

Directors' Report

Crossword Bookstores Ltd.

Dear Members,

Your Directors are pleased to present the Eleventh Annual Report on the business and operations of the Company together with the Audited Statements of Accounts for the year ended 31 March, 2010.

Financial Performance

Particulars	(Rs. '000)	
	Year ended March 31, 2010	Year ended March 31, 2009
Gross Revenues	25,965	38,731
Other Income	33,269	22,254
Total Revenues	59,234	60,985
Profit before Depreciation & Tax	51,198	50,633
Less: Depreciation & amortisation	7,316	7,316
Profit before taxation	43,882	43,317
Less: Taxation (including Fringe Benefit Tax)	5,632	4,081
Net Profit after Taxation	38,250	39,236
Add/(Less): Balance brought forward from previous year	(37,735)	(76,971)
Balance carried forward	515	(37,735)

Dividend

Your Company wishes to strengthen its financial position and as such no dividend is recommended for the year.

Operations

Your Company has achieved a profit after tax of Rs. 38.2 million for the year against a profit after tax of Rs. 39.2 million of previous year. Your company has launched certain new stores during the year under review, taking its chain strength to 59 stores across the country.

Franchise Operations with Shopper's Stop Ltd.

The Company had appointed Shopper's Stop Ltd; w.e.f. 1 July, 2006, as its master franchisee, pursuant to the Master Franchise Agreement, to carry on 'Crossword' business at its existing and new store premises which may be identified by Shopper's Stop Ltd; from time to time. Now, the Company and Shopper's Stop Ltd, propose to terminate the said Agreement and accordingly, handover the 'Crossword' business back to Crossword Bookstores Limited, together with its fixed assets, current assets, rights, liabilities/obligations of all nature and kind along with its employees.

Awards and Recognition

During the year under review, your Company has been conferred with Reid & Taylor Award for Best Retailer of the year – Leisure & Specialty at the India Retail Summit 2009.

Share Capital

During the year under review, there has been no change in the authorised, issued and paid up share capital of the Company.

Fixed Deposits:

Your Company has not accepted any fixed deposits and as such, no amount of principal or interest was outstanding as on the Balance Sheet date.

Directors:

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Mr. B. S. Nagesh and Mr. C. B. Navalkar, Directors, retires by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

Comments on Auditors' Report

Goodwill, trademarks and copyrights amortised over 20 years. These assets are being amortised to revenue over a period of 20 years as the future economic benefits from the assets will be realised over this period.

Directors' Responsibility Statement

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, the Board of Directors hereby state that:

1. In the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
2. We had 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 as at 31 March, 2010 and of the profit of the Company for the year ended on that date;
3. We had 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 frauds and other irregularities;
4. We had prepared the accounts for the financial year ended 31 March, 2010 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 Audit Committee and Board of Directors recommend 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.

The Company is engaged in the continuous process of energy conservation through improved operational and maintenance practices. The brief of the particulars in respect of various steps and initiatives taken regarding conservation of energy and technology absorption and its disclosure as stipulated by the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is as under.

- Adoption of Variable Frequency Drives (VFD's) for Air handling units with temperature sensors.
- Controlled the energy consumption of HVAC system by optimizing the temperature inside the stores.

There was no foreign exchange earning or outgo during the year.

Employees

None of the employees fall under the limits specified pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended.

Audit Committee

The Audit Committee of the Company constituted under the provisions of Section 292A of the Companies Act, 1956, continues to facilitate and contribute to the Board of Directors in their decision making and enhancing the credibility of the financial disclosures and in promoting transparency.

The Audit Committee comprises of Mr. Ravi Raheja, as Chairman with Mr. C. B. Navalkar & Mr. Yasin Virani as members.

Acknowledgement

Your Directors express their gratitude to the Customers, Suppliers, employees and all stakeholders for their continuing support. 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

Mumbai
27 April, 2010

B. S. Nagesh
Chairman

To,

The Members of Crossword Bookstores Limited

1. We have audited the attached Balance Sheet of Crossword Bookstores 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.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by 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, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
 - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - iii. The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv. *Attention is invited to note 5 of the financial statements: Fixed Assets include Goodwill, Trademarks and Copyrights acquired by the Company in an earlier year and whose aggregate carrying value in the books as on 31 March, 2010 is Rs. 71,639 thousands. These assets are being amortised over a period of 20 years since in the opinion of the management the future economic benefits from these assets will be realised atleast over this period. Accounting Standard 26 on Intangible Assets requires the depreciable amount of such assets to be allocated over the best estimate of their useful lives, with a rebuttable presumption that the useful lives of these assets will not exceed 10 years. We are unable to express an opinion whether the economic benefits from these assets will continue to be realised beyond the 10 year period prescribed by the standard. This was also the subject matter of a qualification in the previous year. Since the impact, if any, of not realising the benefits from these assets in future periods cannot be quantified the accompanying financial statements of the current year and comparatives of the previous year have not been adjusted.*
 - v. *Except as stated in para (iv) above, 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;*
 - vi. 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;
 - vii. *Subject to our observations stated in para (iv) above, 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 profits 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

(Viren Thakkar)

Partner

(Membership No. 49417)

(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 not disposed of any substantial/major part of fixed assets.
- (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) (a) The Company has granted unsecured loans to two parties covered in the register maintained under section 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 389,000 thousands and the year-end balance of such loans granted was Rs. 239,000 thousands.
- (b) In our opinion and according to the information and explanations given to us, the rate of interest, wherever applicable and other terms and conditions of loans covered in the register maintained under section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
- (c) As explained to us, no repayment schedule has been specified and accordingly the question of regularity in repayment of principal amount, wherever applicable, does not arise.
- (d) As stated above, no repayment schedule has been specified and there are no overdue amounts for more than rupees one lakh.
- (e) The Company has not taken any loan from secured or unsecured from companies, firms or other parties covered in the to register maintained under section 301 of the Companies Act, 1956. In view of the same, sub-clauses (f) to (g) of the clause (g) (iii) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regards to purchases of fixed assets and for rendering of services. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal controls system.
- (v) (a) According to the information and explanations given to us, we are of the opinion that the transactions for the year that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanation given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of rupees five lakhs in respect of any party during the year have been made at prices which are reasonable having regard to prevailing market prices at the relevant time where such market prices are available.
- (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) In our opinion, the internal audit function carried out during the year by firms of Chartered Accountants appointed by the management is commensurate with the size of the Company and the nature of its business.
- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed 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, Custom 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, Custom 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 does not have any accumulated losses (without considering effect of unquantified qualification) and has not incurred cash loss during the financial year covered by our audit and in the immediately preceding financial year.
- (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.
- (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

(Viren Thakkar)

Partner

(Membership No. 49417)

(Firm Reg. No. 104767W)

Place : Mumbai

Date : 27 April, 2010

(All amounts in thousand of Indian Rupees)

	Notes	Mar-10	Mar-09
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	3	195,625	195,625
Reserves and Surplus	4	131,897	131,382
		327,522	327,007
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	144,046	144,046
Less: Accumulated depreciation		72,253	64,937
Net Block		71,793	79,109
CURRENT ASSETS, LOANS AND ADVANCES			
Sundry Debtors	6	3,231	2,412
Cash and Bank Balances	7	6,926	18,134
Loans and Advances	8	264,305	208,921
		274,462	229,467
Less: CURRENT LIABILITIES AND PROVISIONS			
Current Liabilities	9	18,610	19,252
Provisions		123	52
		18,733	19,304
Net Current Assets		255,729	210,163
PROFIT AND LOSS ACCOUNT			
		—	37,735
		327,522	327,007

The accompanying Notes 1 to 23 are an integral part of the financial statements.

As per our attached report of even date.

For G. M. Kapadia & Co.

Chartered Accountants

Viren Thakkar

Partner

Membership No. 49417

Firm Reg. No. 104767W

Place : Mumbai

Date : 27 April, 2010

For and on behalf of the Board of Directors

B. S. Nagesh

Chairman

C. B. Navalkar

Director

Neel Raheja

Director

Bharat Sanghavi

Company Secretary

Profit and Loss Account
for the year ended 31 March, 2010

Crossword Bookstores Ltd.

(All amounts in thousand of Indian Rupees)

	Notes	Mar-10	Mar-09
INCOME			
Sales and Operating Revenues	10	25,965	38,731
Other income	11	33,269	22,254
		59,234	60,985
EXPENDITURE			
Employee costs	12	1,178	1,266
Operating and administrative expenses	13	6,284	8,519
Finance charges	14	574	567
Depreciation and Amortisation	2 (c) & 5	7,316	7,316
		15,352	17,668
Profit Before Tax		43,882	43,317
Provision for tax	18	5,632	4,081
Profit After Tax		38,250	39,236
Balance brought forward from previous year		(37,735)	(76,971)
Balance carried to Balance Sheet		515	(37,735)
The accompanying Notes 1 to 23 are an integral part of the financial statements.			
Earnings Per Share (Equity shares, par value per share Rs. 10/-)			
– Basic & Diluted (Rs.)	19	4.00	4.10

As per our attached report of even date.

For G. M. Kapadia & Co.
Chartered Accountants

Viren Thakkar
Partner
Membership No. 49417
Firm Reg. No. 104767W
Place : Mumbai
Date : 27 April, 2010

For and on behalf of the Board of Directors

B. S. Nagesh
Chairman

C. B. Navalkar
Director

Neel Raheja
Director

Bharat Sanghavi
Company Secretary

(All amounts in thousand of Indian Rupees)

	Mar-10	Mar-09
Cash flows from operating activities		
Net Profit Before Tax	43,882	43,317
<u>Adjustments</u>		
Depreciation and Amortisation	7,316	7,316
Interest and Finance Charges	574	567
Interest Income	(29,436)	(16,163)
Loss on sale/Discard of fixed assets	—	—
Operating profit before working capital changes	22,336	35,037
<u>Changes in assets and liabilities</u>		
Increase in Sundry Debtors	(819)	22,169
Increase in Loans and Advances	(65,359)	(163,606)
Decrease in Current Liabilities and Provisions	(571)	(6,719)
Cash (used in)/generated from operations	(44,414)	(113,119)
Income Taxes Refund (Paid)	4,343	(7,742)
Net cash (used in)/generated from operating activities	(40,071)	(120,861)
Cash flow from investing activities		
Sale proceeds of Fixed assets (Net)	—	90,859
Receipt/(Placement) of Fixed Deposits	(100)	—
Interest income	29,436	16,163
Net cash generated from investing activities	29,336	107,022
Cash flows from financing activities		
Payment of interest and finance charges	(574)	(567)
Net cash used for financing activities	(574)	(567)
Net (decrease)/increase in cash and cash equivalents	(11,308)	(14,406)
Net change in cash and cash equivalents		
Cash and cash equivalents as at the end of the year	6,626	17,934
Cash and cash equivalents as at beginning of the year	17,934	32,340
	(11,308)	(14,406)
Note:		
Cash and Cash Equivalents as per Balance Sheet (see Note 7)	6,926	18,134
Less: Deposit under lien	300	200
Cash and Cash Equivalents after reducing deposit under lien	6,626	17,934

As per our attached report of even date.

For G. M. Kapadia & Co.
Chartered Accountants

Viren Thakkar
Partner
Membership No. 49417
Firm Reg. No. 104767W
Place : Mumbai
Date : 27 April, 2010

For and on behalf of the Board of Directors

B. S. Nagesh
Chairman

C. B. Navalkar
Director

Neel Raheja
Director

Bharat Sanghavi
Company Secretary

1. BACKGROUND**About the Company**

Crossword Bookstores Limited ('Crossword' or 'the Company'), was incorporated on 3 November 1999. The Company is a wholly owned subsidiary of Shoppers' Stop Limited (SSL).

Till 30 June 2006 the company was engaged in the business of retailing books and other items such as music, toys, stationery and computer peripherals through departmental and concessionaire stores, operated either by itself or by franchisees. With effect from 1 July 2006 the Company has entered into an agreement with SSL in terms of which the business previously operated by itself is now operated by SSL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Basis of preparation of financial statements**

The accompanying financial statements have been prepared under the historical cost convention, in accordance with Indian Generally Accepted Accounting Principles and the provisions of the Companies Act, 1956.

(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 the financial statements and the reported amounts of revenues and expenses during the reporting period. 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. Costs comprises of all costs incurred to bring the assets to their location and working condition and includes all expenses incurred upto the date of launching a new store, to the extent they are attributable to the new store.

Depreciation is provided, pro-rata to the period of use, by the straight line method (SLM), based on management's estimate of useful life of the fixed assets or at the SLM rates prescribed in Schedule XIV of the Companies Act, 1956 whichever is higher, at the following annual rates:

	Depreciation rates (%)
Furniture, fixtures and other equipment	10.00
Computers	20.00
Vehicles	20.00

Leasehold improvements are depreciated over the total period of lease (including the renewal periods) or 20 years, whichever is lower.

Assets costing less than Rs. 5,000 are depreciated @ 100%.

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 capitalizes software and related implementation costs, where it is reasonably estimated that the software has an enduring useful life.

Trademarks, Copyrights and Goodwill are amortised uniformly over a period of 20 years, since in the opinion of the management the future economic benefits from these assets will be realised atleast over this period.

Software is depreciated over management estimate of it's useful life of 5 years.

Impairment of assets

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

Sale of merchandise is recognised on delivery to franchisees, 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 sales returns, discounts, sales tax and Value Added Tax.

Franchisee income is recognised in accordance with the rates specified in the franchisee agreements and is based on the sales recorded by the franchisees for the year.

(e) Employee benefits

Compensation to employees for services rendered is measured and accounted for in accordance with the revised AS-15 on Employee Benefits.

Employee Benefits such as salaries, allowances, non-monetary benefits and employee benefits under defined contribution plans such as provident and other funds, which fall due for payment within a period of twelve months after rendering service, are charged as expense to the profit and loss account in the period in which the service is rendered.

Employee Benefits under defined benefit plans and other long term employee benefits such as gratuity and compensated absences which fall due for payment after completion of employment or after a period of twelve months from rendering service, are measured by the projected unit credit method, on the basis of actuarial valuations carried out by third party actuaries at each balance sheet date. The company's obligations recognised in the balance sheet represent the present value of obligations as reduced by the fair value of plan assets, where applicable.

Actuarial Gains and losses are recognised immediately in the Profit and Loss Account.

(f) Foreign currency transactions

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

(g) Operating Lease

Operating lease payments are recognised as expenditure in the profit and loss account on a straight-line basis, which is representative of the time pattern of benefits received from the use of the assets taken on lease.

(h) Income Tax

Income taxes are accounted for in accordance with Accounting Standard 22 on "Accounting for Taxes on Income". Taxes comprise both current and deferred tax.

Current tax is measured at the amount expected to be paid/recovered from the taxation authorities, using the applicable tax rates and tax laws.

The tax effect of the timing differences that result between taxable income and accounting income and are capable of reversal in one or more subsequent periods are recorded as a deferred tax asset or deferred tax liability. They are measured using the substantively enacted tax rates and tax regulations.

The carrying amount of deferred tax assets at each balance sheet date is reduced to the extent that it is no longer reasonably certain that sufficient future taxable income will be available against which the deferred tax asset can be realised.

Fringe Benefits Tax (FBT) payable under the provisions 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 the profits for the year. Tax on distributed profits payable in accordance with the provisions of section 115 O of the Income Tax Act, 1961 is, in accordance with the Guidance Note on Accounting for Corporate Dividend Tax, regarded as a tax on distribution of profits and is not considered in determination of the profits for the year.

(i) 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.

(j) 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 year by the weighted average number of equity shares outstanding during the year. Diluted EPS is computed by dividing the net profit or loss for the year by the weighted average number of equity shares outstanding during the year as adjusted for the effects of all dilutive potential equity shares, except where the results are anti-dilutive.

(k) 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.

(All amounts in thousand of Indian Rupees)

3. SHARE CAPITAL

Authorised:

10,000,000 equity shares of Rs.10/- each

10,000,000 cumulative redeemable preference shares of Rs.10/- each

Issued and Subscribed:

9,562,500 equity shares of Rs.10/- each fully paid up

10,000,000 5.5% cumulative redeemable preference shares of Rs.10/- each

fully paid up redeemable on or before November 29, 2012

The entire share capital is held by Shopper's Stop Limited, the holding company

4. RESERVES AND SURPLUS

Securities Premium account

Balance as per last Balance sheet

Profit & Loss Account

Mar-10	Mar-09
100,000	100,000
100,000	100,000
200,000	200,000
95,625	95,625
100,000	100,000
195,625	195,625
131,382	131,382
515	—
131,897	131,382

5. FIXED ASSETS

(All amounts in thousand of Indian Rupees)

Description	GROSS BLOCK			ACCUMULATED DEPRECIATION			NET BLOCK		
	1 April 2009	Additions	Deductions	31 March 2010	1 April 2009	For the year	Deductions	31 March 2010	31 March 2009
TANGIBLE ASSETS									
Leasehold improvements	—	—	—	—	—	—	—	—	—
Furniture, fixtures and other equipments	—	—	—	—	—	—	—	—	—
Computers	—	—	—	—	—	—	—	—	—
Vehicles	774	—	—	774	466	152	—	619	308
Total	774	—	—	774	466	152	—	619	308
INTANGIBLE ASSETS									
Goodwill	1,648	—	—	1,648	740	82	—	823	908
Trademarks and copyrights	141,625	—	—	141,625	63,730	7,081	—	70,811	77,895
Software	—	—	—	—	—	—	—	—	—
Total	143,273	—	—	143,273	64,470	7,164	—	71,634	78,802
Grand Total	144,046	—	—	144,046	64,937	7,316	—	72,253	79,109
Previous year	288,073	165	144,192	144,046	111,211	7,316	53,592	64,937	—

Note:

The Company acquired its present business, during the year ended 31 March 2000, which included the acquisition of certain intangible assets, namely, goodwill, trademarks, and copyrights relating to the business. These assets were recorded at a gross book value of Rs.143,273 thousand and amortised over a 20 year period, since the management believes that future economic benefits from these assets will be realised over several years.

(All amounts in thousand of Indian Rupees)

6. SUNDRY DEBTORS

(Unsecured considered good, unless otherwise stated)

Debts outstanding for more than six months

- considered good
- considered doubtful

Less: Provision for doubtful debts

Others

Maximum Amount outstanding during the year (Shopper's Stop Ltd.)

Out of the above:

- Considered good
- Considered doubtful

7. CASH AND BANK BALANCES

Cash on hand

Balances with scheduled banks:

- in current accounts
- in fixed deposits (over which bank has lien)

8. LOANS AND ADVANCES

(Unsecured considered good)

Inter Corporate Deposit to Holding Company

Maximum balance outstanding during the year Rs. 150,000 (Rs. 175,500)

Inter Corporate Deposit to others

Maximum balance outstanding during the year Rs. 239,000 (Rs. 175,500)

Interest Receivable on ICD's

Advances recoverable in cash or in kind or for value to be received

- Prepayments
- Premises and other deposits
- Income Tax (net of provisions)
- Others

	Mar-10	Mar-09
	—	—
	—	150
	—	150
	—	150
	—	—
	3,231	2,412
	3,231	2,412
	2,209	118,906
	3,231	2,412
	—	150
	3,231	2,562
	26	26
	6,600	17,908
	300	200
	6,926	18,134
	150,000	—
	89,000	175,500
	2,618	—
	70	53
	15,159	15,139
	7,291	17,266
	167	963
	264,305	208,921

(All amounts in thousand of Indian Rupees)

14. FINANCE CHARGES

Bank Charges	10	3
Interest on Security deposits	564	564
	574	567

15. CONTINGENT LIABILITIES

Bank guarantee issued for Value Added Tax	300	200
Arrears of fixed cumulative dividend on Preference Shares	23,572	18,072

16. EMPLOYMENT AND RETIREMENT BENEFITS

Post-employment benefits

Defined contribution plans

Company's contribution to Provident Fund

Defined benefit schemes

a) Liability recognised in Balance Sheet

Charge in Benefit Obligation

Present Value of Obligations

As at 1 April 2009

Service cost

Interest cost

Actuarial Loss on obligations

Benefits paid

As at 31 March 2010

Less: Fair Value of Plan Assets

As at 1 April 2009

Expected Return on Plan assets less loss on investment

Employers Contribution

Benefits paid

Actuarial gain on Plan Assets

As at 31 March 2010

b) Expenses during the period

Service Cost

Interest Cost

Actual Return on Plan Assets

Expected Return on Plan Assets

Actuarial Loss on obligations

c) Principal actuarial assumptions

Rate of Discounting

Rate of return on Plan Assets

Rate of increase in salaries

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.

The gratuity benefit scheme of the Company is managed by Life Insurance Corporation of India (LIC). The Company is currently awaiting the details of the composition of the plan assets, by category, from the LIC for the current and the previous year and hence the disclosures as required by Accounting Standard (AS) 15 on Employee Benefits have not been given.

	Mar-10	Mar-09
	10	3
	564	564
	574	567
	300	200
	23,572	18,072
	138	15
	Gratuity	Gratuity
	44	30
	11	10
	4	3
	20	2
	—	—
	80	44
	83	77
	8	6
	—	—
	—	—
	20	—
	111	83
	11	10
	4	3
	—	—
	(8)	(6)
	20	2
	27	9
	7.50%	7.50%
	8.00%	8.00%
	4.00%	4.00%

(All amounts in thousand of Indian Rupees)

17. EXPENDITURE IN FOREIGN CURRENCY (on payment basis)

Professional fees

	Mar-10	Mar-09
Professional fees	—	491
18. TAX CHARGE		
The tax expense for the year comprises of:		
Income Tax		
– Current tax	7,545	4,000
– Fringe Benefit Tax of earlier year	170	81
– Excess Provision of tax of earlier year	–2,083	—
	5,632	4,081
19. EPS-CALCULATED AS FOLLOWS:		
Particulars		
(i) Profit attributable to Equity Shareholders (Rs. in '000)	38,250	39,236
(ii) Number of Equity Shares outstanding during the year	9,562,500	9,562,500
(iii) Nominal Value per share	10	10
(iv) Earning per Share Basic (Rs.)	4.00	4.10

The Company has not recognised deferred tax assets in respect of unabsorbed depreciation and carried forward losses on consideration of prudence as set out in the Accounting Standard 22 on 'Accounting for Taxes on Income'.

19. EPS-CALCULATED AS FOLLOWS:

Particulars

- (i) Profit attributable to Equity Shareholders (Rs. in '000)
- (ii) Number of Equity Shares outstanding during the year
- (iii) Nominal Value per share
- (iv) Earning per Share Basic (Rs.)

Note: There is no dilution to basic EPS as there were no outstanding dilutive potential equity shares.

20. SEGMENT REPORTING

The company is primarily engaged in the business of retail trade through franchisee store facilities, which in the context of AS 17 on 'Segment Reporting' constitutes a single segment.

(All amounts in thousand of Indian Rupees)

21. RELATED PARTY DISCLOSURES

Names of related parties and description of relationship:

Holding Company	Shopper's Stop Limited
Associate	Hypercity Retail (I) Ltd.

Following are the transaction with related parties

Nature	Holding Company	Associates	Total
Sale of Assets	—	—	—
Shopper's Stop Limited	—	—	—
	(95,295)	—	(95,295)
Income Received	2,551	—	2,551
Shopper's Stop Limited	2,551	—	2,551
	(16,916)	—	(16,916)
Reimbursement of Expenses recovered	6,875	—	6,875
Shopper's Stop Limited	6,875	—	6,875
	(6,500)	—	(6,500)
Interest received	3,553	25,062	28,615
Shopper's Stop Limited	3,553	—	3,553
Hypercity Retail (I) Ltd.	—	25,062	25,062
	(14,709)	(1,446)	(16,155)
Advances/Lease Deposit refund	—	—	—
Shopper's Stop Limited	—	—	—
	(6,462)	—	(6,462)
Loans Given	209,500	63,500	273,000
Shopper's Stop Limited	209,500	—	209,500
Hypercity Retail (I) Ltd.	—	63,500	63,500
	(164,500)	(175,500)	(340,000)
Loans Repaid by	59,500	150,000	209,500
Shopper's Stop Limited	59,500	150,000	(209,500)
	(175,500)	—	(175,500)
Balance outstanding at the year end			
Loan	150,000	89,000	239,000
Shopper's Stop Limited	150,000	—	150,000
Hypercity Retail (I) Ltd.	—	89,000	89,000
	—	(175,500)	(175,500)
Receivables	1,249	2,563	3,812
Hypercity Retail (I) Ltd.	—	2,563	2,563
Shopper's Stop Ltd.	1,249	—	1,249
	—	—	—

The figures in bracket pertain to previous year.

22. Balances of Debtors, Creditors, Advances & Deposits (Including certain old deposits of Rs. 5,440 thousands given for new proposed store which is yet to be refunded) given are subject to confirmation and reconciliation. In the opinion of the Board, the Debtors, Advances and Deposits have realizable value in ordinary course of business not less than the amount at which they are stated in Balance Sheet.

23. COMPARATIVES

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

