section 164 (2) of the Act.
 - f. With respect to the adequacy of Internal financial controls over financial reporting of the company and the operating effectiveness of such control, refer to our separate report in "**Annexure B**" and
 - g. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation given to us:
 - i. The Company does not have any pending litigations, which will have an impact on its financial position in its financial statements.
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.

- iii. There were no amounts, which were required to be transferred, to the Investor Education and Protection Fund by the Company.

- iv. The company has provided requisite disclosures in its financial statements as to holding as well as dealing in specified bank notes during the period from November 8, 2016 to December 30, 2016 and these are in accordance with books of accounts maintained by company. Based on audit procedures and reliance on management representations, we report that the disclosures are in accordance with books of accounts and other records maintained by the company and produced to us by the management. Refer Note No. 30 to the financial statements.

For **NGS & CO. LLP.**
Chartered Accountants
Firm Registration No. : 119850W

Ashok A. Trivedi
Partner
Membership No. 042472
Mumbai
May 10, 2017

Annexure - A to the Auditors' Report

The Annexure referred to in Independent Auditors' Report to the members of the **FUTURE SPECIALITY RETAIL LIMITED** on the financial statements for the period ended March 31, 2017, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets
 - (b) Some of the fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification, which, in our opinion, provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - (c) The company did not have any immovable properties of freehold or leasehold land and building as at March 31, 2017.
- (ii) (a) As explained to us, management has conducted physical verification of inventory at regular intervals.
 - (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 were reasonable and adequate in relation to the size of the Company and nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the, Companies Act, 2013 ("the Act"). Therefore, paragraph 3 (iii) of the Order is not applicable.
- (iv) In our opinion and according to the information and explanations given to us, the company has not given any loans or made any investments which are covered by section 185 or section 186 of the companies Act, 2013. Therefore, paragraph 3(iv) of the Order is not applicable.
- (v) The Company has not accepted any deposits from the public.
- (vi) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under section 148(1) of the Act, for any of the products of the Company.
- (vii) (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including, Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service-tax, Value Added Tax, cess and other material statutory dues, as applicable, have been regularly deposited, as per applicable statutes, during the period by the Company with the appropriate authorities. As explained to us, the Company did not have any dues on account of custom duty.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employee's state insurance, income tax, service tax, value added tax, cess and other material statutory dues were in arrears as at March 31, 2017, for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us there are no material dues of income tax, service tax, or value added tax which have not been deposited with appropriate authorities on account of any dispute.
- (viii) The Company did not have any outstanding dues to its bankers, government, financial institutions and debenture holders during the year.
- (ix) The Company did not raise any money by way of initial public offer or further public offer of equity shares including debt instruments and term loans during the year. Therefore, paragraph 3(ix) of the Order is not applicable.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the Company or no fraud on the Company by the officers and employees of the Company has been noticed or reported during the period.
- (xi) According to the information and explanations given to us and based on our examination of the records of the company, the Company did not pay/provide for any managerial remuneration. Therefore, paragraph 3(xi) of the Order is not applicable.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a nidhi company. Therefore, paragraph 3(xii) of the Order is not applicable.
- (xiii) The company is not a listed company and therefore provision of section 177 of Companies Act, 2013 is not applicable. Transactions with related parties are in compliance with Section 188 of the Act, where applicable and details of such transactions have been disclosed in the financial statements as required by applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the period.
- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Therefore, paragraph 3(xv) of the Order is not applicable.
- (xvi) The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act 1934.

For **NGS & CO. LLP.**
Chartered Accountants
Firm Registration No. : 119850W

Ashok A. Trivedi
Partner
Membership No. 042472
Mumbai
May 10, 2017

Annexure - B to the Auditors' Report

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

We have audited the internal financial controls over financial reporting of **FUTURE SPECIALITY RETAIL LIMITED** ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and

dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **NGS & CO. LLP.**

Chartered Accountants

Firm Registration No. : 119850W

Ashok A. Trivedi

Partner

Membership No. 042472

Mumbai

May 10, 2017

FUTURE SPECIALITY RETAIL LIMITED

**BALANCE SHEET
AS AT MARCH 31, 2017**

(₹ in Crore)

	Note	As at March 31, 2017
EQUITY AND LIABILITIES		
Shareholders' Funds		
Share Capital	2	0.35
Reserves and Surplus	3	249.13
		249.48
Non-Current Liabilities		
Deferred Tax Liabilities (Net)	4	7.51
Long-Term Provisions	5	0.46
		7.97
Current Liabilities		
Trade Payables	6	122.00
Other Current Liabilities	7	0.58
Short-Term Provisions	8	0.01
		122.58
TOTAL		380.03
ASSETS		
Non-Current Assets		
Fixed Assets	9	
Tangible Assets		1.56
Intangible Assets		201.65
Capital Work-in-Progress		0.01
Long-Term Loans and Advances	10	0.72
		203.94
Current Assets		
Inventories	11	87.75
Trade Receivables	12	86.07
Cash and Bank Balances	13	0.02
Short-Term Loans and Advances	14	2.25
		176.09
TOTAL		380.03
The accompanying notes are forming part of the financial statements	1-30	

As per our report of even date attached

For and on behalf of Board of Directors

For NGS & Co. LLP
Chartered Accountants

Vimal Dhruve
Director
DIN: 02243595

Subodh More
Director
DIN: 07230828

Ashok Trivedi
Partner
Membership No. 042472
Place : Mumbai
Date : May 10, 2017

FUTURE SPECIALITY RETAIL LIMITED

**STATEMENT OF PROFIT AND LOSS
FOR THE PERIOD ENDED MARCH 31, 2017**

(₹ in Crore)

	Note	2016-2017
INCOME		
Revenue from Operations	15	0.98
Total Revenue		0.98
EXPENSES		
Purchases of Stock-in-Trade		0.08
Changes in Inventories of Finished Goods, Work-in-Progress and Stock-in Trade	16	1.10
Employee Benefits Expense	17	0.20
Depreciation and Amortization Expense	9	0.05
Other Expenses	18	0.34
Total Expenses		1.76
Profit Before Tax		(0.78)
Tax Expense		-
Profit For The Year		(0.78)
Earnings Per Equity Share of Face Value of ₹ 2 each		
Basic (₹)	25	(30.11)
Diluted (₹)	25	(30.11)
The accompanying notes are forming part of the financial statements	1-30	

As per our report of even date attached

For and on behalf of Board of Directors

For NGS & Co. LLP
Chartered Accountants

Vimal Dhruve
Director
DIN: 02243595

Subodh More
Director
DIN: 07230828

Ashok Trivedi
Partner
Membership No. 042472
Place : Mumbai
Date : May 10, 2017

FUTURE SPECIALITY RETAIL LIMITED

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED March 31, 2017**

(₹ in Crore)

	2016-17
A Cash Flow from Operating Activities	
Net Profit Before Tax	(0.78)
Adjustments :	
Depreciation and Amortization Expense	0.05
Operating profit before working capital changes	(0.73)
Adjusted for:	
Trade Receivables and Other Current Assets	(86.07)
Loans and Advances	(2.97)
Inventories	(87.75)
Trade Payables, Other Liabilities and Provisions	130.55
Cash Generated from Operations	(46.98)
Tax Paid	-
Net Cash From Operating Activities	(46.98)
B Cash Flow From Investing Activities	
Purchase of Fixed Assets	(203.26)
Net Cash (Used In) Investing Activities	(203.26)
C Cash Flow From Financing Activities	
Proceeds from Issue of Shares	250.26
Proceeds from Issue of Optionally Convertible Debentures	150.00
Redemption of Optionally Convertible Debentures	(150.00)
Net Cash (Used In) Financing Activities	250.26
Net Increase in Cash & Cash Equivalents (A+B+C)	0.02
Opening Balance of Cash & Cash Equivalents	
Closing Balance of Cash & Cash Equivalents	0.02

As per our report of even date attached

For and on behalf of Board of Directors

For NGS & Co. LLP
Chartered Accountants

Vimal Dhruve
Director
DIN: 02243595

Subodh More
Director
DIN: 07230828

Ashok Trivedi
Partner
Membership No. 042472
Place : Mumbai
Date : May 10, 2017

FUTURE SPECIALITY RETAIL LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

2 Share Capital

Particulars	As at Mar 31, 2017	
	No. of Shares	(₹ in Crore)
Authorised		
Equity Shares of ₹10/- each	490,000	0.49
Compulsory Convertible Preference Shares of Rs. 910 each	1,000	0.09
Issued, Subscribed and Paid up		
Equity Shares of ₹ 10/- each	259,100	0.26
Compulsory Convertible Preference Shares of Rs. 910 each	1,000	0.09

(i) Reconciliation of number of shares :

Equity Share of ₹ 10/- each

Particulars	As at Mar 31, 2017
	No. of Shares
At the beginning of the year	-
Add : Issued during the year	259,100
At the end of the year	259,100

Compulsory Convertible Preference Shares of Rs. 910 each

Particulars	As at Mar 31, 2017
	No. of Shares
At the beginning of the year	-
Add : Issued during the year	1,000
At the end of the year	1,000

(ii) Terms/Rights Attached to Shares

Equity Shares

The company has equity shares having a par value of ₹ 10/- per share. Each holder of equity share is entitled to one vote per share.

The company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to approval of the shareholders in the Annual General Meeting.

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

Compulsory Convertible Preference Shares (CCPS)

The Company has CCPS having a par value of ₹ 910/- per share. CCPS shall carry a dividend of an amount equivalent to ₹ 2,43,750/- per share. In the event of liquidation of the Company, the holder of CCPS shall rank senior to the equity shares and other classes or series of the share capital of the Company.

(iii) Details of shareholders holding more than 5% shares in the Company :

Equity Shares

Name of Shareholders	As at Mar 31, 2017	
	No. of Shares held	% of Holding
Future Trendz Limited	259,000	99.96%

Compulsory Convertible Preference Share Capital

Name of Shareholders	As at Mar 31, 2017	
	No. of Shares held	% of Holding
Beacon Trusteeship Limited (Trustee of FSRL CCPS Trust)	1,000	100.00%

FUTURE SPECIALITY RETAIL LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS

(₹ in Crore)

	As at March 31, 2017
3 Reserve and Surplus	
Securities Premium Reserve	
Opening Balance	-
Add: Received During the year	249.91
	249.91
Statement of Profit and Loss	
Opening Balance	-
Add: Profit for the Year	(0.78)
	(0.78)
4 Deferred Tax Liabilities (Net)	
Deferred Tax Liabilities	
On Fixed Assets	7.51
	7.51
5 Long Term Provisions	
Provision for Employee Benefits	0.46
	0.46
6 Trade Payables	
Trade Payables	122.00
	122.00
7 Other Current Liabilities	
Other Payables #	0.58
	0.58
# Includes capital creditors, statutory dues and others.	
8 Short-Term Provisions	
Provision for Employee Benefits	0.01
	0.01

FUTURE SPECIALITY RETAIL LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS										
										(₹ in Crore)
9. Fixed Assets										
DESCRIPTION	GROSS BLOCK				DEPRECIATION/AMORTIZATION					
	As at April 1, 2016	Additions	Deductions	As at March 31, 2017	Up to March 31, 2017	Deductions	For the year	Adjustment for the period	Up to March 31, 2017	As at March 31, 2017
(A) Tangible Asset										
Building & Permanent Improvements	-	0.16	-	0.16	-	-	(0.00)	-	(0.00)	0.16
Office Equipments	-	0.07	-	0.07	-	-	(0.00)	-	(0.00)	0.07
Computer & IT Equipment	-	0.10	-	0.10	-	-	(0.00)	-	(0.00)	0.10
Furniture & Fittings	-	0.84	-	0.84	-	-	(0.00)	-	(0.00)	0.84
Electrical Installations	-	0.30	-	0.30	-	-	(0.00)	-	(0.00)	0.30
Air Conditioner	-	0.09	-	0.09	-	-	(0.00)	-	(0.00)	0.09
Total - A	-	1.56	-	1.56			(0.00)	-	(0.00)	1.56
(B) Intangible Asset										
Good will	-	176.30	-	176.30	-	-	-	-	-	176.30
Trademarks, Copyrights & Patents	-	25.40	-	25.40	-	-	(0.04)	-	(0.04)	25.35
Total - B	-	201.69	-	201.69			(0.04)	-	(0.04)	201.65
Final Total	-	203.25	-	203.25			(0.05)	-	(0.05)	203.21

FUTURE SPECIALITY RETAIL LIMITED

NOTES FORMING PART OF THE FINANCIAL STATEMENTS		(₹ in Crore)
		As at March 31, 2017
10 Long-Term Loans and Advances		
	(Unsecured, Considered Good)	
	Deposits to Others	0.72
		0.72
11 Inventories		
	Stock-in-Trade	87.75
		87.75
12 Trade Receivables		
	Unsecured, Considered Good	
	Outstanding for a period exceeding six months from the date they are due for payment	34.20
	Others	51.87
		86.07
13 Cash and Bank Balances		
	Cash and Cash Equivalents	
	Cash on Hand	0.01
	Balances with Banks	0.02
		0.02
14 Short-Term Loans and Advances		
	(Unsecured, Considered Good)	
	Loans and Advances to	
	Others*	2.25
		2.25
	*Includes advance to suppliers, prepaid expenses etc.	
		2016-2017
15 Revenue from Operations		
	Sale of Products	1.07
	Less: Vat, Sales Tax	0.09
		0.98
16 Changes in Inventories of Stock-in-Trade - (Increase)/Decrease		
	Opening Inventories	
	Stock- in-Trade	88.85
	Closing Inventories	
	Stock- in-Trade	87.75
		1.10
17 Employee Benefits Expense		
	Salaries and Wages	0.19
	Contribution to Provident and Other Funds	0.01
		0.20
18 Other Expenses		
	Power and Fuel	0.00
	Rates and Taxes	0.26
	Miscellaneous Expenses	0.08
		0.34

FUTURE SPECIALITY RETAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2017

1. Significant Accounting Policies

A. Basis of Preparation

Financial Statements have been prepared in accordance with Generally Accepted Accounting Principles in India (Indian GAAP) under the historical cost convention on an accrual basis. The Company has prepared these financial statements to comply in all material respects with the accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules 2014.

B. Use of Estimates

Preparation of Financial Statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

C. Tangible Fixed Assets and Depreciation

Tangible Fixed Assets are stated at cost, less accumulated depreciation and impairment loss, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

Depreciation is provided, pro rata for the period of use on straight line basis as per the useful life of the assets prescribed under Schedule II to the Companies Act, 2013, except for Leasehold improvements which are depreciated over the remaining expected lease term.

D. Intangible Assets and Amortisation

Intangible Assets are stated at acquisition cost, net of accumulated amortisation and accumulated impairment losses, if any. Intangible Assets are amortised on straight line basis over their estimated useful life as detailed below:

Assets	Estimated Useful Life
License Rights	Over the Period of License

E. Inventories

Inventories are valued at lower of cost and net realizable value.

Cost of Inventories comprises of cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories is computed on weighted average cost method.

F. Foreign Currency Transactions

Transactions in foreign currencies are recorded at the prevailing rates of exchange on the date of transaction. Monetary items denominated in foreign currencies, are restated at the prevailing rates of exchange at the

FUTURE SPECIALITY RETAIL LIMITED

Balance Sheet date. All gains and losses arising out of fluctuations in exchange rates are accounted for in the Statement of Profit and Loss. Exchange differences on forward contracts entered into for hedging foreign exchange fluctuation risk in respect of an underlying asset/liability, are recognized in the Statement of Profit and Loss in the reporting period in which the exchange rate changes. Premium/Discount on foreign exchange contracts are recognised as an expense/income over the life of the contract.

G. Borrowing Costs

Borrowing costs, directly attributable to the acquisition and construction of an asset that necessarily takes a substantial period of time to get ready for its intended use, are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur in the Statement of Profit and Loss.

H. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and can be reliably measured. Revenue from sale of products is recognised when the significant risks and rewards of ownership of the goods have been passed to the buyers. Sale of goods are recorded at net of trade discounts, rebates, sales tax, and value added tax. Revenue from services are recognised as they are rendered based on agreements/arrangements with the concerned parties and recognised net of service tax (If applicable). Interest income is recognised on a time proportion basis taking into account the amount outstanding and applicable interest rate. Dividend income on investments is accounted for when the right to receive the payment is established.

I. Retirement and Other Employee Benefits

Short term employee benefits are recognized as an expense at the undiscounted amount in the Statement of Profit and Loss for the period in which the related service is rendered.

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

J. Taxation

Tax Expense includes provision for current tax and deferred tax. Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the provisions of the Income Tax Act, 1961. Deferred tax resulting from "timing difference" between taxable and accounting income is accounted for using the tax rates and laws that are enacted as at the Balance Sheet date. Deferred tax asset is recognised and carried forward only to the extent that there is virtual certainty that the asset will be realized in future.

K. 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 to the Financial Statements. Contingent assets are neither recognised nor disclosed in the Financial Statements.

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L. Impairment of Assets

An asset is considered as impaired in accordance with Accounting Standard 28 on “Impairment of Assets”. When at the Balance Sheet date, there are indications of impairment and the carrying amount of the asset or where applicable of the cash generating unit to which the asset belongs exceeds its recoverable amount (i.e. the higher of the asset’s net selling price and value in use). The carrying amount is reduced to the recoverable amount and the reduction is recognised as an impairment loss in the Statement of Profit and Loss.

M. Operating Leases

Leases where significant portion of risk and reward of ownership are retained by the Lessor are classified as operating leases and lease rental thereof are charged to the Statement of Profit and Loss as per the terms of agreement which is representative of the time pattern of the user’s benefit.

19. Employee Benefits Plans

A. Change In Present Value of Obligation

(₹ in Crore)

Particulars	Gratuity (Un-Funded)	Leave Encashment (Un-Funded)
	2016-17	2016-17
Present Value of the Obligation at the beginning of the year/Transferred Under Business Transfer Agreement	0.28	0.18
Interest Cost	-	-
Current Service Cost	-	-
Benefits Paid	-	-
Actuarial (gains)/loss on Obligations		
Present Value of the Obligation at the End of Year	0.28	0.18

B. Amount Recognised in the Balance Sheet

(₹ in Crore)

Particulars	Gratuity (Un-Funded)	Leave Encashment (Un- Funded)
	2016-17	2016-17
Present Value of the Obligation	0.28	0.18
Un-funded Liability	0.28	0.18
Un-funded liability recognized in Balance Sheet	0.28	0.18

C. Amount Recognised in the Statement of Profit And Loss

(₹ in Crore)

Particulars	Gratuity (Un-Funded)	Leave Encashment (Un- Funded)
	2016-17	2016-17
Interest Cost	-	-
Current Service Cost	-	-
Actuarial (gains)/loss on obligations	-	-
Total expense recognised in the Statement of Profit and Loss	-	-

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D. Reconciliation of Balance Sheet

(₹ in Crore)

	Gratuity (Un-Funded) 2016-17	Leave Encashment (Un-Funded) 2016-17
Present Value of the Obligation at the beginning of the year transferred under Business Transfer Agreement	0.28	0.18
Total expense recognised in the Statement of Profit and Loss	-	-
Benefit paid during the year	-	
Present Value of the Obligation at the End of Year	0.28	0.18

E. The Assumptions used to Determine the Benefit Obligations are as follow

Particulars	Gratuity	Leave Encashment
Discount Rate	7.40%	7.40%
Expected Rate of return on plan Assets	N.A.	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.

20. Disclosure Relating to Leases

The Company has entered into operating lease arrangements for premises. The future minimum lease rental obligation under non-cancellable operating leases in respect of these assets is ₹ 1.14 Crore. The Lease Rent payable not later than one year is ₹ 0.77 Crore, payable later than one year but not later than five year is ₹ 0.37 Crore and payable later than five years is ₹ Nil.

21. Capital and other Commitments

Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) ₹ 0.18 Crore.

22. Borrowing Cost

The borrowing cost capitalized during the year ended March 31, 2017 was ₹ Nil.

23. Related Party Disclosure

As required under Accounting Standard 18 "Related Party Disclosures" are given below:

A. List of Related Parties

1. Holding Companies

- i. Future Trendz Limited (w.e.f. September 27, 2016)
- ii. Future Lifestyle Fashions Limited (w.e.f. September 27, 2016)

2. Fellow Subsidiaries

- i. Indus-League Clothing Limited (upto March 29, 2017)
- ii. Indus Tree Craft Private Limited (upto March 29, 2017)

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- iii. Indus Tree Producer Transform Private Limited (upto March 29, 2017)
- iv. Rachika Trading Private Limited (upto March 29, 2017)
- v. Elisir Lifestyle Private Limited (upto March 29, 2017)
- vi. Mineral Fashions Private Limited (upto March 29, 2017)
- vii. Future Style Lab Limited (upto March 29, 2017)
- viii. FLFL Lifestyle Brands Limited (w.e.f. March 17,2017 upto March 29,2017)
- ix. FLFL Business Services Limited (w.e.f. March 27,2017)

B. Transaction with Related Parties

(₹ in Crore)

Nature of Transactions	Holding
Revenue from Operations	1.06
Outstanding Balances as on March 31, 2017 Receivable	17.22

24. Payment to Auditors (Inclusive of Service Tax)

(₹ in Crore)

Particulars	2016-17
Statutory Audit Fees	0.02
Tax Audit Fees	0.01
Total	0.03

25. Earnings Per Share

Basic and Diluted Earnings per Share (EPS) is computed in accordance with Accounting Standard (AS-20) on "Earning per Share"

Particulars	UNITS	2016-17
Profit after tax	₹ In Crore	(0.78)
The Weighted average number of Equity Shares for Basic EPS	No. in Crore	0.03
The Weighted average number of Equity Shares for Diluted EPS	No. in Crore	0.03
Earnings per Equity Share – Basic	₹	(30.11)
Earnings per Equity Share – Diluted	₹	(30.11)

26. Segment Reporting

The Company is primarily engaged in the business of fashion, which in terms of Accounting Standard 17 notified under the Companies (Accounting Standards) Rules, 2006 (as amended) "Segment Reporting" constitutes a single reporting segment.

27. There are no Micro, Small and Medium Enterprises, to whom the Company owes dues which are outstanding for more than 45 days during the period. This information as required to be disclosed under the Micro, Small and Medium Enterprise Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company and relied by the auditors.

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28. Details of Sales Value of Goods

(₹ in Crore)

Particulars	Year Ended March 31, 2017
Apparel	1.07
Total	1.07

29. Future Lifestyle Fashions Limited (FLFL) has moved the Lee Cooper business to the Company. The Company has issued Compulsorily Convertible Preference Shares ('CCPS') aggregating Rs. 250 Crore to Beacon Trusteeship Limited (Trustee of FSRL CCPS Trust). FLFL and other parties have entered into an investment agreement with the CCPS subscribers which allows the subscribers to exit an agreed price as per the terms of the investment agreement. The CCPS shall be converted into 26% equity of the Company on fully diluted basis on or before [48] months from the date of subscription of the CCPS. The articles of association of the Company have been suitably amended to reflect the terms of the investment agreement.

30. The Company was incorporated on September 27, 2016. This is being first accounting period of the Company, hence there are no previous period figures.

As per our report of even date attached

For and on behalf of Board of Directors

For NGS & Co. LLP

Chartered Accountants

Vimal Dhruve

Director

DIN: 02243595

Subodh More

Director

DIN: 07230828

Ashok Trivedi

Partner

Membership No. 042472

Place : Mumbai

Date : May 10, 2017