

Dear Members,

Your Directors hereby present the Third Annual Report together with the Audited Accounts of your Company for the year ended March 31, 2010.

Operations

The operations of the Company were discontinued during last financial year 2008-09 based on decision taken by its Board of Directors in its meeting held on January 27, 2009.

During the year the Company disposed of its fixed assets and out of the sales proceeds, the Company repaid unsecured loans borrowed from Hypercity Retail (India) Limited and Shopper's Stop Limited during the year.

Performance Review

Particulars	(Rs. 000)	
	Year ended March 31st, 2010	Year ended March 31st, 2009
Retail Sales (Net of taxes)	—	80,734
Other Operating Income	6,392	6,570
Total Revenues	6,392	87,304
Loss before Depreciation & Tax	(1,260)	(292,341)
Less: Depreciation	(320)	(81,502)
Loss before Tax	(1,580)	(373,843)
Less: Provision for Tax	—	(446)
Loss after Tax	(1,580)	(374,289)
Add/(Less): Balance brought forward from previous year	(442,071)	(67,782)
Balance carried forward	(443,651)	(442,071)

Dividend

Your directors do not recommend dividend on account of loss incurred by the Company for the year ended on March 31, 2010.

Deposits

Your Company has not accepted any deposits under Section 58A of the Companies Act, 1956 and, as such, no amount of principal or interest was outstanding as on the Balance Sheet date.

Share Capital

There has been no change in the Share Capital of your Company during the year.

Directors

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. Arun Gupta, Director retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

During the year under review, Mr. B. S. Nagesh resigned from the Board of Directors of the Company with effect from April 20, 2010. Your Directors wish to place on record their sincere appreciation for the valuable contribution and guidance extended by him during his association with the Company.

During the year under review, Mr. Vivek Mathur was appointed as an additional director of the Company with effect from April 20, 2010.

Director's Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Directors confirm that:

- In the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- The Directors have selected such accounting policies and applied them consistently and made judgements 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 the Financial Year and loss of the Company for the year ended on that date;
- The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and irregularities;
- The Directors have prepared the Annual Accounts on a going concern basis.

Auditors

Your Company's Statutory Auditors, M/s. G. M. Kapadia & Co, Chartered Accountants, Mumbai, retire at the conclusion of the ensuing Annual General Meeting. M/s. G. M. Kapadia & Co; have sought the re-appointment and have confirmed that their re-appointment, if made, shall be within the limits laid down under Section 224(1B) of the Companies Act, 1956.

The Board of Directors recommends the re-appointment of M/s. G. M. Kapadia & Co, Chartered Accountants, as the Statutory Auditors of the Company.

Conservations of Energy, Technology absorption and Foreign Exchange Earnings and Outgo :

Since operations of the Company were discontinued during last financial year 2008-09, your Company did not have any scope for taking steps and initiatives regarding conservation of energy and technology absorption.

The Foreign Exchange Earnings was Rs Nil and the Foreign Exchange outgo was Rs Nil.

Employees

Your Company does not have any employees as on 31st March, 2010, hence the provisions of section 217 (2A) of the Companies Act, 1956 is not applicable.

Acknowledgement

We are deeply grateful to Shopper's Stop Ltd., the Holding Company, for the confidence and faith that they have reposed in us.

**For and on behalf of the Board of Directors
of Gateway Multichannel Retail (india) Limited**

Mumbai
27 April, 2010

**C. B. Navalkar
Chairman**

To,

The Shareholders of Gateway Multichannel Retail (India) Limited

We have audited the attached Balance Sheet of Gateway Multichannel Retail (India) Limited as at 31 March, 2010, the Profit and Loss Account and also 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.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) Order, 2003, 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.
3. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - iii. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - iv. In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - v. On the basis of written representations received from the Directors, as on 31 March, 2010 and taken on record by the Board of Directors, we report that none of the directors of the Company are disqualified as on 31 March, 2010 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956 on the said date.
 - vi. We draw your attention to note no. 11 of Schedule 13 to the accounts regarding non-provision of service tax as proposed by the Finance Bill, 2010 – Rs. 7,754 thousands. Our opinion on the financial statement has not been qualified in this regard as the Finance Bill has not yet been enacted and we are informed that the Company is planning to challenge the proposed levy in courts of law.
 - vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and also give a true and fair view in conformity with the accounting principles generally accepted in India: -
 - a. in the case of the Balance Sheet, of the state of affairs of the Company as at 31 March 2010, and
 - b. in the case of the Profit & Loss Account, of the losses of the Company for the year ended on that date.
 - c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For G. M. Kapadia & Co.

Chartered Accountants

(Atul Shah)

Partner

Membership No. 39569

(Firm Reg. No. 104767W)

Place : Mumbai

Date : 27 April, 2010

(Referred to in Paragraph 3 of 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) According to the information and explanations given to us, the fixed assets are physically verified as per the programme of verification which, in our opinion, is reasonable having regard to the size of the Company. No material discrepancies were noticed on such verification.
- (c) During the year, Company has sold of the balance of fixed assets related to the discontinued operations. However, the same has not affected the going concern.
- (ii) As explained to us the Company did not have any inventories of finished goods, stores, spare parts and raw materials, hence sub-clause (a) regarding physical verification of stock, sub-clause (b) regarding procedure of physical verification, sub-clause (c) regarding material discrepancies on physical verification of stocks, of clause 4(ii) are not applicable.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured to and from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the sub-clauses (a) to (g) of the clause 4 (iii) of the Order are not applicable.
- (iv) As explained to us, the Company did not purchase any fixed assets and inventory and has not sold any goods and services, hence the question of reporting under clause (iv) of the Order on internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and with regard to sale of goods and services does not arise.
- (v) (a) In our opinion and according to the information and explanations given to us the transactions that need to be entered into a register in pursuance of Section 301 of the Act has been properly entered.
- (b) All such transactions exceeding Rs. 5 lakhs during the year have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) In our opinion and according to the information and explanation given to us, the Company has not accepted deposits from the public and therefore, the provisions contained in sections 58A, 58AA or any other relevant provisions of the Act and Rules framed there under are not applicable to the Company.
- (vii) There is no formal internal audit system.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed the maintenance of cost records under clause (d) of sub-section (1) of Section 209 of the Companies Act, 1956 for any of the activities of the Company.
- (ix) (a) Based on the records produced before us, the Company is generally regular in depositing with appropriate authorities undisputed statutory dues such as 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 wherever applicable and there are no amounts in arrears as at 31 March, 2010 for a period of more than six months from the date they became payable.
- (b) According to the information and explanation given to us, there are no dues payable by the Company on account of any dispute in case of Income tax, Wealth tax, Sales tax, Customs duty, Service tax, Excise duty and Cess as on 31 March, 2010. Hence the question of depositing such dues on account of any dispute does not arise.
- (x) The Company has not completed five years of operation. Therefore question of reporting under clause 4(x) of the Order regarding comparison of accumulated losses with the net worth of the Company does not arise.
- (xi) The Company does not have any borrowings from banks and Financial institutions and therefore clause (xi) of para 4 of the order is not applicable.

Gateway Multichannel Retail (India) Limited

- (xii) The Company has not granted any 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 nidhi/mutual fund/society. Therefore the provisions of clause 4(xiii) of the order are not applicable to the Company.
- (xiv) The Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the question of reporting under clause 4(xiv) of the Order regarding maintenance of proper records in respect of the same does not arise.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions.
- (xvi) The company has not taken any term loans and therefore clause (xvi) of para 4 of the Order is not applicable.
- (xvii) According to the information and explanations given to us and overall examination of the Cash Flow Statement and balance sheet of the Company, we report that the Company has not raised any funds on short-term basis.
- (xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956, during the year hence the question of whether the price at which shares have been issued is prejudicial to the interest of the company does not arise.
- (xix) The Company has not issued any debentures hence the question of whether securities or charge have been created does not arise.
- (xx) The Company has not raised any money by public issues during the year covered by our report.
- (xxi) Based upon the audit procedures performed and the information and explanation given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For G. M. Kapadia & Co.
Chartered Accountants

Atul Shah
Partner

Membership No. 39569
(Firm Reg. No. 104767W)

Place : Mumbai
Date : 27 April, 2010

(Rs. '000)

SOURCES OF FUNDS**SHAREHOLDERS' FUNDS**

Share Capital

1 500 500

Reserves and Surplus

— —

500 500

LOAN FUNDS

Unsecured Loans

2 450,235 487,024

450,235 487,024

450,735 487,524

APPLICATION OF FUNDS**FIXED ASSETS**

Gross Block

3 — 108,231

Less: Accumulated Depreciation, Amortisation & Impairment

— 80,328

Net Block

— 27,903

CURRENT ASSETS, LOANS AND ADVANCES

Cash and Bank Balances

4 1,833 382

Loans and Advances

5 5,912 29,616

7,745 29,998

Less: CURRENT LIABILITIES AND PROVISIONS

Current Liabilities

6 661 12,448

661 12,448

Net Current Assets

7,084 17,550

PROFIT AND LOSS ACCOUNT

443,651 442,071

450,735 487,524

Statement of Significant Accounting Policies

12

Notes forming Part of the Accounts

13

As per our attached report of even date.

For G. M. Kapadia & Co.

Chartered Accountants

Atul Shah

Partner

Membership No. 39569

Firm Regn. No. 104767W

Place : Mumbai

Dated : 27 April, 2010

For and on behalf of the Board of Directors**C.B. Navalkar**

Director

Arun Gupta

Director

(Rs. '000)

	Notes	Mar-10	Mar-09
INCOME			
Sales		—	80,734
Other Income	7	6,392	6,570
		6,392	87,304
EXPENDITURE			
Cost of Goods Sold	8	—	110,030
Employee Costs	9	—	35,887
Operating and Administrative Expenses	10	1,489	190,485
Depreciation Amortisation & Impairment	3	320	81,502
Loss on disposal of Fixed Assets		6,152	336
Interest and Finance Charges	11	11	42,907
		7,972	461,147
Pre-Tax Loss from ordinary activities attributable to discontinuing operations		(1,580)	(373,843)
Provision for Tax-Fringe Benefit Tax		—	446
Net Loss from ordinary activities attributable to discontinuing operations		(1,580)	(374,289)
Balance brought forward from previous year		(442,071)	(67,782)
Balance carried forward to Balance Sheet		(443,651)	(442,071)
Statement of Significant Accounting Policies	12		
Notes forming Part of the Accounts	13		

As per our attached report of even date.

For G. M. Kapadia & Co.

Chartered Accountants

Atul Shah

Partner

Membership No. 39569

Firm Regn. No. 104767W

Place : Mumbai

Dated : 27 April, 2010

For and on behalf of the Board of Directors

C.B. Navalkar

Director

Arun Gupta

Director

Statement of Cash Flows for the year
ended 31 March, 2010

Gateway Multichannel Retail (India) Limited

(Rs. '000)

	Notes	Mar-10	Mar-09
Cash flows of Discontinued Operations			
Loss before Tax		(1,580)	(373,843)
<u>Adjustments for:</u>			
Interest and Finance Charges		11	42,907
Depreciation, Amortisation and Investment		320	81,502
Loss on sale of Fixed Assets		6,152	336
Excess provision for CENVAT credit written back		3,281	—
Excess provision for expenses written back		2,952	—
Operating (Loss)/Gains before working capital changes		11,136	(249,098)
<u>Adjustments for:</u>			
Decrease in Inventories		—	120,613
Decrease in Debtors		—	2,598
Decrease in Lease Deposits		9,707	27,623
Decrease in Loans and Advances (other than lease deposits)		10,716	3,115
Decrease in Current Liabilities and Provisions		(14,738)	(18,824)
Cash used in Operations		16,821	(113,973)
Income Taxes Paid		—	(960)
Net Cash used in Discontinued Operations		16,821	(114,933)
Cash flow from investing activities			
Purchase of Fixed Assets (including capital work in progress)		—	(28,916)
Sale Proceeds of Fixed Assets		21,430	1,340
Net cash used in investing activities		21,430	(27,576)
Cash flows from financing activities			
Proceeds from Unsecured Loans (Net)		(36,788)	180,099
Payment of Interest and Finance Charges		(11)	(42,907)
Net Cash generated from financing activities		(36,799)	137,192
Net (Decrease)/Increase In Cash and Cash Equivalents		1,451	(5,317)
Cash and cash equivalents at the beginning of the year		382	5,699
Cash and cash equivalents at the end of the year		1,833	382
		1,451	(5,317)
Statement of Significant Accounting Policies	12		
Notes forming Part of the Accounts	13		

As per our attached report of even date.

For G. M. Kapadia & Co.

Chartered Accountants

Atul Shah

Partner

Membership No. 39569

Firm Regn. No. 104767W

Place : Mumbai

Dated : 27 April, 2010

For and on behalf of the Board of Directors

C.B. Navalkar

Director

Arun Gupta

Director

Schedules Forming Part of the Balance Sheet
As At 31 March, 2010

Gateway Multichannel Retail (India) Limited

(Rs. '000)

1. SHARE CAPITAL

Authorised:

1,000,000 Equity Shares of Rs. 10/- each

Issued and Subscribed:

50,000 Equity Shares of Rs. 10/- each fully paid up
(of the above, 25,500 shares are held by
Shopper's Stop Limited, the holding company)

2. UNSECURED LOANS

Demand Loans From:

Shopper's Stop Limited

Hypercity Retail (India) Limited

	Mar-10	Mar-09
	10,000	10,000
	500	500
	229,610	248,382
	220,625	238,642
	450,235	487,024

3. FIXED ASSETS

(Rs. '000)

Description	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK		
	1 April 2009	Additions during the year	Deductions during the year	31 March 2010	1 April 2009	Depreciation during the year	Deductions during the year	31 March 2010	31 March 2009
TANGIBLE ASSETS									
Leasehold Improvements	28,463	—	28,463	—	27,773	—	27,773	—	690
Plant and Machinery	10,211	—	10,211	—	7,565	—	7,565	—	2,645
Office Equipment	670	—	670	—	367	—	367	—	303
Furniture and fixtures	14,698	—	14,698	—	10,499	—	10,499	—	4,199
Computers*	25,974	—	25,974	—	9,306	213	9,519	—	16,668
Electrical installation	14,598	—	14,598	—	12,498	—	12,498	—	2,100
Signages	1,257	—	1,257	—	1,234	—	1,234	—	23
Total	95,871	—	95,871	—	69,243	213	69,456	—	26,629
INTANGIBLE ASSETS									
Software*	12,360	—	12,360	—	11,085	107	11,193	—	1,274
Total	12,360	—	12,360	—	11,085	107	11,193	—	1,274
Grand Total	108,231	—	108,231	—	80,328	320	80,649	—	27,903
Previous year	72,062	41,949	5,780	108,231	2,895	81,502	4,068	80,328	69,167

*Note : Opening balance figures in respect of Computers and Software has been regrouped.

Schedules Forming Part of the Balance Sheet
As At 31 March, 2010

Gateway Multichannel Retail (India) Limited

(Rs. '000)

	Mar-10	Mar-09
4. CASH AND BANK BALANCES		
Balances With Scheduled Banks		
In Current Accounts	833	382
In Fixed Deposits	1,000	0
	1,833	382
5. LOANS AND ADVANCES		
(Unsecured and considered good unless otherwise stated)		
Advances Recoverable in Cash or in Kind or For Value	9,717	13,487
To Be Received		
Premises and Other Deposits	15	9,722
Taxes Paid (Net)	1,090	1,086
Due from suppliers	—	12,181
	10,822	36,476
Less: Provision for Cenvat Credit	(4,910)	(6,860)
	5,912	29,616
6. CURRENT LIABILITIES AND PROVISIONS		
Current Liabilities		
Sundry Creditors	661	11,494
Other Liabilities	—	954
	661	12,448

Schedules Forming Part of the Profit & Loss Account
For the Year Ended 31 March, 2010

Gateway Multichannel Retail (India) Limited

(Rs. '000)

	Mar-10	Mar-09
7. OTHER INCOME		
Sale of Catalogue Pages for advertisement	—	5,123
Miscellaneous Income	126	1,447
Interest Received [TDS Rs. 3.36 (P.Y. Rs. 0.00)]	33	—
Excess provision for CENVAT credit written back	3,281	—
Excess provision for expenses written back	2,952	—
	6,392	6,570
8. COST OF GOODS SOLD		
Opening Stock	—	120,613
Gross Purchases	—	95,029
Less: Purchase Returns	—	(105,612)
Net (Purchase Returns) / Purchases	—	(10,583)
Less: Closing Stock	—	—
	—	110,030
9. EMPLOYEE COSTS		
Salaries, Allowance and Bonus	—	34,964
Contribution to Provident Fund	—	733
Staff Welfare Expenses	—	190
	—	35,887
10. OPERATING AND ADMINISTRATIVE EXPENSES		
Insurance Charges	6	751
Electricity Expense	27	—
Lease Rent	336	70,295
Clearing & Forwarding Charges	—	42,545
Utility Charges	16	6,043
Legal and Professional Fees	545	399
Audit Fees (Excluding service tax)		
- Statutory audit fees	254	331
- Tax audit fees	17	45
Conveyance and Travelling Expenses	4	767
Printing and Stationery	—	595
Telephone and Telex Charges	—	1,369
Repairs and Maintenance - Others	76	1,539
Security Charges Paid	145	2,959
Housekeeping Charges	4	1,033
Home Delivery Charges	—	3,287
Service Tax	—	12,479
Advertisement and Marketing cost	7	41,612
Commission on credit card transactions	—	1,026
Miscellaneous Expenses	53	3,411
	1,489	190,485
11. INTEREST AND FINANCE CHARGES		
Interest on Unsecured Loans	—	42,579
Finance Charges	11	328
	11	42,907

SCHEDULE 12**A. BACKGROUND**

Gateway Multichannel Retail (India) Limited ("the Company") was incorporated on 24 April 2007. The Company was engaged in the business of retailing of products through catalogue shopping at retail outlets, internet and telephone orders (catalogue retailing operations).

The Board of Directors in January 2009 decided to discontinue operations as the business did not meet the planned performance levels to support the investments required in the current economic climate. The Company's holding Company, Shopper's Stop Limited, has committed to provide the necessary level of support, to enable the company to remain in existence and continue as a going concern till such time as it realises its assets and settles its liabilities. In the opinion of the company the assets and liabilities will have a value on realization in the ordinary course of business that are atleast equal to the amounts at which they are stated in the Balance Sheet.

B. SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of preparation of financial statements**

The financial statements have been prepared to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956 (the Act). The financial statements have been prepared under the historical cost convention on an accrual basis. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

(b) Use of estimates

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates and differences between actual results and estimates are recognised in the periods in which the results are known/materialise.

(c) Fixed Assets and Depreciation**Tangible Assets**

Fixed assets are stated at their original cost of acquisition less accumulated depreciation and impairment losses. Cost comprises of all costs incurred to bring the assets to their location and working condition and includes all expenses incurred up to the date of launching new stores to the extent they are attributable to the new store.

Depreciation is provided, pro rata for the period of use, by the straight line method (SLM), based on management's estimate of useful lives of the fixed assets, or at the SLM rates prescribed in Schedule XIV to the Act whichever is higher at the following annual rates:

Particulars	Effective Depreciation Rate
Furniture, Fixtures and Other fittings	10%
Computers	20%
Office Equipment	10%
Vehicle	20%

Leasehold improvements are depreciated over the period of lease or at the Rate specified in Schedule XIV, whichever is higher.

Intangible Assets

Intangible assets are stated at their cost of acquisition, less accumulated amortisation and impairment losses. An intangible asset is recognised, where it is probable that the future economic benefits attributable to the asset will flow to the enterprise and where its cost can be reliably measured. The depreciable amount of intangible assets is allocated over the best estimate of its useful life on a straight-line basis.

The Company capitalises software and related implementation cost where it is reasonably estimated that the software has an enduring useful life. Software is amortised over a period of 5 years.

Impairment of Assets

An asset is considered as impaired in accordance with Accounting Standard 28 on Impairment of Assets when at balance sheet date there are indications of impairment and the carrying amount of the asset, or where applicable 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 profit and loss account.

(d) Revenue recognition

Revenue is recognised when it is earned and no significant uncertainty exists as to its realisation or collection.

Retail Sales are recognised on delivery of the merchandise to the customer, when the property in the goods is transferred for a price, when significant risks and rewards have been transferred and no effective ownership control is retained. Sales are net of discounts, returns and Value Added Tax recovered.

(e) Income Tax

Provision for current tax is made on the basis of taxable profits computed for the current accounting period in accordance with the income tax act 1961.

Deferred Tax Asset and Liabilities are recognised for the future tax consequences of timing differences between the accounting income and taxable income for the year and measured using the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred Tax Assets (other than carry forward of unabsorbed depreciation and tax losses) are recognised and carried forward 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 realised. Deferred tax assets are recognised on carry forward of unabsorbed depreciation and tax losses only if there is virtual certainty that such deferred tax assets can be realised against future taxable profits. The effect on Deferred Tax Assets and Liabilities of change in tax rates is recognised in the Profit and Loss Account in the period of enactment of the change.

Fringe Benefits Tax (FBT) payable under the provision of Section 115WC of the Income Tax Act, 1961 is in accordance with the Guidance Note on Accounting for Fringe Benefits Tax issued by the ICAI, regarded as an additional income tax and considered in determination of profits for the period.

(f) Earnings Per Share

The Company reports basic and diluted Earnings Per Share (EPS) in accordance with Accounting Standard 20 on Earnings Per Share. Basic EPS is computed by dividing the net profit or loss for the period by the weighted average number of Equity shares outstanding during the period.

(g) Cash Flow Statement

The Cash Flow Statement is prepared by the indirect method set out in Accounting Standard 3 on Cash Flow Statements and presents the cash flows by operating, investing and financing activities of the company.

Cash and cash equivalents presented in the Cash Flow Statement consist of cash on hand and demand deposits with banks.

(h) Contingent Liabilities

Contingent liabilities as defined in Accounting Standard 29 on Provisions, Contingent Liabilities and Contingent Assets are disclosed by way of notes to the accounts. Disclosure is not made if the possibility of an outflow of future economic benefits is remote. Provision is made if it becomes probable that an outflow of future economic benefits will be required to settle the obligation.

13. NOTES TO FINANCIAL STATEMENTS

1. Claims against the Company not acknowledged as debts – Rs. Nil (Previous year – Rs. Nil).
2. The details required to be disclosed as per Para 4C and Para 4D of Part II of Schedule VI of the Companies Act, 1956 have been furnished to the extent it is applicable to the Company.

	Current Year (Rs. in '000s)	Previous Year (Rs. in '000s)
i) CIF Value of Imports	Nil	2,094
ii) Expenditure in foreign currency	Nil	Nil
iii) Earning in foreign currency	Nil	1,325
iv) Managerial Remuneration	Nil	Nil

3. There are no separate reportable segments as per Accounting Standard 17 – on Segment Reporting.

4. LEASING TRANSACTIONS

- a) Operating lease rentals charged to revenue for lease agreements:

Particulars	Current Year (Rs. in '000)	Previous Year (Rs. in '000)
Office Premises and Stores	336	70,295

- b) Future minimum lease rental payments in respect of non-cancellable lease:

Particulars	Current Year (Rs. in '000)	Previous Year (Rs. in '000)
Not later than one year	Nil	Nil
Later than one year and not later than five years	Nil	Nil
Later than five years	Nil	Nil

5. DEFERRED TAX ASSETS (NET OF LIABILITIES)

In the absence of virtual certainty of availability of taxable business income in near future against which the deferred tax assets can be adjusted, the Company has not recognised deferred tax assets on unabsorbed depreciation and business losses.

6. RELATED PARTY DISCLOSURES

Names of Related Parties and Description of Relationship:

Relationship	Related Party
Holding Company	Shopper's Stop Limited
Company having substantial interest in voting power	Hypercity Retail (India) Limited

Transactions during the year:

Particulars	Hypercity Retail (India) Limited (Rs. in '000)		Shopper's Stop Limited (Rs. in '000)	
	For the year ended 31 March 2010	For the year ended 31 March 2009	For the year ended 31 March 2010	For the year ended 31 March 2009
Loan taken	13,048	88,249	Nil	91,851
Loan Repaid	31,065	Nil	18,772	Nil
Security Deposit Refunded	Nil	3,929	Nil	Nil
Security Deposit Refund Received	Nil	1,586	Nil	Nil
Rent Paid	260	1,460	48	238
Rent Received	Nil	1,965	Nil	Nil
Purchase of Merchandise	Nil	91,134	Nil	Nil
Returns of Merchandise	Nil	105,612	Nil	Nil
Interest paid on Loan	Nil	20,707	Nil	21,872
Reimbursements Received	11	Nil	Nil	Nil
Reimbursement of Expenses	Nil	57,901	24	2,595
Purchase of Assets	Nil	11,775	Nil	Nil
Sale of Assets	19,909	Nil	2,139	Nil
Sale of Scrap	Nil	1,369	Nil	Nil
Balances	As at 31 March 2010	As at 31 March 2009	As at 31 March 2010	As at 31 March 2009
Balance Payable	Nil	Nil	Nil	68
Balance Receivable	Nil	12,250	Nil	Nil
Loan outstanding	220,625	2,38,642	229,610	248,382

7. EARNINGS\LOSS PER SHARE

Particulars	Current Year	Previous Year
Profit for the year (after prior period adjustments (Net) – (Rs. in '000s)	(1,580)	(374,289)
Average no. of ordinary shares (No.'s)	50,000	50,000
Nominal value of ordinary shares (Rs.)	10	10
Basic Earnings per share (Rs.)	(31.60)	(7,485.78)

8. EMPLOYEE BENEFITS

Short term employee (benefits which are payable within twelve months after the end of the period in which the employees render service) are measured at cost.

Long term employees benefits (benefits which are payable after the end of twelve months from the end of the period in which the employees render service) such as Leave Encashment Costs and post employment benefits (benefits which are payable after completion of employment) such as Gratuity are measured on a discounted basis by the Projected Unit Credit Method on the basis of annual third party actuarial valuation at each balance sheet date. Actuarial gains and losses are recognised immediately in the profit and loss account.

Contribution to provident fund, a defined contribution plan, is made on accordance with the rules of the statute and is recognised as expenses when employees have rendered service entitling them to the contributions.

The Company does not have any employees as on 31st March, 2010.

Employee Benefits :	For the year ended 31 March 2010 (Rs. in '000)	For the year ended 31 March 2009 (Rs. in '000)
Post-employment benefits		
(i) Defined contribution plans	—	—
Company's contribution to Provident Fund	—	733
(ii) Defined benefit schemes - Gratuity		
a. Liability recognised in Balance Sheet		
Present Value of Obligation		
As at the beginning of the year	—	13
Service cost	—	—
Benefits paid		(13)
As at the end of the year	—	—
b. Expense during the year		
Service Cost	—	—
c. Principal actuarial assumptions		
Rate of Discounting	N.A.	8% p.a.
Attrition rate	N.A.	15%
Rate of increase in salaries	N.A.	5% p.a.

The estimates of future salary increases, considered in actuarial valuation, take accounts of inflation and general trend in salary rise.

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

10. SUPPLEMENTARY STATUTORY DATA

a) Payments to Auditors (including service tax, where applicable):

	CY Rs. in '000)	PY (Rs. in '000)
Statutory Audit Fees		
Current Period	33.0	330.0
Prior Period (Previous Auditors)	221.0	0.0
Tax Audit Fees		
Current Period	11.0	22.0
Prior Period	6.0	32.0

b) Quantitative details of opening stock, purchases, sales and closing stock

Category: Household items and Apparels				
	CY		PY	
	Quantity (Nos.)	Amount (Rs. in '000)	Quantity (Nos.)	Amount (Rs. in '000)
Opening Stock	Nil	Nil	166,970	120,613
Purchases	Nil	Nil	-93,870	-10,583
Sales	Nil	Nil	66,108	80,734
Closing Stock	Nil	Nil	Nil	Nil

Purchases Quantity is after adjustments of samples, free gifts, damaged goods & shortages at store.

11. The Finance Bill, 2010 proposes to impose a levy of Service Tax on renting of immovable properties given for commercial use, retrospectively with effect from 1 June 2007. Since, (a) the Finance Bill has not yet been passed by Parliament and (b) based on legal advice, the Company is planning to challenge the levy in courts of law, no provision for the same has been made in the accounts - Rs. 7,754 thousands. Out of this, an approximate amount of Rs. 3,375 thousands would be available to the Company as Cenvat Credit, which would be in addition to Rs. 4,910 thousands already recognised in the books. In view of limited avenue for utilisation of such credits, the Company has considered the same as doubtful of realisation and has made provision to the extent it has been recognised.

In the previous year, based on the Delhi High Court judgement dated 18th April, 2009 regarding levying service tax on rentals as being ultra vires, the Company had reversed the charge relating to service tax aggregating to Rs. 1,787 thousands. (Current year Rs. Nil)

12. Figures of the previous year have been regrouped/reclassified wherever necessary to correspond to figures of the current year.

13. All figures are in Rs. thousands unless otherwise specified.

SIGNATORIES TO SCHEDULES 1 TO 13

As per our attached report of even date.

For G. M. Kapadia & Co.

Chartered Accountants

Atul Shah

Partner

Membership No. 39569

Firm Regn. No. 104767W

Place : Mumbai

Dated : 27 April, 2010

For and on behalf of the Board of Directors

C.B. Navalkar

Director

Arun Gupta

Director

