

SPENCER'S RETAIL LIMITED

Financial Statements for the year ended 31st March, 2012

SPENCER'S RETAIL LIMITED

DIRECTORS' REPORT

To The Members,

Your Directors take pleasure in submitting the Twelfth Annual Report and Audited Accounts of the Company for the year ended 31st March 2012.

FINANCIAL RESULTS

<u>Particulars</u>	<u>Rs/Million</u>	
	<u>2011-12</u>	<u>2010-11</u>
Sales and Other Income	12063	10019
Operating Loss	1509	1733
Interest	381	230
Depreciation	504	508
Loss for the year before exceptional items & Taxes	2395	2471
Exceptional Items	159	212
Taxes (Deferred Tax)	NIL	752
Loss after Taxes	2554	1931

PERFORMANCE REVIEW

Company continues to grow topline by recording robust same store sales growth of about 15% for the year with large format growth at over 20%. Measures taken in the areas of opex control and margin enhancement have resulted in significant improvement in the store EBITDA at the aggregate level for the year vs. previous year.

Company further consolidated its operations by suitably closing non-viable small format stores. Due to business reasons, the company terminated its franchisee contracts with the international apparel brands as the market response of the product offering did not meet with the expectations. The Spencer's brand has recorded positive scores on its customer satisfaction indicators.

The current focus area is to grow the company in its existing core geographies by rolling out large format stores to improve its market position and aim at achieving cluster level profitability by fully leveraging back end and advertising costs

As a result of its measures, operating loss for the year was Rs.1509 million vs. Rs.1733 million in the previous year.

Company looks forward to further strengthening its performance in the coming years.

CURRENT OUTLOOK

Organised retailing is about 6% of the total retail business and is expected to grow to 20% by 2020. This will be driven by increased urbanisation, young demographics, rising incomes and propensity towards disposability and an aspiration for a better lifestyle. While the growth outlook is robust, the availability of real estate at reasonable prices and at desirable location and the lack of proper supply chain in the country seem to be the biggest constraints. As the

Company moves ahead, it expects margin improvements to take place. However the industry is likely to witness a couple of more years of losses till the scale of retail operation and the inflection point of migration to organised retailing is triggered. The key challenge is to continue to drive solid same store sales growth, improve margins to which the management has visibility and at the same time keep close focus on costs.

NOTE ON SUBSIDIARIES

The Company has two subsidiary Companies namely Music World Retail Limited and Au Bon Pain Café India Limited.

As required under Section 212 of the Companies Act, 1956, the Audited Statement of Accounts along with the Report of the Board of Directors of both the subsidiary companies and the respective Auditors Report thereon for the year ended 31 March 2012, are annexed to the Balance Sheet as at 31 March 2012 of your Company.

A statement pursuant to section 212 of the Companies Act, 1956 is also annexed.

MERGER

The Company has filed an application with the Hon'ble High Court at Calcutta for merger of it's wholly owned subsidiary company Music World Retail Limited with the Company, effective from 1 January 2012, which is pending approval as of date.

DIRECTORS

During the year, Mr. Sumantra Banerjee resigned from the Board of the Company with effect from 22 June 2011. Mr. B.P.Bajoria ceased to be the director of the company upon his sad demise. The Board places on record its appreciation for the services rendered by Mr. Sumantra Banerjee and Late B.P.Bajoria during their tenure.

Mr. Bhanwarlal Chandak was appointed as Additional Director on the Board of the Company with effect from 17 February 2012. Company has received notice from a member proposing the appointment of Mr. Bhanwarlal Chandak as Director of the Company at the ensuing Annual General Meeting.

Pursuant to section 256 of the Companies Act, 1956, Mr. Subhasis Mitra retires by rotation at the ensuing Annual General Meeting and, being eligible, offer himself for reappointment.

AUDIT COMMITTEE

The Audit Committee consists of three members namely Mr. Bhanwarlal Chandak, Mr. Rajendra Jha and Mr. Subhasis Mitra.

AUDITORS' REPORT

The Board has examined the Auditors Report to the accounts and the clarifications, wherever necessary, have been included in the Notes to Accounts.

AUDITORS

M/s. S. R. Batliboi & Co, Chartered Accountants, Statutory Auditors of the Company retire at the ensuing Annual General Meeting, and being eligible, offer themselves for re-appointment. The Company has received necessary confirmation from the Auditors under Section 224(1B) of the Companies Act, 1956 ("the Act").

FIXED DEPOSITS

During the year under review, the Company has not accepted any deposit under Section 58A of the Companies Act, 1956 read with Companies (Acceptance of Deposits) Rules, 1975.

PARTICULARS OF EMPLOYEES

As required under the provisions of Section 217(2A) of the Act, read with the Companies (Particulars of Employees) Rules, 1975, as amended, particulars of employees form part of this report. This report is being sent to the shareholders of the Company excluding the aforesaid information. Any shareholder may write to the Company for obtaining a copy thereof.

EMPLOYEE STOCK OPTION SCHEME 2005

The Board has approved allotment of 2000 equity shares of Rs.10/- each upon exercise of 2000 options vested by employees during the year under the above scheme.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Act, the Directors hereunder confirm that:

- i. in the preparation of annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- ii. they have selected such Accounting Policies and applied them consistently; and made judgment and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of financial year and of loss of the Company for the year ended on that date;
- iii. they have taken proper and sufficient care for the 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;
- iv. that the annual Accounts have been prepared on a 'going concern' basis.

PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The provisions of Sec. 217(1)(e) of the Act relating to energy conservation and technology absorption do not apply to the Company. The Company widely uses information technology in its operations.

During the year under review, the foreign exchange earning was NIL and expenditure in foreign currency amounted to Rs 7.58 million.

ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the valuable services rendered by the employees of the Company at all levels. The Directors would also like to express their appreciation to bankers, trade suppliers, customers, financial institutions and the shareholders for their continued support and cooperation.

For and on behalf of the Board

Kolkata

Date : 9 June 2012

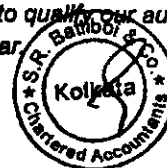
Sd/-
S. Mitra
Director

Sd/-
R. Jha
Director

Auditors' Report

To
The Members of Spencer's Retail Limited

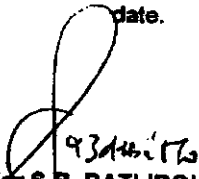
1. We have audited the attached Balance Sheet of Spencer's Retail Limited ('the Company') as at March 31, 2012 and also the Statement of Profit and Loss and the cash flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 the 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, statement of profit and loss and cash flow statement dealt with by this report are in agreement with the books of account;
 - iv. In our opinion, the balance sheet, statement of profit and loss and cash flow statement dealt with by this report, *subject to our observation vide para (v) below*, comply with the accounting standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v. *Attention is drawn to note no.13 to the financial statements regarding recognition of net deferred tax asset (DTA) of Rs 32,154.69 lakhs (Rs 32,154.69 lakhs) in the accounts upto 31st March 2011 based on the future profitability projections made by the management. The Company has not recognised DTA of Rs 7,920.15 lakhs for the current year as a matter of prudence. However, we are unable to express any opinion on the above projections and their consequent impact if any, on such Deferred Tax Asset. This had also caused us to qualify our audit opinion on the financial statements relating to the preceding year.*



S.R. BATLIBOI & CO.
Chartered Accountants

Had the impact of above item been considered, there would be a loss of Rs 57,692.18 lakhs (after adjusting DTA of Rs 32,154.69 lakhs recognized upto 31st March, 2011) as against the reported loss of Rs 25,537.49 lakhs and shareholder's funds would have reduced by Rs 32,154.69 lakhs.

5. On the basis of the written representations received from the directors, as on March 31, 2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2012 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
6. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, *subject to our observation vide para 4 (v) above*, 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 balance sheet, of the state of affairs of the Company as at March 31, 2012;
 - b) in the case of statement of profit and loss , of the loss 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 S.R. BATLIBOI & CO.
Firm Registration Number : 301003E
CHARTERED ACCOUNTANTS

Per R. K. AGRAWAL
Partner
Membership No. 16667

22, Camac Street
Block - C, 3rd Floor
Kolkata - 700016.



Date : 9th June, 2012

S.R. BATLIBOI & CO.
Chartered Accountants

Annexure to the Auditor's Report to the members of Spencer's Retail Limited referred to in our report of even date

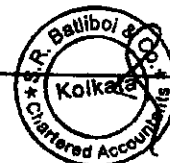
- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification of fixed assets over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) During the year, the Company has written off and also sold certain unusable assets arising out of the closure of non-viable and loss making stores, which has not affected the going concern status of the Company.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clauses 4 (iii) (a) to (d) of the Order are not applicable to the Company and hence not commented upon.
- (b) According to the information and explanations given to us, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clauses 4(iii) (e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weaknesses in the internal control system of the company in respect of these areas.



S.R. BATLIBOI & CO.
Chartered Accountants

- (v) According to the information and explanations provided by the management, we are of the opinion that there are no contracts or arrangements with the parties that need to be entered into the register maintained under section 301 of the Companies Act, 1956.
- (vi) The Company has not accepted any deposits from the public within the meaning of sections 58A, 58AA, or any other relevant provisions of the Companies Act, 1956 and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) To the best of our knowledge and as explained, the maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 is not applicable since the company is not involved in any manufacturing activity.
- (ix) (a) The Company has been 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, customs duty, excise duty, cess and other material statutory dues applicable to it.
- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.
- (c) According to the information and explanations given to us and based on the records of the Company examined by us, there are no dues outstanding of sales tax, income tax, custom duty, wealth tax, service tax, excise duty and cess on account of any dispute, other than the following :

Name of the statute	Nature of dues	Amount (Rs in lakhs)	Period to which the amount relates	Forum where dispute is pending
Various States VAT Acts	Sales tax demand on stock Transfer	19.04	2007-08 & 2008-09	Deputy / Assistant Commissioner (Appeals)
	Miscellaneous	1.47	2008-09	Additional Commissioner (Appeals)
Various States Sales Tax Acts	Sales tax demand on stock transfer	29.57	2003-04	Revision Board, Commercial Taxes
	Miscellaneous	89.87	2000-01, 2001-02 & 2004-05	Appellate Deputy Commissioner/ Tribunal
Finance Act 1994	Service Tax demand on concessionaire income	115.70	2007-08 & 2008-09	Commissioner, Appeals



S.R. BATLIBOI & CO.


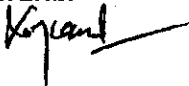
Chartered Accountants

- (x) *The Company's accumulated losses at the end of the financial year are more than fifty percent of its net worth. The Company has also incurred cash loss in the current as well as 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 a financial institution and banks. The Company did not have any outstanding debentures during the year.
- (xii) According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which these loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the Company, we report that *the Company has used short term funds of Rs 41,933.26 lakhs for long-term application.*
- (xviii) The Company has not made any preferential allotment of shares during the year to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company did not have any outstanding debentures during the year.
- (xx) The Company has not raised any money through a public issue during the year.



S.R. BATLIBOI & Co.
Chartered Accountants

(xci) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.


For S.R. BATLIBOI & CO.
Firm Registration Number : 301003E
CHARTERED ACCOUNTANTS


Per R. K. AGRAWAL
Partner
Membership No. 16667

22, Camac Street
Block - C, 3rd Floor
Kolkata - 700016.

Date : 9th June, 2012



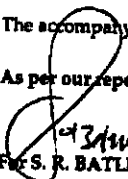
SPENCER'S RETAIL LIMITED
Balance sheet as at 31 of March 2012

	Notes	31st March 2012 ₹ Lakhs	31st March 2011 ₹ Lakhs
EQUITY AND LIABILITIES			
Shareholder's funds			
(a) Share capital	3	2,601.41	2,601.21
(b) Reserves and surplus	4	(91,605.41)	(66,068.60)
(c) Share application money pending allotment	5	106,845.00	96,030.00
		<u>17,841.00</u>	<u>32,562.61</u>
Non-current liabilities			
(a) Long-term borrowings	6	8,625.00	2,625.00
(b) Other Long-term liabilities	7	4,404.52	3,137.93
(c) Long-term provisions	8	399.47	224.85
		<u>13,428.99</u>	<u>5,987.78</u>
Current liabilities			
(a) Short-term borrowings	9	35,000.00	35,000.00
(b) Trade payables	10.1	10,362.63	8,833.55
(c) Other current liabilities	10.2	10,407.42	8,120.12
(d) Short-term provisions	8	60.05	52.28
		<u>55,830.10</u>	<u>52,005.95</u>
TOTAL		<u>87,100.09</u>	<u>90,556.34</u>
ASSETS			
Non-current assets			
(a) Fixed assets			
Tangible assets	11.1	21,260.83	24,114.93
Intangible assets	11.2	867.39	1,049.70
Capital work-in-progress			2,568.82
(b) Non-current investments	12	10,425.00	9,625.00
(c) Deferred tax assets (net)	13	32,154.69	32,154.69
(d) Long-term loans and advances	14	6,941.40	6,863.02
(e) Other non-current assets	17.2	1,553.94	931.48
		<u>73,203.25</u>	<u>77,307.64</u>
Current assets			
(a) Inventories	15	10,787.63	10,169.07
(b) Trade receivables	17.1	1,626.40	1,607.12
(c) Cash and Bank balances	16	694.24	439.91
(d) Short-term loans and advances	14	751.13	1,006.60
(e) Other current assets	17.2	37.44	26.00
		<u>13,896.84</u>	<u>13,248.70</u>
TOTAL		<u>87,100.09</u>	<u>90,556.34</u>

Summary of Significant Accounting Policies 2.1

The accompanying notes referred to above form an integral part of the Financial Statements

As per our report of even date attached


 For S. R. BATLIBOI & CO.
 Firm Regn No: 301003E
 Chartered Accountants

For and on behalf of the Board of Spencer's Retail Limited


 per R.K. Agawal
 Partner
 Membership No 16667


 Director


 Director


 Company Secretary

Place : Kolkata
 Date : 9th June 2012

SPENCER'S RETAIL LIMITED

Statement of Profit and Loss for the year ended 31st March 2012

	Notes	2011-12 ₹ Lakhs	2010-11 ₹ Lakhs
Income:			
Revenue from operations	18	119,894.80	97,946.65
Other income	19	730.71	514.66
Total Revenue (I)		120,625.51	98,461.31
Expenses:			
Purchase of traded goods	20	98,434.26	79,525.42
(Increase)/Decrease in traded goods	20	(645.29)	1,513.07
Employee benefits expenses	21	11,549.16	11,106.62
Other expenses	22	25,324.74	22,672.72
Total (II)		134,662.87	114,817.83
Earnings before interest, tax, depreciation and amortisation (EBITDA) (I-II)		(14,037.36)	(16,356.52)
Depreciation, Amortisation and Impairment	23	5,044.79	5,084.07
Finance costs	24	4,864.37	3,273.47
Loss before exceptional items and tax		(23,946.52)	(24,714.06)
Exceptional items	25	1,590.97	2,119.18
Loss before tax		(25,537.49)	(26,833.24)
Tax expense:			
Deferred tax			(7,523.38)
Loss for the year		(25,537.49)	(19,309.86)
Earnings per share- Basic and Diluted [Nominal value ₹10 per share(₹10 per share)]	26	(98.17)	(74.23)

Summary of Significant Accounting Policies

2.1

The accompanying notes referred to above form an integral part of the Financial Statements

As per our report of even date attached

For S.R. BATLIBOI & CO.

Firm Regn No: 301003E

Chartered Accountants

per R.K Agrawal

Partner

Membership No 16667

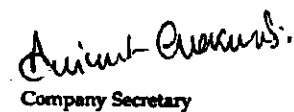
Place : Kolkata

Date : 9th June 2012

For and on behalf of the Board of Spencer's Retail Limited


Director


Director


Company Secretary

SPENCER'S RETAIL LIMITED

Cash Flow Statement for the year ended 31st March 2012

	Notes	2011-12 ₹ Lakhs	2010-11 ₹ Lakhs
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before exceptional items and tax		(23,946.82)	(24,714.06)
Non Cash adjustment to reconcile loss before tax to net cash flows :			
Depreciation		5,044.79	5,084.07
Bad Debts written off		-	409.82
Rental deposits written off		18.94	182.25
Interest expense		3,812.09	2,304.73
Profit on sale of Investments		(186.63)	(65.28)
Interest Income		(111.18)	(58.34)
Loss on sale of Assets (net)		546.73	676.67
Provision for Lease equalisation		1,079.98	803.30
Reversal of Employee Stock Option		-	(10.53)
Provision for Doubtful advances and deposits		91.70	169.27
Provision for Obsolete stocks		(260.45)	489.89
Liability written back		(309.39)	(376.70)
Operating Loss before working capital changes		(14,215.94)	(18,104.71)
Movement in working capital:			
(Decrease)/Increase in Liabilities & Provisions		5,113.54	1,070.12
Decrease/(increase) in trade receivables		(19.20)	(146.98)
Decrease/(increase) in inventories		(618.56)	1,538.99
Decrease/(increase) in Loans & Advances and Other Assets		(504.84)	132.88
		<u>3,970.84</u>	<u>2,395.01</u>
Net cash flow from/(used in) operating activities (A)		<u>(10,249.08)</u>	<u>(12,809.70)</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of Fixed assets, including Intangible assets, capital work in progress and capital advances		(1,771.76)	(2,420.00)
Proceeds from Sale of fixed assets		278.44	238.84
Investments in Subsidiary Company		(800.00)	(800.00)
Proceeds from sale/maturity of current investments		30,493.35	21,295.28
Purchase of current investments		(30,306.72)	(23,230.00)
Investments in bank deposits (having original maturity of more than three months)		(956.33)	(154.86)
Redemption/maturity of bank deposits (having original maturity of more than three months)		242.02	24.49
Interest received		<u>85.73</u>	<u>58.41</u>
Net cash from/(used in) Investing activities (B)		<u>(2,729.27)</u>	<u>(2,967.84)</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of Share Capital (including share premium)		0.88	-
Proceeds from Share Application Money pending allotment		10,815.00	19,285.00
Proceeds from long-term borrowings		7,500.00	-
Repayment of long-term borrowings		(1,500.00)	(1,593.05)
Proceeds from short-term borrowings		35,000.00	35,000.00
Repayment of short-term borrowings		(35,000.00)	(35,000.00)
Interest paid		(3,681.91)	(2,307.88)
Net Cash Flow from/(used in) financing activities (C)		<u>13,133.97</u>	<u>15,384.07</u>
Net Increase/(Decrease) in Cash and Cash equivalents (A+B+C)		159.62	(113.47)
Cash and cash equivalents at the beginning of the year		436.47	549.94
Cash and cash equivalents at the end of the year		<u>596.09</u>	<u>436.47</u>
Components of cash and cash equivalents			
Cash in hand		305.95	223.97
With banks-on current account		290.14	212.50
Total cash and cash equivalents (Note 16)		<u>596.09</u>	<u>436.47</u>

Summary of Significant Accounting Policies

2.1

The accompanying notes referred to above form an integral part of the Financial Statements

As per our report of even date attached

S. K. Batliboi & Co.
S. K. BATLIBOI & CO.
Firm Regn No: 301003E
Chartered Accountants

per R.K. Agrawal
Partner
Membership No 16667

Place : Kolkata
Date : 9th June 2012

For and on behalf of the Board of Spencer's Retail Limited

[Signature] Director
[Signature] Director
[Signature] Company Secretary

SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

1 CORPORATE INFORMATION

Spencer's Retail Limited (the Company) is a Public Limited company domiciled in India and incorporated under the provisions of the Companies Act,1956.The Company is engaged in the retailing of goods and caters to domestic market only.

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with the generally accepted accounting principles in India. These financial statements have been prepared to comply in all material respects with the Accounting Standards notified by the Companies Accounting Standard Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies adopted in the preparation of the financial statements are consistent with those of previous year, except for the change in accounting policy explained below.

Presentation and Disclosure of Financial Statements

During the year ended 31st March 2012, the revised Schedule VI notified under the Companies Act 1956 , has become applicable to the company , for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However , it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements of the Revised Schedule VI ,applicable in the current year.

2.1 SIGNIFICANT ACCOUNTING POLICIES

a) Use of Estimates

The preparation of financial statements in conformity with the generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amount of assets, liabilities and disclosure of contingent liabilities as of 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.

b) Fixed Assets

Fixed Assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises of purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Expenditure in respect of improvements, etc. carried out at the rented / leased premises are capitalised and depreciated over the initial period of lease.

Expenditure incurred in setting up of stores are capitalized as a part of Leasehold improvements.



c) Depreciation

Depreciation is provided using the straight-line method at the rates prescribed under Schedule XIV of the Companies Act, 1956. However in the following cases, a higher rate of depreciation is applied based on the useful life of the relevant assets estimated by the management:

Category of Asset	Minimum Depreciation rates as per Schedule XIV	Depreciation rates applied by the Company
Plant and Machinery (Single shift)	4.75%	Ranges from 4.75% to 20%
Vehicles	9.50%	19%
Furniture and fixtures	6.33%	Ranges from 6.33% to 33.33%
Office Equipments	4.75%	Ranges from 6.33% to 20%

d) Intangibles

Acquired Computer softwares and licenses are capitalized on the basis of the costs incurred to acquire and bring the specific asset to its intended use and are amortised on a straight line basis over their estimated useful lives as follows:

Computer Softwares	6 years
Licences	10 years

e) Impairment

The carrying amount of assets is reviewed at each balance sheet date, to determine if there is any indication of impairment based on the internal/external factors. An impairment loss is recognized wherever the carrying amount of assets exceeds its recoverable amount which is the greater of net selling price and value in use of the respective assets. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and risk specific to the asset. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

f) Leases

Operating Lease

Leases where the lessor effectively retains substantially all the risk and benefits incidental to ownership of the leased asset are classified as operating leases. Operating lease payment is recognized as an expense in the Statement of Profit and Loss on the straight-line basis over the lease term.

Finance Lease

Finance leases, which effectively transfer to the company substantially all the risk and benefits incidental to the ownership of the leased item, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the leased liability based on the implicit rate of return. Finance Charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

In case there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.



g) Investments

Investments that are readily realizable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long term investments are carried at cost but adequate provision for diminution in value is made to recognize a decline other than temporary, in the value thereof.

b) Inventories

Traded Goods and Packing materials are valued at lower of cost and net realizable value. Cost includes purchase price and other incidental expenses. Cost is determined under moving weighted average method.

Obsolete/Damaged stock is valued at lower of cost less provision and net realisable value. Such provision is ascertained based on pre-determined criterion adopted by the company consistently over the years.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale.

1) Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

Sale of Goods

Revenue is recognized when significant risk and rewards of ownership of the goods get passed on to the buyers.

Income from Recoveries and Services

Income from recoveries and services mainly represents recoveries made on account of advertisement for use of space by the customers and other expenses charged from suppliers and are recognized and recorded based on the arrangements with concerned parties.

Interest

Revenue is recognized on a time proportionate basis taking into account the amount outstanding and rate applicable.

1) Foreign Currency Transaction

Initial Recognition

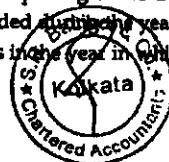
Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion

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

Exchange Difference

Exchange differences arising on settlement of monetary items or on reporting of the Company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognized as income or expenses in the year in which they arise except those arising from investments in non-integral operations.



k) Retirement and other Employee benefits

Retirement benefits in the form of Provident & Superannuation Funds are defined contribution schemes and the contributions are charged to Statement of Profit and Loss of the year when the contributions to the respective funds are due. There are no obligations other than the contribution payable to the respective funds.

- i) Gratuity liability is a defined benefit obligation and contribution, by way of premium is paid to Life Insurance Corporation of India (L.I.C), under the Group Gratuity Scheme. Gratuity liability is provided for based on actuarial valuation on projected unit credit method made at the end of each financial year.
- ii) Long term compensated absences are provided for on the basis of actuarial valuation carried out at the year end as per projected unit credit method.
- iii) Actuarial gains/losses are immediately taken to Statement of Profit and Loss and are not deferred.
- iv) The current and non current bifurcation has been done as per the Actuarial report.

l) Income Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act 1961 enacted in India.

Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on tax rates and tax laws enacted or substantively enacted at the Balance sheet date. Deferred tax assets are recognized only to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be realized. In situations where the company has unabsorbed depreciation or carried forward losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profit.

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

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

m) Earnings per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.



n) Provisions

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

o) Employee Stock Compensation cost

Measurement and disclosure of the employee share based payment plans is done in accordance with the guidance note on accounting for Employee Share Based payments, issued by the Institute of Chartered Accountants of India. The company measures compensation cost relating to employee stock options using the fair value method. Compensation expenses are amortized over the vesting period of the option on a straight line method.

p) Borrowing Cost

Borrowing costs that are directly attributable to the acquisition of a qualifying asset are capitalized as a part of the cost of asset.

All other borrowing costs are recognized as expenditure during the period in which these are incurred.

Ancillary costs incurred in connection with the arrangement of borrowings are amortized over the period of borrowing for which they are incurred.

q) Cash and Cash Equivalents

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

r) Contingent liabilities

A contingent Liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognised because it is not portable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Company does not recognise a contingent liability but discloses its existence in the financial statements.

s) Measurement of EBITDA

As permitted by the Guidance Note on the revised schedule VI to the Companies Act 1956, the company has elected to present Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) as a separate line item on the face of the Statement of Profit and Loss. The company measures EBITDA on the basis of profit/(loss) from continuing operation. In its measurement, the company does not include depreciation and amortisation expense, finance costs and tax expense.



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

3 SHARE CAPITAL

	31st March 2012		31st March 2011	
	No. of Shares	₹ in Lakhs	No. of Shares	₹ in Lakhs
Authorised				
Equity shares of ₹10 each	300,000,000	30,000.00	300,000,000	30,000.00
	<u>300,000,000</u>	<u>30,000.00</u>	<u>300,000,000</u>	<u>30,000.00</u>
Issued, subscribed and fully paid up Equity shares of ₹10 each				
	26,014,113	2,601.41	26,012,113	2,601.21
a) Reconciliation of Equity Shares outstanding at the beginning and end of the reporting period	No. of Shares	₹ in Lakhs	No. of Shares	₹ in Lakhs
At the beginning of the year	26,012,113	2,601.21	26,012,113	2,601.21
Issued during the year- ESOP	2,000	0.20	-	-
Outstanding at the end of the year	<u>26,014,113</u>	<u>2,601.41</u>	<u>26,012,113</u>	<u>2,601.21</u>

b) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the share holders in the ensuing 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 distribution will be in proportion to the number of equity shares held by the shareholders.

c) Shares held by each shareholder in excess of 5% of the shareholding in the Company -

Name of the party	No. of Shares	%	No. of Shares	%
CESC Limited	24,638,103	94.71%	24,638,103	94.72%

As per records of the Company, including its register of shareholders/members and other declaration received from shareholders the above shareholding represent legal ownership of shares.

d) Shares held by holding company

Out of the equity shares issued by the company, 24,638,103 shares are held by the Holding Company, CESC Limited.

e) Shares reserved for issue under options

For details of shares reserved for issue under employee stock option (ESOP) plan of the company, please refer Note no 30.



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

4 RESERVES & SURPLUS

	31st March 2012	31st March 2011
	₹ Lakhs	₹ Lakhs
Securities Premium Reserve		
Balances as per last financial statements	11,584.47	11,584.47
Addition during the year	0.68	-
Closing Balance	<u>11,585.15</u>	<u>11,584.47</u>
General Reserve		
Balances as per last financial statements	-	-
Addition during the year	7.30	-
Closing Balance	<u>7.30</u>	<u>-</u>
Share Options Outstanding Account (refer Note 30)		
Balances as per last financial statements	98.98	109.52
Reversal during the year, transferred to General Reserve	7.30	10.54
Closing Balance	<u>91.68</u>	<u>98.98</u>
Surplus/(Deficit) in the statement of profit and loss		
Balances as per last financial statements	(77,732.05)	(58,442.19)
Loss for the year	(25,537.49)	(19,309.86)
Closing Balance	<u>(103,269.54)</u>	<u>(77,752.05)</u>
Total Reserves & Surplus	<u>(91,605.41)</u>	<u>(66,068.60)</u>

5 SHARE APPLICATION MONEY PENDING ALLOTMENT

	31st March 2012	31st March 2011
	₹ Lakhs	₹ Lakhs
Share application money pending allotment	106,845.00 *	96,030.00

* Share Application money as above represents money received from the Company's Holding Company- CESC Ltd towards equity shares proposed to be issued at a premium (to be decided) within the next financial year.



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

6 LONG TERM BORROWINGS

	Non-Current		Current	
	31st March 2012	31st March 2011	31st March 2012	31st March 2011
	₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
Secured Term Loans				
Term Loan from a Scheduled bank	8,625.00	2,625.00	1,500.00	1,500.00
Amount disclosed under the head "Other Current Liabilities"(refer Note 10.2)	-	-	(1,500.00)	(1,500.00)
	8,625.00	2,625.00		

a) Nature of Security

The above term loan is secured by hypothecation by way of first charge on all the current and movable assets (tangible & intangible, both present and future) and all the receivables of the company arising out of, pursuant to or under the merchant establishment agreement (including the credit card receivables account) save and except any asset situated in or any such receivables arising from the hyper stores situated at Vishakhapatnam, Hyderabad and Malad (Mumbai). Beside, the above term loan of ₹ 2,625.00 Lakhs is also secured by the unconditional and irrevocable Letter of Comfort from the Holding Company.

b) Terms of Repayment and Rate of Interest

- i) Term loan of ₹ 2,625.00 Lakhs carries interest in the range of 13.50% to 14.75% per annum. The loan is repayable in quarterly instalments of ₹ 375.00 Lakhs each by December 2013.
- ii) Term loan of ₹ 7,500.00 Lakhs carries interest in the range 13.50% per annum. The loan is repayable in quarterly instalments of ₹ 375.00 Lakhs each starting from May 2014 to February 2019.

7 OTHER LONG TERM LIABILITY

	Non-Current		Current	
	31st March 2012	31st March 2011	31st March 2012	31st March 2011
	₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
Provision for Rent Equalization	4,376.01	3,137.93	98.12	256.22
Other Expenses	28.51	-	10.06	-
Amount disclosed under the head "Other Current Liabilities"(refer Note 10.2)	-	-	(108.18)	(256.22)
	4,404.52	3,137.93		



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

8 PROVISIONS

	Non-Current		Current	
	31st March 2012	31st March 2011	31st March 2012	31st March 2011
	₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
Provision for Employee Benefits Gratuity (refer Note 35)	164.37	61.16	50.00	50.00
Leave (refer Note 35)	235.10	163.69	10.05	2.28
	<u>399.47</u>	<u>224.85</u>	<u>60.05</u>	<u>52.28</u>

9 SHORT TERM BORROWINGS

	31st March 2012	31st March 2011
	₹ Lakhs	₹ Lakhs
UNSECURED LOANS		
From scheduled banks	35,000.00	35,000.00
	<u>35,000.00</u>	<u>35,000.00</u>

Terms of Repayment and Rate of Interest

Unsecured Loan from scheduled banks comprises of Indian Rupee term loans repayable within one year carrying interest 9.5% p.a to 9.75% p.a.

10 TRADE PAYABLE & OTHER CURRENT LIABILITIES

	31st March 2012	31st March 2011
	₹ Lakhs	₹ Lakhs
10.1 Trade Payable (refer Note 38)	<u>10,362.63</u>	<u>8,833.55</u>
10.2 Other Liabilities		
Current maturities of long-term debt (refer Note 6)	1,500.00	1,500.00
Interest accrued but not due on borrowings	9.03	3.05
Interest accrued and due on borrowings	124.21	-
Bank Overdraft from Banks	2,588.24	1,085.31
Other Payables		
Capital Creditors	227.40	468.73
Statutory Liabilities	472.84	255.79
Sundry Deposits	142.91	145.84
Provision for Rent Equalization	98.12	256.22
Others		
- Payables to Employees	628.33	662.58
- Other Expenses	4,616.34	3,742.60
	<u>10,407.62</u>	<u>8,120.12</u>



11 FIXED ASSETS
11.1 TANGIBLE ASSETS

	Leasehold Improvements	Plant & Equipments	Computer Hardwares	Vehicles	Furniture & Fixtures	Office Equipments	(₹ Lakhs) Total
Cost							
As at 1st April 2010	18,629.11	5,808.71	5,817.39	141.58	7,770.69	510.93	38,678.41
Additions	1,497.05	530.18	58.58	-	907.21	19.42	3,012.44
Disposals/Deductions	2,231.06	640.92	45.78	15.40	872.40	30.67	3,836.23
As at 31st March 2011	17,895.10	5,697.97	5,830.19	126.18	7,805.50	499.68	37,854.62
Additions	500.10	673.87	294.80	27.47	1,999.74	15.15	3,511.13
Disposals/Deductions	1,782.23	1,622.82	160.01	27.47	1,283.82	2.37	4,878.72
As at 31st March 2012	16,612.97	4,749.02	5,964.98	126.19	8,521.42	512.46	36,487.03
Depreciation							
As at 1st April 2010	4,445.51	920.02	2,681.39	78.03	1,577.64	85.57	9,788.16
Charge for the year	2,160.60	645.61	1,024.36	23.76	1,005.45	27.34	4,887.12
Disposals/Deductions	529.13	142.86	24.84	9.31	221.74	7.69	935.59
As at 31st March 2011	6,076.96	1,422.77	3,680.91	92.48	2,361.35	105.22	13,739.69
Charge for the year	1,509.78	671.59	1,302.12	15.81	1,326.87	10.17	4,836.34
Disposals/Deductions (including Impairment)	2,392.79	289.11	123.41	26.11	517.20	1.21	3,349.83
As at 31st March 2012	5,193.95	1,805.25	4,859.62	82.18	3,171.02	114.18	15,226.20
Net Block							
As at 31st March 2011	11,818.14	4,275.20	2,149.28	33.70	5,444.15	394.46	24,114.93
As at 31st March 2012	11,419.02	2,943.77	1,105.36	44.00	5,350.40	398.28	21,260.83

Note:

Depreciation for the year includes ₹ 720 Lakhs (₹ 1,434.85 Lakhs) being accelerated depreciation on certain movable items not in use from closed/dropped stores.

11.2 INTANGIBLE ASSETS

	Computer Softwares	Licence	(₹ Lakhs) Total
Gross Block			
As at 1st April 2010	816.31	707.19	1,523.50
Purchases	66.75	-	66.75
As at 31st March 2011	883.06	707.19	1,590.25
Purchases	26.03	0.24	26.27
Disposals/Deductions	1.84	0.24	2.08
As at 31st March 2012	907.25	707.19	1,614.44
Amortisation			
As at 1st April 2010	302.86	40.74	343.60
Charge for the year	126.23	70.72	196.95
As at 31st March 2011	429.09	111.46	540.55
Charge for the year	137.50	70.95	208.45
Disposals/Deductions	1.72	0.23	1.95
As at 31st March 2012	564.87	182.18	747.05
Net Block			
As at 31st March 2011	453.97	595.73	1,049.70
As at 31st March 2012	342.38	525.01	867.39



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

12 NON CURRENT INVESTMENTS
(valued at Cost unless stated otherwise)

	31st March 2012		31st March 2011	
	No. of Shares	₹ Lakhs	No. of Shares	₹ Lakhs
Trade (Unquoted)				
Equity Shares, Fully Paid Up of ₹ 10 each				
Shares in Subsidiary Companies				
Music World Retail Limited	5,000,000	8,024.00	5,000,000	8,024.00
Aou Bon Pain Café India Ltd.	24,000,000	2,400.00	16,000,000	1,600.00
Others:				
Retailer's Association of India	10,000	1.00	10,000	1.00
		<u>10,425.00</u>		<u>9,625.00</u>

Note :

- Aggregated amount of Unquoted Investments as at 31st March 2012 ₹10,425 Lakhs (₹ 9,625 Lakhs)
- Diminution of ₹ 7,626 Lakhs (₹ 4,474 Lakhs) in the value of certain long term unquoted investments, based on the net worth as per the latest audited accounts of the subsidiary Companies as on 31st March, 2012, being temporary in nature, has not been provided.

13 DEFERRED TAX

Net deferred tax asset (DTA) of ₹ 32,154.69 lakhs had been accounted for upto 31st March 2011; but as a matter of prudence no credit for ₹ 7,920.15 lakhs, being deferred tax asset for the current year, has been considered in the accounts.

There are unabsorbed depreciation and carried forward losses as at the Balance Sheet date. However, based on future profitability projections, the Company is virtually certain that there would be sufficient taxable income in future, to claim the above tax credit.

The break-up of DTA is as follows:

	31st March 2012	31st March 2011
	₹ Lakhs	₹ Lakhs
Timing Difference in Depreciable Assets	2,005.80	2,005.80
Unabsorbed Depreciation	8,062.61	8,062.61
Business losses carried forward	19,941.62	19,941.62
Other Timing Differences	2,144.66	2,144.66
Net Deferred Tax Asset	<u>32,154.69</u>	<u>32,154.69</u>



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

14 LOANS & ADVANCES

	Non-Current		Current	
	31st March 2012	31st March 2011	31st March 2012	31st March 2011
	₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
Unsecured, Considered Good unless otherwise stated				
Capital Advances	12.33	77.17	-	-
(A)	12.33	77.17		
Security Deposits				
Considered Good	4,472.35	4,829.21	251.96	103.66
Considered Doubtful	-	-	488.78	1,088.38
	4,472.35	4,829.21	740.74	1,192.04
Less: Provision for Doubtful Security Deposits	-	-	(488.78)	(1,088.38)
(B)	4,472.35	4,829.21	251.96	103.66
Advance against Equity Shares to Subsidiary Company	-	1,396.00	-	-
(C)		1,396.00		
Advances Recoverable in cash or in kind				
Considered Good	229.80	301.37	65.95	176.05
Considered Doubtful	-	-	-	25.69
	229.80	301.37	65.95	201.74
Less: Provision for Doubtful Advances	-	-	-	(25.69)
(D)	229.80	301.37	65.95	176.05
Other Loans and advances				
Advance income tax	248.70	237.30	112.68	166.76
Prepaid Expenses	118.57	15.01	252.59	440.79
Interest free loan to subsidiary - (refer Note 37)	1,854.00	-	-	-
Advances to Employees	5.65	6.96	33.52	46.77
Balance with Statutory /Government Authorities	-	-	34.43	72.57
(E)	2,226.92	259.27	433.22	726.89
Total (A+B+C+D+E)	6,941.40	6,863.02	751.13	1,006.60



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

15 INVENTORIES

(At lower of cost and net realisable value)

	31st March 2012		31st March 2011	
	₹ Lakhs		₹ Lakhs	
Traded Goods	11,824.94		11,179.65	
Less: Provision for Obsolete Stock	1,206.78	10,618.16	1,220.04	9,959.61
Packing Materials	203.73		230.46	
Less: Provision for Obsolete Stock	34.26	169.47	21.00	209.46
Total		10,787.63		10,169.07

16 CASH AND BANK BALANCES

	Non-Current		Current	
	31st March 2012	31st March 2011	31st March 2012	31st March 2011
	₹ Lakhs		₹ Lakhs	
Cash & Cash Equivalents				
Balance with Banks				
On current accounts	-	-	290.14	212.50
Cash in hand	-	-	305.95	223.97
Other bank balances			596.09	436.47
Margin Money Deposit	1,550.91	931.29	98.15	3.44
	1,550.91	931.29	98.15	3.44
Less: Amount disclosed under non-current assets (refer Note 17.2)	(1,550.91)	(931.29)	-	-
			694.24	439.91

Margin money deposits given as security

Margin money deposits of ₹1,649.06 Lakhs (₹ 934.73 Lakhs) are pledged with banks against Bank Guarantees & Over Draft Facilities.



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

17 TRADE RECEIVABLES & OTHER ASSETS

	Non-Current		Current	
	31st March 2012	31st March 2011	31st March 2012	31st March 2011
	₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
Unsecured, Considered Good unless otherwise stated				
17.1 Trade Receivables				
Receivables overdue for a period exceeding six months				
Considered good	-	-	13.44	48.40
Considered Doubtful	-	-	3.98	114.26
	(A)	-	17.32	162.66
Other receivables	(B)	-	1,612.96	1,558.72
	(A+B)	-	1,630.28	1,721.98
Less: Provision for doubtful receivables				
	-	-	(3.88)	(114.26)
	-	-	1,626.40	1,607.12
17.2 Other Assets				
Bank balance (refer Note 16)	1,550.91	931.29	-	-
Interest receivable on Fixed Deposits etc	3.03	0.19	17.85	5.24
Insurance Claims Receivable	-	-	19.59	20.76
	1,553.94	931.48	37.44	26.00



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

	2011-12	2010-11
	(₹ Lakhs)	
18 REVENUE FROM OPERATIONS		
Sale of Products (Net)	116,579.75	95,149.61
Income from Recoveries and Services	3,315.05	2,797.04
	<u>119,894.80</u>	<u>97,946.65</u>
19 OTHER INCOME		
Interest Income on bank deposits	111.18	58.34
Net Gain on Sale of Current Investments	186.63	65.28
Provisions no longer required written back	309.39	376.70
Miscellaneous Income	27.89	14.34
Refund of Service taxes/VAT pertaining to earlier years (net of expenses attributable to such income)	95.62	-
	<u>730.71</u>	<u>514.66</u>
20 (INCREASE/DECREASE IN TRADED GOODS)		
Inventories at the Beginning of the year	11,179.65	12,692.72
Inventories at the end of the year	11,824.94	11,179.65
(Increase)/Decrease in traded goods	<u>(645.29)</u>	<u>1,513.07</u>
i) Details of purchase of traded goods		
Food	60,595.38	50,524.17
Non Food		
- FMCG	17,757.19	13,732.73
- Others	20,081.69	15,268.52
	<u>98,434.26</u>	<u>79,525.42</u>
ii) Details of inventory of traded goods		
Food	4,240.23	3,650.57
Non Food		
- FMCG	2,253.30	1,820.59
- Others	5,331.41	5,708.49
	<u>11,824.94</u>	<u>11,179.65</u>
21 EMPLOYEE BENEFIT EXPENSE		
Salaries, Wages, Bonus and Exgratia [Includes ₹ Nil (₹ 338.99 Lakhs) relating to earlier years]	10,260.05	9,957.57
Contribution to Provident and Other Funds (refer Note 35)	831.61	679.05
Employee Stock Option (ESOP) (refer Note 30)	-	(10.53)
Staff Welfare Expenses	457.50	480.53
	<u>11,549.16</u>	<u>11,106.62</u>



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

	<u>2011-12</u>	<u>2010-11</u>	(₹ Lakhs)
22 OTHER EXPENSES			
Power and Fuel	2,795.67	2,491.39	
Freight	255.33	264.82	
Rent (refer Note 33)	8,745.52	7,867.14	
Repairs and Maintenance			
- Plant and Machinery	2.11	2.16	
- Buildings	425.06	609.62	
- Others	1,861.82	1,361.56	
Insurance	45.70	57.28	
Rates and taxes	363.86	491.56	
Advertisement and Selling Expenses	2,911.36	2,322.39	
Packing Materials Consumed	580.95	718.08	
Travelling and Conveyance	565.36	596.44	
Security Charges	966.46	852.20	
Auditor's remuneration (as Auditor's)			
Audit fees (Including ₹ 6.00 Lakhs (₹ Nil) for earlier years)	81.25	64.25	
Tax Audit fees	10.00	10.00	
Service Tax	11.27	7.86	
Reimbursement of Expenses	0.96	2.19	84.30
Communication expenses	384.40	308.28	
Printing and Stationery	235.96	221.33	
Legal and consultancy charges	639.88	531.24	
Contract payments towards housekeeping expenses	1,725.28	1,495.96	
Royalty & Franchisee Fee (Including ₹ 961.00 Lakhs (Rs.Nil) for earlier years)	1,809.87	183.91	
Loss on Sale/ Discard of fixed assets (net)	546.73	676.87	
Bad Debts/Irrecoverable Balances written off	127.28	555.99	
Less: Adjusted against provisions	(127.28)	(146.17)	409.82
Rental Deposits Written off	667.57	182.25	
Less: Adjusted against provisions	(648.63)	-	182.25
Provision for Obsolete Stocks	-	-	489.89
Provision for Doubtful Store Lease Deposits/ Advances	91.70	169.27	
Other Expenses	249.30	284.96	
	<u>25,324.74</u>	<u>22,672.72</u>	
23 DEPRECIATION, AMORTISATION AND IMPAIRMENT			
Depreciation of tangible assets (Including Impairment)	4,836.34	4,887.12	
Amortisation of intangible assets	208.45	196.95	
	<u>5,044.79</u>	<u>5,084.07</u>	
24 FINANCE COSTS			
Interest Expense	3,812.09	2,304.73	
Other Borrowing Costs	1,052.28	968.74	
	<u>4,864.37</u>	<u>3,273.47</u>	



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

25 EXCEPTIONAL ITEMS

Exceptional items of ₹1,590.97 Lakhs (₹ 2,119.18 Lakhs) represent additional cost incurred on closure of franchisee business and loss on account of non-usable assets written off with respect to the non-viable and loss making closed stores.

26 EARNINGS PER SHARE (EPS)

	<u>31st March 2012</u>	<u>31st March 2011</u>
Loss after tax and before exceptional items (₹ Lakhs)	(23,946.52)	(17,190.68)
Weighted Number of Equity Shares outstanding	26,012,446	26,012,113
Earnings per Share before exceptional items – Basic & Diluted (Face value of ₹ 10 each) (₹)	(92.06)	(66.09)
Loss after tax and exceptional items (₹ Lakhs)	(25,537.49)	(19,309.86)
Weighted Number of Equity Shares outstanding	26,012,446	26,012,113
Earnings per Share after tax and exceptional items – Basic & Diluted (Face value of ₹ 10 each) (₹)	(98.17)	(74.23)

Since, the effect of ESOP on earnings per share (EPS) is anti-dilutive, basic and dilutive EPS are same.

27 CONTINGENCIES AND COMMITMENTS

	<u>31st March 2012</u> ₹ Lakhs	<u>31st March 2011</u> ₹ Lakhs
Contingencies		
Contingent liabilities not provided for in respect of:		
- Sales Tax demands under appeal	120.92	46.57
- Service Tax demands	115.70	-
- Guarantee to ABP Corporation on behalf of a Subsidiary Company to discharge obligation, if any, in the event of default	Not Quantified	Not Quantified
- Claims against the Company not acknowledge as debt	171.30	107.70
Commitments		
- Estimated amount of contracts remaining to be executed on capital account (net of advances)	-	26.13
- Other Commitments		
Investment in Subsidiary	800.00	1,600.00

28 The Company has incurred significant losses during the year and it has accumulated losses of ₹ 103,289.54 Lakhs against the Shareholder's funds of ₹ 121,130.54 Lakhs as on the Balance Sheet date. The Company, however, having created a robust infrastructure for organized retail business, is confident of generating positive cash flows and operational surplus in the near future with certain interim support from the holding company. Therefore, the Company is confident about the continuity of its operations and long term viability.

29 SEGMENT INFORMATION

Based on the synergies, risk and returns associated with the business operations and in terms of Accounting Standard 17, the company is predominantly engaged in a single reportable segment of "Organised retailing" during the year. The company at present primarily operates in India and therefore the analysis of geographical segment is not applicable to the company.



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

30 EMPLOYEE STOCK OPTION PLAN (ESOP)

The Company has provided equity settled ESOP to its employees vesting over a period of 5 years in equal installments linked to performance rating of respective employees. As at year ended 31st March 2012, there are however, no outstanding options.

During the year, there has been allotment of 2,000 options with exercise price of ₹ 44/- out of the options vested in the earlier years.

4,886 (22,162) options with exercise price of ₹ 44/- vested in earlier years, has been cancelled on resignation of employees during the year. The Company in the year 2009-10 had withdrawn the ESOP Scheme and retained ESOP liability to the extent of vested options till 1st January 2010.

During the year there has been a reversal of charge arising out of forfeited options of employee who have resigned. Accordingly, a net reversal of provision amounting to ₹ 7.30 Lakhs (₹10.54 Lakhs), has been transferred to general reserve during the year.

31 VALUE OF IMPORTS CALCULATED IN CIF BASIS

	<u>2011-12</u>	<u>2010-11</u>
	₹ Lakhs	₹ Lakhs
Trading Goods	11.70	304.41

32 EXPENDITURE IN FOREIGN CURRENCY (ON ACCRUAL BASIS)

	<u>2011-12</u>	<u>2010-11</u>
	₹ Lakhs	₹ Lakhs
Professional and Consultation fees	56.66	11.49
Others	7.48	7.23
	<u>64.14</u>	<u>18.72</u>

33 LEASES**a) Operating Lease (Company as Lessee)**

Retail stores are taken by the company generally on operating lease and the lease rent is payable as per the agreements entered into with the lessors. Agreements are both in the nature of cancellable and non cancellable leases. The lease term is for varied years and renewable for further years as per the agreements at the option of the company. There are no restrictions imposed by these lease arrangements. The details of lease rentals payable are given below:

	<u>2011-12</u>	<u>2010-11</u>
	₹ Lakhs	₹ Lakhs
Lease Payments for the year	7,665.54	7,055.26
Future Minimum Lease Payments -		
Not Later than one year	5,825.70	5,579.25
Later than one year but not later than five years	22,363.31	27,622.44
Later than five years	40,343.39	32,347.85

b) Rent and hire charges as included in Note 22 includes ₹1,079.98 Lakhs (₹ 803.30 Lakhs) being lease rent, payable by the company in future years, but accounted for during the year as lease equalization in terms of Accounting Standard-19 which requires lease rental to be charged by the company on a straight line basis over the lease term.



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

34 RELATED PARTY DISCLOSURES

Names of related parties and related party relationship

Holding company	CESC Limited
Subsidiary Companies	Au Bon Pain Café India Limited Music World Retail Limited
Key Management Personnel	Soumyajit Roy (Manager from 10th May 2011)

Details of transactions entered into with the related parties:

₹ Lakhs

Particulars	Holding Company		Subsidiaries		Total	
	Transaction Value	Balance Outstanding as on 31/3/2012	Transaction Value	Balance Outstanding as on 31/3/2012	Transaction Value	Balance Outstanding as on 31/3/2012
Purchase of Goods						
Music World Retail Limited	-	-	48.60	14.41	48.60	14.41
Au Bon Pain Café India Limited	-	-	(76.14)	(32.34)	(76.14)	(32.34)
	-	-	(8.56)	(0.28)	(8.56)	(0.28)
Expenses Incurred						
CESC Limited	101.44	0.72	-	-	101.44	0.72
Music World Retail Limited	(93.42)	(0.53)	-	-	(93.42)	(0.53)
Au Bon Pain Café India Limited	-	-	37.26	-	37.26	-
	-	-	(26.00)	-	(26.00)	-
	-	-	0.47	-	0.47	-
Royalty Paid						
CESC Limited	1,611.05	567.04	-	-	1,611.05	567.04
Expense Recovery						
Music World Retail Limited	-	-	10.08	-	10.08	-
Au Bon Pain Café India Limited	-	-	(18.00)	-	-	-
	-	-	(22.58)	-	(22.58)	-
Concessional Income received						
Music World Retail Limited	-	-	5.88	-	5.88	-
	-	-	(7.00)	-	(7.00)	-
Purchase of Assets						
Music World Retail Limited	-	-	3.61	-	3.61	-
Equity Investment						
Au Bon Pain Café India Limited	-	-	800.00	-	800.00	-
	-	-	(800.00)	-	(800.00)	-
Security Deposit paid						
CESC Limited	-	18.60	-	-	-	18.60
Security Deposit refund						
Music World Retail Limited	-	-	15.45	-	15.45	-
Share Application money received/adjusted						
CESC Limited	10,815.00	106,845.00	-	-	10,815.00	106,845.00
Au Bon Pain Café India Limited	(19,285.00)	(96,030.00)	-	-	(19,285.00)	(96,030.00)
	-	-	(65.13)	-	(65.13)	-
Share Application money paid						
Music World Retail Limited	-	-	-	-	-	-
Interest Free Loan						
Music World Retail Limited	-	-	458.00	1,854.00	458.00	1,854.00

(i) No remuneration is being paid to the Key Management Personnel.



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

35 GRATUITY & OTHER POST EMPLOYMENT BENEFIT PLANS

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The Company also extends benefit of compensated absences to the employees, whereby they are eligible to carry forward their entitlement of earned leave for encashment upon retirement / separation. This is an unfunded plan.

I The following tables summarises the components of net benefit expense recognised in the statement of profit and loss for the year:

	2011-12		2010-11	
	Gratuity	Leave	Gratuity	Leave
Current service cost	52.28	50.43	45.34	66.50
Interest cost	12.96	8.04	13.63	9.14
Expected return on plan assets	5.29	-	4.92	-
Net actuarial (gain) / loss recognised in the year	88.45	163.47	(17.88)	69.58
Total expense	148.40	221.94	36.17	145.22

II The following tables summarises the components of funded status and amounts recognised in the balance sheet for the plan.

(i) Net Asset/(Liability) recognized as on the balance sheet date:

	31st March 2012		31st March 2011	
	Gratuity	Leave	Gratuity	Leave
Present value of defined benefit obligation	275.17	245.15	177.25	165.97
Fair value of plan assets	60.80	-	66.09	-
Net Asset / (Liability)	(214.37)	(245.15)	(111.16)	(165.97)

(ii) Changes in the present value of the defined benefit obligation are as follows:

	31st March 2012		31st March 2011	
	Gratuity	Leave	Gratuity	Leave
Present value of defined benefit obligation at the beginning of the year	177.25	165.97	187.85	194.40
Interest cost	12.96	8.04	13.63	9.14
Current service cost	52.28	50.43	45.34	66.50
Benefits paid	49.48	142.76	55.00	173.65
Actuarial (gains) / losses on obligation	82.16	163.47	(14.57)	69.58
Present value of defined benefit obligation at the end of the year	275.17	245.15	177.25	168.97

(iii) Changes in the fair value of plan assets are as follows:

	31st March 2012		31st March 2011	
	Gratuity	Leave	Gratuity	Leave
Fair value of plan assets at the beginning of the year	66.09	-	57.86	-
Expected return on plan assets	5.29	-	4.92	-
Contributions by employer	45.19	-	55.00	-
Actual benefits paid	49.48	-	55.00	-
Actuarial gains / (losses)	(6.29)	-	3.31	-
Fair value of plan assets at the end of the year	60.80	-	66.09	-

(iv) The Company expects to contribute ₹ 50.00 Lakhs to Gratuity Fund in FY 2012-13



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

(v) The major categories of plan assets as a percentage of the fair value of total plan assets are as follows

	31st March 2012 Gratuity (%)	31st March 2011 Gratuity (%)
Investments with insurer	100%	100%

(vi) The principal assumptions used in determining gratuity and leave obligations for the Company's plan are shown below

	31st March 2012		31st March 2011	
	Gratuity	Leave	Gratuity	Leave
Discount rate	8.50%	8.50%	8.50%	8.50%
Expected rate of return on assets	8.00%	-	8.50%	-
Employee turnover	10.00%		10.00%	

(vii) The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market

(viii) Contribution to Provident and Other Funds includes ₹ 683.40 Lakhs (₹ 642.88 Lakhs) paid towards defined contribution plans.

(ix) Amounts for the current and previous four years are as follows:

	31st March 2012	31st March 2011	31st March 2010	31st March 2009	₹ Lakhs 31st March 2008
a) Gratuity					
Defined benefit obligation	275.17	177.25	187.85	197.09	141.86
Plan assets	60.80	66.09	57.86	69.21	79.86
(Surplus)/deficit	214.37	111.16	129.99	127.88	62.00
Experience adjustments on plan liabilities	(22.62)	(3.63)	(38.86)	12.39	18.86
Experience adjustments on plan assets	3.05	3.60	(2.22)	5.60	0.52
b) Leave					
Defined benefit obligation	245.15	165.97	194.40	190.79	240.48
Plan assets *	-	-	-	-	-
(Surplus)/deficit	245.15	165.97	194.40	190.79	240.48
Experience adjustments on plan liabilities	102.78	70.87	148.02	0.00	0.00
Experience adjustments on plan assets*	-	-	-	-	-

* Unfunded

36 Retailers Association of India (RAI) of which the Company is a member, has filed Special Leave Petition before the Hon'ble Supreme Court of India, about the applicability of service tax on commercial rent on immovable property. Pending disposal of the case, the Supreme Court has passed an interim ruling in Oct 11 directing the members of RAI to pay 50% of total service tax liability upto Sept 11 to the department and to furnish a surety for balance 50%. The Supreme Court has also clarified that the successful party in the appeal shall be entitled to interest on the amount stayed by the Court, at such rate as may be directed at the time of the final disposal of appeal. Accordingly the Company has deposited ₹ 4.60 crores and furnished a surety for ₹ 4.60 crores towards the service tax liability, while interest, whose quantum and applicability is presently not ascertainable, will be provided on the disposal of the petition.

37 The Company has filed an application with the Hon'ble High Court at Kolkata for merger of its wholly owned subsidiary Music World Retail Limited with it, effective from 1st Jan 2012. Pending the decision of the Court, the effect of proposed merger has not been given in these Accounts. Consequently, advance against equity shares given to Music World Retail Limited has been converted into an interest free loan during the year.



SPENCER'S RETAIL LIMITED

Notes to Financial Statements as at and for the year ended 31st March 2012

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

39 Previous year figures including those given in brackets have been rearranged where ever necessary to confirm with the current year classification under Revised Schedule VI as stated in note 2 above

As per our report of even date attached


For S. R. BATLIBOI & CO.

Firm Regn No:301003E

Chartered Accountants

per R.K Agrawal

Partner

Membership No 16667

Place : Kolkata

Date : 9th June 2012

For and on behalf of the Board of Spencer's Retail Limited


Director


Director


Company Secretary

SPENCER'S RETAIL LIMITED

STATEMENT REGARDING SUBSIDIARY COMPANIES FOR THE FINANCIAL YEAR ENDING 31 MARCH 2012

PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

Sl No	Name of the Subsidiary Company	Number of Shares held by the Company	Extent of Holding	Profits/(Losses) so far as it concerns the members of the holding Company and not dealt with in the books of Account of the Holding Company		Profits/(Losses) so far as it concerns the members of the holding Company and dealt with in the books of Account of the Holding Company	
				For the Financial Year of the Subsidiary	For the Previous Financial Year(s) since it became a Subsidiary	For the Financial Year of the Subsidiary	For the Previous Financial Year(s) since it became a Subsidiary
				₹ Lakhs	₹ Lakhs	₹ Lakhs	₹ Lakhs
1	Au Bon Pain Cafe India Limited	24,000,000	80%	(567)	(756)	NIL	NIL
2	Music World Retail Limited	5,000,000	100%	(2,582)	(3,721)	NIL	NIL

For and on behalf of the Board


 Director

 Company Secretary

Dated : 9th June 2012