

SALASAR RETAIL
LIMITED

AUDITED FINANCIAL STATEMENT
FOR THE YEAR ENDED
MARCH 31 2011

FORD, RHODES, PARKS & CO.
CHARTERED ACCOUNTANTS

SAI COMMERCIAL BUILDING
312 / 313, 3RD FLOOR
BKS DEVSHI MARG
GOVANDI (EAST)
MUMBAI-400 088

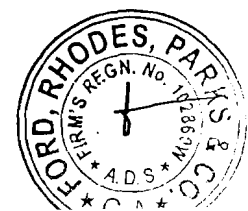
TELEPHONE : (91) 22 67978819
 : (91) 22 67978823
FAX : (91) 22 67978822
EMAIL : frptax@vsnl.com
P. O. BOX NO 307, MUMBAI-400 001

AUDITORS' REPORT TO THE MEMBERS OF SALASAR RETAIL LTD.

We have audited the attached Balance Sheet of **Salasar Retail Ltd** as at **31st March, 2011** and the Profit and Loss account of the Company for the year ended on that date annexed thereto and also the Cash Flow statement for the year ended on that date. 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.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditor's Report) Order, 2003, (as amended) issued by the Central Government 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 & 5 of the said Order.
2. Further to our comments in the Annexure referred to in para 1 above,
 - 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 it appears from our examination of the books.
 - iii) The Balance Sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report are in agreement with the books of account of the company.
 - iv) In our opinion the Balance Sheet, Profit and Loss Account and the Cash Flow statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956;
 - v) On the basis of written representation received from the directors of the Company as on **31st March, 2011** and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on **31st March, 2011** from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet, Profit and Loss Account and the Cash Flow statement read together with notes thereon give the information



FORD, RHODES, PARKS & CO.

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:-

- (i) in so far as it relates to Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
- (ii) in so far as it relates to Profit & Loss Account, of the loss of the Company for the year ended on that date and
- (iii) in so far as it relates to Cash Flow statement, of the cash flows of the Company for the year ended on that date.

**For Ford, Rhodes, Parks & Co.
Chartered Accountants
Firm Registration No.102860W**



**A.D. Shenoy
Partner
Membership No. 11549**



Place: Mumbai
Date:



ANNEXURE TO THE AUDITOR'S REPORT

Re: SALASAR RETAIL LIMITED

(Referred to in paragraph 1 of our report of even date)

1. (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of all the fixed assets.

(b) The company's policy is to carry out physical verification once in two years cycle which, in our opinion is reasonable having regards to the size of the company and the nature of its assets. During the year no physical verification has been carried out.

(c) During the year, the Company has not disposed off any substantial part of fixed assets so as to affect the going concern assumption.
2. (a) The inventory has been physically verified by the management during the year and also at the year end, except stock lying with the third parties.

(b) The procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.

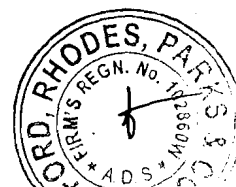
(c) The Company is maintaining proper records of inventory. No material discrepancies were noticed on physical verification.
3. (a) As per the information and explanation given to us, the company has not granted any loans/advances to companies covered in the register maintained under section 301 of the companies Act, 1956. However the company has taken unsecured loans from companies covered under section 301 of the Act and shareholders. The number of parties is two and the amount outstanding as at 31st March 2011 are Rs.2 million (Previous Year Rs.86.4 million and no. of parties is One).

(b) The aforesaid unsecured loans taken by the company are interest free loans. In our opinion the terms and conditions of these loans are not prima facie prejudicial to the interests of the company.

(c) As per the information and explanations given to us, there are no stipulations as to repayment of above mentioned loans.

(d) As there are no loans granted during the year and hence, the clause (d) of para III of the order is not applicable to the company.
4. (a) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business, for the purchase of inventory, fixed assets and for the sale of goods.

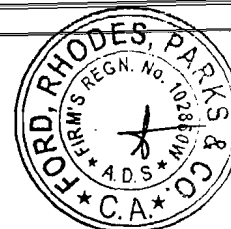
(b) During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
5. According to the information and explanations provided by the management, we are of the opinion that the particular of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered in respect of certain transactions made in pursuance of such contracts or



arrangements exceeding value of Rupees Five Lakhs entered into during the financial year, and the transactions were made at prevailing market prices at the relevant time.

6. The Company has not accepted any deposits from the public within the meaning of the provisions of Section 58A and 58AA of the Companies Act, 1956.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. The Central Government has not prescribed maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 for any of the products of the Company.
9. (a) According to the information and explanations given to us, no undisputed amounts payable in respect of investor education and protection fund, employees state insurance, income tax, sales tax, service tax, customs duty, cess and other statutory dues were outstanding at the year end for a period of more than six months from the date they became payable.

(b) According to the information and explanations given to us by management and the records of the Company examined by us, there were no disputed dues in respect of provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, service tax, customs duty and cess not deposited as at 31st March, 2011.
10. The Company has accumulated losses of Rs.380.50 millions (previous year Rs.239.87 millions) at the end of the financial year and the accumulated loss is less than the net worth of the company. The company has incurred cash loss of Rs.116.05 millions (previous year Rs.146.21 millions).
11. Based on our examination of the records and information and explanations given 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.
12. The provisions of clause 4 (xiii) of Order are not applicable as the Company is not a chit fund Company or nidhi/mutual benefit fund/society.
13. The Company has not dealt or traded in shares, securities, debentures or other investments during the year. Hence provisions of clause 4(xiv) of the Order are not applicable.
14. The Company has not given any guarantee for loans taken by others from banks or financial institutions. Therefore, the provisions of clause 4 (xv) of the Order are not applicable to the Company.
15. The Company has in earlier years availed term loan from banks and financial institutions and have applied the loan for the purpose for which they were obtained.
16. According to the information and explanations given to us and overall examination of the balance sheet, we report that no funds raised on short term basis have been used for long term investments.
17. During the year the company has issued fully convertible debentures to the holding company. The said Debentures were converted into equity share at par. In our opinion, and according to information and explanations given to us, the price at which such shares have issued is not prejudicial to the interest of the company.



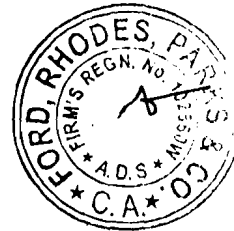
FORD, RHODES, PARKS & CO.

18. The company has issued unsecured convertible debentures and as such clause 4(xviii) of the order is not applicable.
19. The company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
20. The Company has not raised any money by way of public issue during the year and therefore paragraph 4 (xx) of the Order is not applicable.
21. During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have neither come across any instance of fraud on or by the company, either noticed or reported during the year, nor have been informed of any such case by the management.

For **Ford, Rhodes, Parks & Co.**
Chartered Accountants
Firm Registration No.102860W



A.D. Shenoy
Partner
Membership No. 11549



Place: Mumbai
Date:



SALASAR RETAIL LIMITED

BALANCE SHEET AS AT MARCH 31, 2011

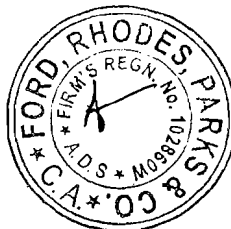
	SCHEDULE	RUPEES	RUPEES	2009-2010 RUPEES
SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	240,693,100		40,693,100
Reserves and Surplus	2	<u>161,900,000</u>	402,593,100	<u>161,900,000</u> 202,593,100
LOAN FUNDS				
Secured Loans	3	85,554,232		109,247,777
Unsecured Loans	4	<u>2,003,637</u>	87,557,869	<u>86,432,000</u> 195,679,777
TOTAL			<u>490,150,969</u>	<u>398,272,877</u>
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross Block	5	257,649,582		253,567,702
Less : Depreciation		<u>143,609,993</u>		<u>119,064,479</u>
		114,039,589	114,039,589	134,503,223
CURRENT ASSETS, LOANS & ADVANCES				
Inventories	6	127,123,650		88,629,476
Sundry Debtors	7	631,312		524,742
Cash and Bank Balances	8	25,800,544		25,391,884
Loans and Advances	9	<u>38,605,402</u>		<u>16,119,587</u>
			192,160,908	130,665,689
LESS: CURRENT LIABILITIES & PROVISIONS				
Liabilities	10	196,553,598		106,770,060
			<u>196,553,598</u>	<u>106,770,060</u>
NET CURRENT ASSETS			(4,392,690)	23,895,629
PROFIT & LOSS ACCOUNT DEBIT BALANCE			380,504,070	239,874,025
TOTAL			<u>490,150,969</u>	<u>398,272,877</u>
Significant Accounting Policies and Notes to Accounts. Schedules 1 to 17 annexed hereto form part of the Balance Sheet and Profit & Loss Account				
	17			

As per our Report of even date
For **FORD, RHODES PARKS & CO.**
Chartered Accountants
Firm Registration No:- 102860W

For and on behalf of the Board

A.D. Shenoy

A.D. Shenoy
Partner
Membership No.11549



Mondayji

Director

Deepak Gadhia

Director

Place :

Place :


SALASAR RETAIL LIMITED

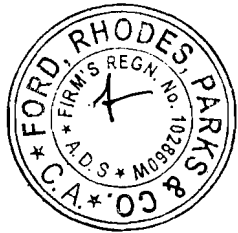
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	SCHEDULE	RUPEES	2009-2010 RUPEES
INCOME			
Sales	11	179,246,190	120,453,365
Other Income	12	6,229,290	1,287,374
TOTAL		185,475,480	121,740,739
EXPENDITURE			
Cost of Traded Goods	13	150,803,737	142,329,602
Personnel Costs	14	25,936,571	25,268,920
Administrative , Selling & Distribution Expenses	15	106,266,246	80,898,003
Financial Charges	16	12,093,782	16,124,899
Depreciation		24,545,514	28,128,442
Sales Tax		6,428,188	3,276,745
Misllaneous Expenses written off		-	50,000
TOTAL		326,074,038	296,076,611
PROFIT BEFORE TAXATION		(140,598,558)	(174,335,872)
Less: Provision for Taxation			
Income Tax on Earlier Years		31,487	-
PROFIT AFTER TAXATION		(140,630,045)	(174,335,872)
Add : Balance Brought Forward		(239,874,025)	(65,538,153)
Balance available for Appropriation		(380,504,070)	(239,874,025)
Appropriation			
Balance carried to Balance Sheet		(380,504,070)	(239,874,025)
		(380,504,070)	(239,874,025)
Earning Per Share (EPS)			
Basic & Diluted (Rs.)		(34.10)	(21.42)
Significant Accounting Policies and Notes to Accounts.		17	
Schedules 1 to 17 annexed hereto form part of the			
Balance Sheet and Profit & Loss Account			


As per our Report of even date
For **FORD, RHODES PARKS & CO.**
Chartered Accountants
Firm Registration No:- 102860W

For and on behalf of the Board


A.D. Shenoy
Partner
Membership No.11549




Director


Director

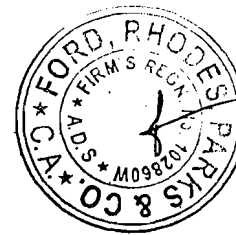
Place :

Place :

SALASAR RETAIL LIMITED

**SCHEDULE ATTACHED TO AND FORMING PART OF THE BALANCE SHEET
AS AT MARCH 31, 2011**

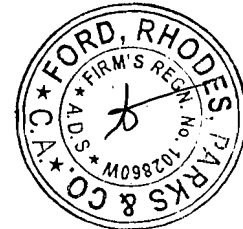
	RUPEES	2009-2010 RUPEES
SCHEDULE 1		
CAPITAL		
Authorised		
25,000,000 Equity Shares of Rs. 10/- each	250,000,000	50,000,000
(Previous Year:-5,000,000 Equity Shares of Rs. 10/- each)		
	250,000,000	50,000,000
Issued and Subscribed		
2,40,69,310 Equity Shares of Rs. 10/- each fully paid-up	240,693,100	40,693,100
(Previous Year:-40,69,310 Equity Shares of Rs. 10/- each fully paid-up)		
Note		
(1) Of the above 2,30,92,676 equity shares of Rs. 10/- each fully paid up held by Gitanjali Lifestyle Ltd Above shares include 2,00,000,00 equity shares of Rs.10/- each fully paid up on conversion of debentures on 31-03-2011 as per special resolution passed by members of the company in EGM held on 08-03-2011		
(2) Of the above 9,76,634 equity shares of Rs. 10/- each fully paid up held by Krishna Trade & Commerce Pvt. Ltd.		
	240,693,100	40,693,100
SCHEDULE 2		
RESERVES AND SURPLUS		
Securities Premium	161,900,000	161,900,000
	161,900,000	161,900,000
 Profit and Loss Account Debit Balance	 (380,504,070)	 (239,874,025)



SALASAR RETAIL LIMITED

SCHEDULE ATTACHED TO AND FORMING PART OF THE BALANCE SHEET
AS AT MARCH 31, 2011

	RUPEES	2009-2010 RUPEES
SCHEDULE 3		
SECURED LOANS		
Working Capital borrowings from Banks	64,344,145	66,570,901
Term Loan borrowings from Banks	21,210,087	42,676,876
<small>(Secured by first charge on pari passu basis by way of hypothecation and/or pledge of company's current assets both present and future, Fixed Deposit of Rs.2.50 Cr, Corporate Guarantee of Gitanjali Gems Ltd (Step up Holding Company) and personal guarantee of Sh. Ashok Tibrewal erstwhile Director)</small>		
	85,554,232	109,247,777
SCHEDULE 4		
UNSECURED LOANS		
Debentures	200,000,000	-
<small>2,00,00,000 - 13.5% fully convertible debentures of Rs.10/- each convertible into equity Rs.10/- at par in proportion of one equity share for every debture held as per special resolution passed by members of the company in the EGM held on 08-03-2011. The above debentures are held by Gitanjali Lifestyle Ltd (Holding Company). Less: Conversion of Debentures into equity shares</small>		
	(200,000,000)	-
Balance	-	-
Other Loans from Holding Company & Step up Holding Company	2,003,637	86,432,000
	2,003,637	86,432,000



SALASAR RETAIL LIMITED

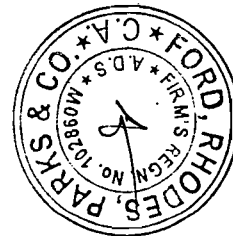
SCHEDULE ATTACHED TO AND FORMING PART OF THE BALANCE SHEET AS AT MARCH 31, 2011

SCHEDULE 5

FIXED ASSETS

AMOUNT IN RUPEES

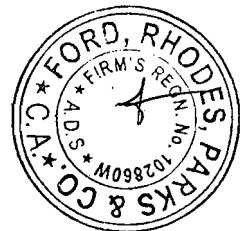
Particulars	GROSS BLOCK				DEPRECIATION				NET BOOK VALUE	
	As at April 1, 2010	Additions	Deletion	As at March 31, 2011	As at April 1, 2010	For the period	Deletion	Upto March 31, 2011	As at March 31, 2011	As at March 31, 2010
Plant and Machinery	197,500	1,549,660	-	1,747,160	109,518	119,158	-	228,676	1,518,484	87,982
Furniture and Fittings	104,554,950	9,861,487	8,327,002	106,089,435	44,601,513	12,222,094	357,598	56,466,009	49,623,426	59,953,437
Electrical Installations	47,046,765	1,594,902	979,139	47,662,528	16,267,568	4,417,693	32,091	20,653,170	27,009,358	30,779,197
Office Equipment	65,681,486	220,799	-	65,902,285	30,175,891	4,943,642	-	35,119,533	30,782,752	35,505,595
Computers	32,145,877	529,085	209,327	32,465,635	24,835,184	3,022,072	19,728	27,837,528	4,628,107	7,310,693
Vehicles	3,941,124	-	158,585	3,782,539	3,074,805	230,272	-	3,305,077	477,462	866,319
Total	253,567,702	13,755,933	9,674,053	257,649,582	119,064,479	24,954,931	409,417	143,609,993	114,039,589	134,503,223
Previous year	245,180,699	8,387,003	-	253,567,702	90,936,037	28,128,442	-	119,064,479	134,503,223	



SALASAR RETAIL LIMITED

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET
AS AT MARCH 31, 2011

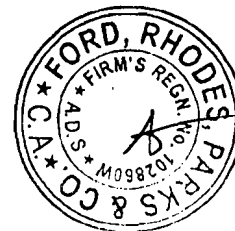
	RUPEES	2009-2010 RUPEES
<u>SCHEDULE 6</u>		
INVENTORIES (As taken valued and certified by the Management)		
Finished Goods	127,123,650	88,629,476
	127,123,650	88,629,476
<u>SCHEDULE 7</u>		
SUNDRY DEBTORS (Unsecured, Considered good)		
Debts Outstanding over Six Months	-	524,742
Other Debts	631,312	-
	631,312	524,742
<u>SCHEDULE 8</u>		
CASH AND BANK BALANCES		
Cash on Hand	647,678	186,783
Balances with Banks		
- Scheduled Banks		
- Current Accounts	152,866	205,101
- Fixed Deposit	25,000,000	25,000,000
	25,800,544	25,391,884
<u>SCHEDULE 9</u>		
LOANS AND ADVANCES (Unsecured, Considered Good)		
Advances Recoverable in Cash or in Kind or for Value	17,318,486	748,578
Sundry Deposits	20,342,514	14,661,764
Taxes Paid (Net of Provision)	944,402	709,245
	38,605,402	16,119,587



SALASAK RETAIL LIMITED

SCHEDULES ATTACHED TO AND FORMING PART OF THE BALANCE SHEET
AS AT MARCH 31, 2011

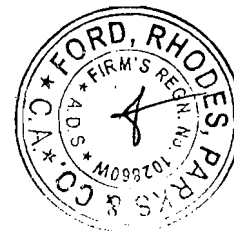
	2009-2010 RUPEES	2008-2009 RUPEES
SCHEDULE 10		
CURRENT LIABILITIES AND PROVISIONS		
LIABILITIES:		
Sundry Creditors	154,423,711	80,834,324
Other Liabilities	41,949,887	25,835,736
Advance from Customers	180,000	100,000
	196,553,598	106,770,060
PROVISIONS:		
	-	-
	-	-



SALASAR RETAIL LIMITED

SCHEDULES ATTACHED TO AND FORMING PART OF THE PROFIT AND LOSS
ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

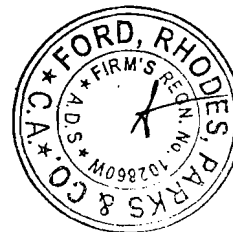
	RUPEES	2009-2010 RUPEES
SCHEDULE 11		
SALES		
Local	179,246,190	120,453,365
	179,246,190	120,453,365
SCHEDULE 12		
OTHER INCOME		
Miscellaneous Income	3,837,693	561,872
Rent	652,432	
Commission	40,000	
Interest Income (TDS:- Rs. 1,69,917 /-)	1,699,165	725,502
	6,229,290	1,287,374
SCHEDULE 13		
COST OF TRADED GOODS		
Materials		
Opening Stock	88,629,476	147,715,863
Add : Purchases	<u>187,150,039</u>	<u>83,243,215</u>
	275,779,515	230,959,078
Add: Direct Expenses	<u>2,147,872</u>	-
	277,927,387	230,959,078
Less : Closing Stock	127,123,650	88,629,476
	150,803,737	142,329,602



SALASAR RETAIL LIMITED

SCHEDULES ATTACHED TO AND FORMING PART OF THE PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2011

	RUPEES	2009-2010 RUPEES
SCHEDULE 14		
PERSONNEL COSTS		
Salaries Wages and Bonus	24,057,842	23,118,214
Contribution to Provident Fund and other Funds	911,523	805,453
Contribution to ESIC	492,279	318,282
Workmen and Staff Welfare	474,927	1,026,971
	25,936,571	25,268,920
SCHEDULE 15		
ADMINISTRATIVE, SELLING & DISTRIBUTION EXPENSES		
ADMINISTRATIVE EXPENSES		
Rent, Cam & Electricity	63,510,603	50,786,337
Repairs and Maintenance	3,823,885	5,254,085
Cleaning Expenses	2,704,606	607,750
Bank Charges	1,293,252	710,321
Legal and Professional Charges	4,248,820	564,302
Printing and Stationery	431,533	242,892
Membership and Subscription	22,000	5,515
Insurance	551,929	277,890
Travelling and Conveyance	4,148,061	1,108,130
Communication Expenses	1,082,413	924,700
Auditors' Remuneration		
- Audit fees	134,011	25,000
Miscellaneous Expenses	7,669,655	4,995,940
Prepaid Expenses Written off	43,710	2,380,217
	89,664,478	67,883,079
SELLING & DISTRIBUTION EXPENSES		
Sales Commission	12,026,200	12,000,000
Advertisement Expenses	1,692,494	984,584
Sales Promotion Expenses	2,883,074	30,340
	16,601,768	13,014,924
	106,266,246	80,898,003
SCHEDULE 16		
FINANCIAL CHARGES		
Bank Interest	12,019,809	16,124,899
Interest (Others)	73,973	-
	12,093,782	16,124,899



Cashflow Statement for the year ended 31st March, 2011

	31st March, 2011		31st March, 2010	
	Rs.	Rs.	Rs.	Rs.
Cashflow from operating activities				
Net Profit before tax		(140,598,558)		(174,335,872)
ADJUSTMENTS:				
Interest income	(1,699,165)		(725,502)	
Preliminary Expenses Written off	-		50,000	
Depreciation	24,545,514		28,128,442	
Interest and Financial Charges	12,093,782	34,940,131	16,124,899	43,577,839
Operating Profit before working capital changes		(105,658,427)		(130,758,033)
CHANGES IN WORKING CAPITAL				
Trade and other receivable	(22,485,815)		3,618,121	
Sundry Debtors	(106,570)		377,914	
Inventories	(38,494,174)		59,086,387	
Trade payables	89,783,538	28,696,979	44,914,059	107,996,481
Cash used in operation		(76,961,448)		(22,761,552)
Direct taxes		(31,487)		(177,436)
Net cash used in operating activities (A)		(76,992,935)		(22,938,988)
Cash flow from investing activities				
Interest income	1,699,165		725,502	
Purchase of fixed assets including CWIP	(13,755,933)		(8,387,003)	
Sale of fixed assets	9,674,053	(2,382,715)	-	(7,661,501)
Net cash used in investing activities (B)		(2,382,715)		(7,661,501)
Cash flow from financing activities				
Issue of Convertible Debentures (debentures issued are converted into equity shares)	200,000,000			
Interest and Financial Charges	(12,093,782)		(16,124,899)	
Proceeds from short term borrowings (Net)	(108,121,908)	79,784,310	71,207,360	55,082,461
Net cash used in financing activities (C)		79,784,310		55,082,461
NET CASH / CASH EQUIVALENT (A+B+C)		408,660		24,481,972
Cash & cash Equivalent at beginning		25,391,884		909,912
Cash & cash Equivalent at the end		25,800,544		25,391,884

Notes

- The above cash flow statement has been prepared under Indirect method as per Accounting Standard 3 "Cash Flow Statement" notified u/s 211(3C) of the Companies Act, 1956.
- Figures in bracket indicates outflow.
- The cash and cash equivalents in the cash flow statement comprise of the following Balance Sheet amounts :

	<u>31st March, 2011</u>	<u>31st March, 2010</u>
(a) Cash on hand	647,678	186,783
(b) Balance with Banks	25,152,866	25,205,101
	<u>25,800,544</u>	<u>25,391,884</u>

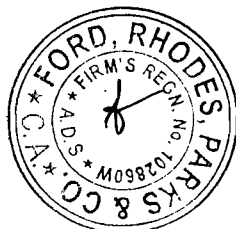
- Previous year's figures have been regrouped/rearranged wherever considered necessary.

**As per our Report of even date
For FORD, RHODES PARKS & CO.
Chartered Accountants
Firm Registration No-102860W**

For and on behalf of the Board

A.D. Shenoy

A.D. Shenoy
Partner
Membership No.11549



N. S. D. Jayaram

Director

Seepah Chohan

Director

Place :

Place :

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS:	
Registration No.	U99999WB2001PTC093452
Balance Sheet Date	31st March. 2011
II. CAPITAL RAISED DURING THE YEAR:	
(Amount in Rs. '000)	
Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL
III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS(Rs, In '000)	
Total Liabilities	686,705
Total Assets	686,705
SOURCES OF FUNDS	
Paid-up Capital	240,693
Reserves & Surplus	161,900
Secured Loans	85,554
Unsecured Loans	2,004
APPLICATION OF FUNDS	
Net Fixed Assets	114,040
Investments	-
Net Current Assets	(4,393)
Misc. expenditure	-
Accumulated Losses	380,504
IV. PERFORMANCE OF THE COMPANY (Rs. In '000)	
Turnover (Inclusive of other income)	185,475
Total Expenditure	326,074
Profit/(loss) Before Tax	(140,599)
Profit/(loss) After Tax	(140,630)
Earning Per Share	(34.10)
Dividend Rate	-
V. GENERIC NAMES OF PRINCIPAL PRODUCTS	
SERVICES OF THE COMPANY	
Not Applicable	

NOTE:

- The above particulars should be read alongwith the Balance Sheet as at 31st March.2010 the Profit & Loss Account for the year ended on that date and the Schedules forming part thereof.
- Earning Per Share is arrived at by dividing the Profit After Tax by Total No. of Shares subscribed at the end of the year.

As per our Report of even date
For FORD,RHODES PARKS & CO.
Chartered Accountants
Firm Registration No-102860W

For and on behalf of the Board



A.D. Shenoy
Partner
Membership No.11549



Place :



Director

Place :



Director

Salasar Retail Limited

Schedules forming part of the Accounts for the year ended 31st March 2011.

Schedule – 17

Significant Accounting Policies and Notes to Accounts:

Company Background

The Company is subsidiary of Gitanjali Lifestyle Ltd holding 95.94% of the equity. The company is engaged in the retailing of Branded Readymade Garments, branded jewellery & other Lifestyle Products.

1. Significant Accounting Policies

1.1 Accounting Concepts

The account's have been prepared on accrual basis, in accordance with the accounting standards referred to in section 211 (3C) of the Companies Act, 1956, which have been prescribed by the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act 1956, to the extent applicable.

1.2 Use of Estimates

The preparation of the financial statements requires estimates and assumptions to be made that affect the reported amounts of assets and liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Differences between actual results and estimates are recognized in the period in which the results are known / materialized.

1.3 Revenue Recognition

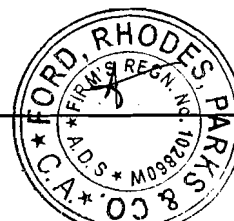
- a) Revenue on sale of products is recognized as and when the products are sold. Sales are stated net of returns and inclusive of Vat/sales tax and vat is separately debited to Profit & Loss Account as expenses.
- b) Revenue is recognized only when it is reasonably certain that the ultimate collection will be made.

1.4 Fixed Assets

Fixed assets are recorded at cost of acquisition inclusive of freight, duties and taxes and incidental expenses related to acquisition. Expenditure incurred during construction period has been added to the cost of assets.

1.5 Leased Assets

- a) Assets taken on finance lease, including taken on hire purchase arrangements, wherein the Company has an option to acquire the asset, are accounted for as fixed assets in accordance with the Accounting Standard 19 on "Accounting for Leases", (AS 19)
- b) Assets taken on lease under which the lessor effectively retains all the risk and rewards of ownership are classified as operating lease. Lease payments under operating leases are recognized as expenses on accrual basis in accordance with the respective lease agreement.



- c) The cost of Improvements to lease properties are capitalized and disclosed appropriately.

1.6 **Impairment of Fixed Assets**

An Asset is treated as Impaired when the carrying amount of asset exceeds its recoverable value. An impairment loss is charged to Profit and Loss account in the year in which an asset is identified as impaired.

1.7 **Depreciation**

Depreciation on fixed assets is provided on written down value method in accordance with the provision of Schedule XIV of the Companies Act 1956.

1.8 **Investment**

Long - term investments are stated at cost. Provision for diminution in the value of long-term investments is made only if such a decline is other than temporary in the opinion of the management.

1.9 **Inventories**

Inventories are valued at cost (determined on FIFO Basis) or net realizable value whichever is lower.

1.10 **Employee - Benefits**

- a. Provision for gratuity liability has been made on actuarial basis
- b. As per the company's policy leave salary is paid at the close of the year and if outstanding provision is made in the accounts.
- c. Contribution to employee provident fund is deposited with the authorities.

1.11 **Foreign Currency Transactions**

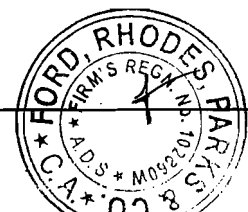
Transactions in foreign currency are recorded at the rate as applicable on the date of transactions.

Foreign currency assets and liabilities are stated at the rate of exchange prevailing at the date of Balance Sheet and resultant gains/losses are charged to the Profit and Loss account.

1.12 **Taxation**

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

Deferred tax is recognized, subject to prudence, on timing differences, being the difference between the taxable income and the accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets are recognized for unabsorbed depreciation and carry forward losses to the extent there is virtual certainty that sufficient future taxable income will be available against which deferred tax assets can be realized.

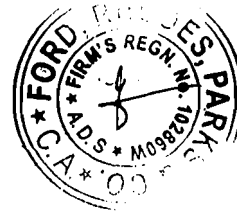


1.13 **Earning Per Share**

Earning 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.

1.14 **Contingent Liabilities**

Contingent liabilities are not provided for and are disclosed by way of notes after careful evaluation by the management of the facts and legal aspects of the matters involved. Contingent assets are neither recognized nor disclosed in the financial statements.



2. Notes to Accounts

1. **Contingent liabilities:**

A demand notice of Rs. 58,85,554 (Previous Year-NIL) has been issued by Uttar Pradesh Commercial Tax Department pertaining to Financial Year 2007-08. The company has preferred appeal against the same and the management is of the view that there would be no tax liability & hence no provision would be required.

2. **Claim against company not recognized as debt:**

A claim of Rs. 72,61,789 has been filled against company in the court of the Civil Judge-Sr. Dv. Allahabad vide suit no-113 of 2009 by landlords of Allahabad Showroom M/s Kashi Investments (HUF), Ajit Dhawan Nisha Dhawan (HUF), Ajit Dhawan Rohit Dhawan (HUF), Amit Dhawan, Amit Dhawan (HUF), Nisha Dhawan Amit Dhawan (HUF), Dinesh Enterprises (HUF), Niharika Dhawan, Rohit Dhawan & Rohit Dhawan (HUF).

The company has declined the claim and based on the opinion received from its legal advisor and terms & conditions of the agreement, the claim is not likely to be crystallised.

3. **Convertible Debentures & Issue of Shares:-**

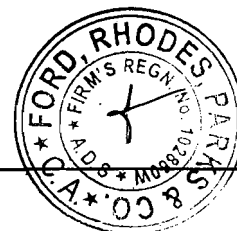
During the year, in terms of resolution passed by the members of the Company in the EGM held on 08-03-2011, the company issued 2,00,00,000-13.5% fully convertible unsecured debentures of Rs. 10/- each on 30-03-2011, The said debentures are convertible into equity share of Rs.10/- each fully paid up at par in the proportion of one equity share for every debenture held. The tenure of the debentures was five years with the option to convert into equity shares at any time as and when the debenture holder opts for conversion within the period of five years after allotment.

The debentures holders exercised the option and accordingly on 31-03-2011 the above debentures were converted into equity shares and company issued 2,00,00,000 equity shares of Rs.10/- each fully paid up in lieu of the above mentioned debentures which were redeemed. Consequent to the conversion of debentures into the equity shares M/s Gitanjali Lifestyle Ltd alongwith its nominees now hold 95.94% of the share capital.

4. **Remuneration to Directors:** Remuneration to Directors has been paid Rs. 7,55,800 during the year (Previous Year:- NIL). Remuneration to directors exclude contribution to PF and other perquisites and also does not include provision for leave encashment and gratuity as it is provided in the books on actuarial valuation for the company as a whole. Remuneration to directors is for part of the year as director ceased to be in employment of the company.

5. **Expenditure in foreign currency :** NIL (Previous Year :- NIL)

6. **Earning in foreign exchange :** NIL (Previous Year :- NIL)



7. **Payments to Auditors :**

	2010-11	2009-10
	<u>Amounts</u>	<u>Amounts</u>
Particulars	(Rs.)	(Rs.)
Statutory Audit Fees	75,000	15,000
Tax Audit Fees	25,000	10,000
Other Charges	34,011	0
Total	<u>1,34,011</u>	<u>25,000</u>

8. **Deferred Tax:**

Calculation of Deferred Tax Asset is as under:-

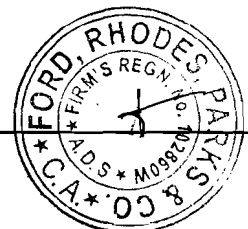
Calculation of Deferred Tax				
Sr.	Particulars	Amount (Rs.)	Rate (%)	Amount (Rs.)
A	<u>Depreciation</u>			
	Difference between Book WDV and Tax WDV			
	WDV as per Co. Act as on 31.03.11	114,039,589		
	WDV as per IT Act as on 31.03.11	<u>140,978,674</u>		
		26,939,085	33.99%	9,156,595
B	<u>Provision for Retirement & Benefits as on 31.03.11</u>			
	Leave Encashments u/s 43 B	320,584		
	Gratuity	<u>636,920</u>		
		957,504	33.99%	325,456
C	<u>Current Year Unabsorbed /C/f Loss</u>	<u>140,630,045</u>		
		140,630,045	33.99%	<u>47,800,152</u>
	Deferred Tax Asset end of the closer of the year (A+B+C+D)			57,282,203

*Not considered – refer to note below

In the absence of Virtual certainty backed by convincing evidence, no additional deferred tax assets have been recognized by the company on the timing difference arising on account of depreciation on fixed assets as well as on unabsorbed depreciation and carried forward losses.

9. Disclosure as per Accounting Standard (AS – 19) on "Accounting for Leases", issued by the Institute of Chartered Accountants of India, are given below:

- i. The Company has taken various office/residential premises under operating lease or leave and license agreements. These are generally non-cancelable and range between 36 months to 180 months under Rent/ Lease/ leave and license agreement or longer for other leases and are renewable on mutually agreeable terms. The Company has given refundable interest free security deposits under these agreements.



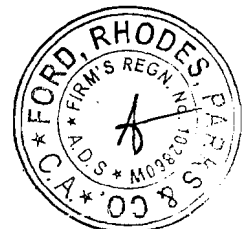
- ii. Lease payments are recognized in the Profit and Loss Account under 'Rent' in Schedule 15.
- iii. The future minimum lease payments under non-cancelable operating lease :
- Not later than one year Rs. 54,467,376.00
(Previous Year Rs. 35,670,224.00)
 - Later than one year and not later than five years Rs. 156,671,040.00
(Previous Year- Rs. 144,472,896.00).
 - More than five years Rs. 93,668,030.00
(Previous Year Rs. 103,523,262.00).

10. The Company has made provision of gratuity and leave salary on actuarial valuation. Details are as under:-

GRATUITY		LEAVE	
ASSUMPTIONS		ASSUMPTIONS	
DISCOUNT RATE	8.25%	DISCOUNT RATE	8.25%
SALARY ESCALATION RATE	6.00%	SALARY ESCALATION RATE	6.00%
RETIREMENT AGE (years)	58	RETIREMENT AGE (years)	58
ATTRITION RATE	2.00%	ATTRITION RATE	2.00%
OTHER DETAILS		OTHER DETAILS	
G-SEC YIELD RATES TAKEN ON	31/03/2011	G-SEC YIELD RATES TAKEN ON	31/03/2011
VALUATION RESULT		VALUATION RESULT	
DISCONTINUANCE PAYABLE	1,096,910	DISCONTINUANCE PAYABLE	473,215
GRATUITY PBO* (LIABILITY)	636,920	LEAVE PBO* (LIABILITY)	320,584
*PBO - Present Value of Benefit Obligation		*PBO - Present Value of Benefit Obligation	

11. Balances from various debtors, creditors, loans & advances & deposits are subject to reconciliation and confirmation.
12. The company has not physically verified its Fixed Assets & Finished Goods Inventory as at year end.
13. The company has incurred cash loss during the year and also in the immediately preceding financial year. The accumulated loss is Rs. 3805.04 Lacs as at 31-03-2011.

The company is subsidiary of Gitanjali Lifestyle Ltd, which in turn is a subsidiary of Gitanjali Gems Ltd. Further new line of business has been added to existing set up. In view of the above the accounts have been prepared on going concern basis.



14. Working Capital Borrowings:- OCC- Rs. 643.44 Lacs.

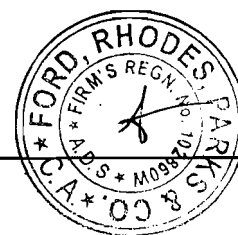
The Company has availed Working Capital Borrowing from Bank. The said borrowing is secured against Fixed Deposit of Rs. 2.50 Cr, hypothecation of stocks and book debts of the company (current & future) and corporate guarantee of Gitanjali Gems Ltd (Step up Holding Company) and personal guarantee of Shri Ashok Tibrewal erstwhile director. The company has requested for release of personal guarantee of the said erstwhile director which is pending.

15. Term Loan: Rs. 212.10 Lacs.

The Company has availed Term Loan from Bank. The said borrowing is secured against Rs. 2.50 Cr of Fixed Deposit, hypothecation of stocks and book debts of the company (current & future) and corporate guarantee of Gitanjali Gems Ltd (Step up Holding Company) and personal guarantee of Shri Ashok Tibrewal erstwhile director. The company has requested for release of personal guarantee of the said erstwhile director which is pending.

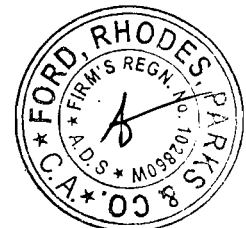
Outstanding installment for the month of March, 11 amounting to Rs. 12.50 lacs has been paid with interest, after the due date. Installments due in next 12 months are Rs.150.00 lacs.

16. The balance unsecured loan of Rs. 2,003,637.00 (Previous Year:- 86,432,000.00) consists of Rs. 1,446,272.00 (Previous Year:- 86,432,000.00) from Gitanjali Lifestyle Ltd (Holding Company) & Rs. 557,365.00 (Previous Year- Nil) from Gitanjali Gems Ltd(Step up Holding Company). The said loans are interest free and there are no stipulations to repayment.
17. Sundry Creditors as on 31st March, 2011 includes Rs. 18,745,328.00 (Previous Year: -Rs. 12,759,481.00) due to associate companies.
18. During the year an amount of Rs. 50,544,359.00 (Previous Year- Nil) has been paid to the Holding Company, Step up Holding Company and Associate Companies on account of Sundry Creditors payment.
19. During the year an amount of Rs. 1,350,247.00 (Previous Year- Nil) has been paid to Gitanjali Gems Ltd (Step up Holding company) as Lease Rent.
20. Selling & Distribution Expenses includes Rs. 670,640.00 (Previous Year- Nil) other purchase of promotional items from associate companies.
21. During the year Gitanjali Lifestyle Ltd (Holding company) has incurred expenses of Rs. 56,354.00 (Previous Year- Nil) on behalf of the company. These expenses are reimbursed.



22. Sundry Debtors Includes an amount of Rs.587,192.00 (Previous Year- Nil) due from associates companies.
23. Loans & Advances includes an amount of Rs. 14,538,470.00 (Previous Year- Nil) due from Holding Company.
24. Other Liabilities includes an amount of Rs. 606,000.00 (Previous Year -Nil) due to the associate companies.
25. Information required pursuant to para 3 & 4 of Part II of Schedule VI of the Companies Act, 1956. Details of Opening Stock, Purchases, Sales and Closing Stock of goods Traded/Manufactured.

	UOM	For the year ended 31.03.11		For the year ended 31.03.10	
		Quantity	Value In Rs.	Quantity	Value in Rs.
a Opening Stock					
Trading Goods					
Readymade Garments, Lifestyle Products & Jewellery	Pcs	4,45,348	8,86,29,476	23,00,303	14,77,15,863
Opening Stock		4,45,348	8,86,29,476	23,00,303	14,77,15,863
Goods In Transit		NII	NII	NII	NII
Total Opening Stock		4,45,348	8,86,29,476	23,00,303	14,77,15,863
b Purchases					
Trading Goods					
Readymade Garments, Lifestyle Products & Jewellery	Pcs	3,09,852	18,71,47,589	1,88,568	8,32,37,882
Total Purchases		3,09,852	18,71,47,589	1,88,568	8,32,37,882
c Sales					
Trading Goods					
Readymade Garments, Lifestyle Products & Jewellery	Pcs	4,23,454	17,92,46,190	20,43,523	12,04,53,365
Total Sales		4,23,454	17,92,46,190	20,43,523	12,04,53,365
d Closing Stock					
Trading Goods					
Readymade Garments, Lifestyle Products & Jewellery	Pcs	3,31,746	12,71,23,650	4,45,348	8,86,29,476
Total Closing Stock		3,31,746	12,71,23,650	4,45,348	8,86,29,476



26. **Earning Per Share**

Particulars	For the period 01.04.10 to 31.03.11	For the period 01.04.09 to 31.03.10
Number of equity shares at the beginning of the year	4,069,310	4,069,310
Number of equity shares issued during the previous year	20,000,000	Nil
Total number of equity shares outstanding at the year end	2,40,69,310	40,69,310
Weighted average number of equity shares outstanding for the period	41,24,105	
Profit / (Loss) after tax and before exceptional items (Rs.)	(14,06,30,045)	(17,43,35,872)
Prior period income (expenses) (Rs.)	Nil	Nil
Profit / (Loss) after tax (Rs.)	(14,06,30,045)	(17,43,35,872)
Basic and Diluted Earning per share (Rs.) (Negative)	(34.10)	(42.84)
Face value per share (Rs.)	10	10

27. **Related Party Transaction (Accounting Standard-18) ; (ANNEXURE - I)**

28. **Interest on NSC:** Interest on NSC is accounted on cash basis.

29. **Segment Reporting**

The Company is engaged in the business of retailing of Readymade Garments, Lifestyle Products & Jewellery. Operation is mainly on account of one segment. Therefore, separate segment-wise figures are not given.

The Previous year's figures have been regrouped / rearranged/ reworked whenever necessary and possible so as to confirm to current years classification.

As per our report of even date
For FORD, RHODES, PARKS & CO
 Chartered Accountants
 Firm Registration No. 102860W

Signatures to Schedules 1 to 17
 For and on behalf of Board

A D SHENOY

Partner
 M. No. 11549 .
 Place :
 Dated :

Director

Director



ANNEXURE - I
SALASAR RETAIL LTD
31ST MARCH, 2011

Related Party Disclosures as per AS 18.

(A) Particulars of Enterprises controlling the Company

<u>Name of Related Party</u>	
1	Gitanjali Gems Limited Step up Holding Company
2	Gitanjali Lifestyle Limited Holding Company
3	MMTC Gitanjali Private Limited Associate Company
4	Asmi Jewellery (India) Pvt.Ltd. Associate Company
5	Lucera Retail Venture Pvt Ltd. Associate Company
6	Fantasy Jewellery Pvt. Ltd. Associate Company
7	Brightest Circle Jewellery Pvt Ltd Associate Company

(B) Particulars of Key Management Personnel

<u>Name of Related Party</u>	<u>Relationship</u>
Nirav S Adalja	Director
Deepak Tulsian	Director
Sadanand S Pawar	Director
Devashish P Dutta	Director resigned wef 15-10-2010
Abhishek S Gupta	Director resigned wef 20-10-2010

(C) Particulars of Enterprises Under Common Control of the Key Management Personnel

NIL NIL

Name of the Related Party

(D) Particulars of Transactions with Parties Referred To in (A)

Above

	Current Year	Previous Year
Equity Shares/Convertible Debentures issued	200,000,000	-
Payment to Sundry Creditors	50,544,359	-
Lease Rent Payment	1,350,247	-
Other Purchases	670,640	-
Purchases	43,663,108	12,759,481
Loan Repayment	-	150,000
Loan Taken	2,003,637	86,582,000
Expenses incurred on our behalf	56,354	-
Amount Receivable shown in Sundry Debtors	587,192	-
Amount Receivable shown in Loans & Advances	14,538,470	-
Amount outstanding shown under Current Liabilities	606,000	-
Amount outstanding shown under Unsecured Loans	2,003,637	-
Amount outstanding shown under Sundry Creditors	18,745,328	12,759,481

(E) Particulars of Transactions with Parties Referred To in (B)

Above

(F) Particulars of Transactions with Parties Referred To in (C)

Nil Nil

Above

