

## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the Third Annual Report on the affairs of the Company together with the audited statement of accounts for the year ended 31<sup>st</sup> March, 2010.

### FINANCIAL HIGHLIGHTS

Particulars	(Amount in Rs.)	
	Year Ended 31 <sup>st</sup> March, 2010	Year Ended 31 <sup>st</sup> March, 2009
Income from operation	1,473,743,846	105,917,570
Other Income	38,114,704	3,212,000
<b>Total Income</b>	<b>1,511,858,550</b>	<b>109,129,570</b>
Personnel expenses	234,256,708	247,897,625
Administration and other expenses	283,759,331	245,876,051
Finance Charges	721,678,053	19,979,491
Depreciation/ Amortization of Intangible Assets	98,951,595	58,953,075
<b>Total Expenditure</b>	<b>1,338,645,688</b>	<b>572,706,242</b>
<b>Profit/(Loss) before taxation and prior period items</b>	<b>173,212,863</b>	<b>(463,576,672)</b>
Provision for taxation :		
Current Tax	18,584,860	-
MAT Credit Entitlement	(18,584,860)	-
Deferred Tax	(75,813,278)	-
Fringe Benefit Tax		2,400,000
<b>Profit/(loss) after tax and before prior period items</b>	<b>249,026,141</b>	<b>(465,976,672)</b>
Balance brought forward previous year	(563,311,950)	(97,335,277)
<b>Profit/(loss) available for appropriation</b>	<b>(314,285,809)</b>	<b>(563,311,949)</b>
Transfer to Reserve Fund under Section 45(IC) of the RBI Act, 1934	49,805,228	-
<b>Balance carried forward to Balance Sheet</b>	<b>(364,091,037)</b>	<b>(563,311,949)</b>

The total income of the Company during the year stood at Rs.1,511,858,550/-, and the profit after tax was Rs.249,026,141/-.

## **BUSINESS REVIEW**

Your Company continues to be engaged in distribution of a wide range of financial brands/products across credit, investment and protection categories. Your Company undertakes activities of providing range of retail and wholesale credit products. It has further expanded its alliance with the leading reputed financial brands in India.

It gives us immense pleasure to inform you that the financial year ended 31<sup>st</sup> March 2010, has been extremely satisfying year. The business not only achieved break even but has started generating profits. Your Company has been granted the status of Non Banking Finance Company by the Reserve Bank of India, under the scheme of arrangement as approved the Honorable High Court of Judicature at Bombay.

The year that passed had seen early signs of recovery. Your Company took advantage of this slowly turning economy and gradually ramped up its book size. Weighing the market conditions, your Company shifted its business focus to high quality secured lending. Stepped up collection efforts and efficient infrastructure has translated into higher economic returns.

Your Company will continue to invest in human capital and infrastructure for tapping further opportunities.

## **DIVIDEND**

The operations of the Company being in a growth phase, your Directors consider it prudent to conserve the resources and do not recommend any dividend on equity shares for the financial under review.

## **DIRECTORS**

In terms of Article 146 of the Articles of Association of the Company, Mr. N. Shridhar, Director, retires by rotation and being eligible, offers himself for re-appointment at the ensuing Annual General Meeting. Approval of Members is being sought at the ensuing Annual General Meeting.

The Board of Directors appointed Mr. Shailesh Haribhakti as an Additional Director with effect from 1<sup>st</sup> February, 2010, and Mr. Vijay Kumar Chopra and Mr. Krishan Kant Rathi as Additional Directors with effect from 3<sup>rd</sup> May, 2010, respectively. In terms of Section 260 of the Companies Act, 1956 and Article 130 of the Articles of Association of the Company, Mr. Shailesh Haribhakti, Mr. Vijay Kumar Chopra and Mr. Krishan Kant Rathi hold office as Additional Directors up to the date of ensuing Annual General Meeting of the Company and are eligible for appointment as Directors. The Company has received requisite notice(s) together with deposit(s), as provided under Section 257 of the Companies Act, 1956, from a Member proposing the appointment of Mr. Shailesh Haribhakti, Mr. Vijay Kumar Chopra and Mr. Krishan Kant Rathi. Approval of Members is being sought at the ensuing Annual General Meeting.

Mr. Rakesh Makkar with effect from 29<sup>th</sup> January, 2010 and Mr. P. M. Devaiah and Mr. Venkatesh Srinivasan with effect from 3<sup>rd</sup> May, 2010, due to their resignation ceased to be

the Directors of the Company. Your Directors place on record their appreciation for the services rendered by the aforesaid Directors during their association with the Company.

Based on the confirmations received, none of the Directors is disqualified for appointment under Section 274(1) (g) of the Companies Act, 1956.

## **MANAGER**

The Board of Directors at its Meeting held on 1<sup>st</sup> February, 2010 appointed Mr. Sunil Biyani as a Manager of the Company within the meaning of the Companies Act, 1956, for a period of three years effective from 1<sup>st</sup> February, 2010. However, Mr. Sunil Biyani resigned as the Manager of the Company with effect from 31<sup>st</sup> March, 2010.

Subsequently, the Board on the recommendation of the Nomination Committee at its Meeting held on 3<sup>rd</sup> May, 2010, appointed Mr. Prashant Shetty as a Manager of the Company for a period of three years effective from 1<sup>st</sup> April, 2010.

## **SCHEME OF AMALGAMATION AND ARRANGEMENT**

In March, 2009, your Directors had approved the carrying out of, a composite Scheme of Amalgamation and Arrangement (the "Scheme"), under the provisions of Section 391 to 394 of the Companies Act, 1956, inter alia, providing for:

- (i) Transfer of the credit business of Future Capital Holdings Limited, the Holding Company of the Company (both on account of Retail Credit and Wholesale Credit) to the Company; and
- (ii) Amalgamation of Future Capital Credit Limited, a Wholly Owned Subsidiary of Future Capital Holdings Limited and a Non Banking Finance Company registered with the Reserve Bank of India, with the Company.

Your Directors are pleased to inform that having fulfilled all the prescribed conditions to make the Scheme effective, the Company, Future Capital Holdings Limited and Future Capital Credit Limited gave effect to the Scheme and the Scheme was made effective on February 1, 2010 based on the Appointed Date of 1<sup>st</sup> April, 2010.

## **REGISTRATION OF THE COMPANY AS NON BANKING FINANCE COMPANY WITH THE RESERVE BANK OF INDIA.**

The Reserve Bank of India (RBI) has in terms of its letter dated 11<sup>th</sup> January, 2010, intimated to the Company, the grant of Certificate of Registration as a Non Banking Finance Company (NBFC) with effect from 7<sup>th</sup> January, 2010. Pursuant to the RBI's Prudential Norms, Company is a Systemically Important Non Deposit Accepting Non Banking Finance Company from the date of its registration as a NBFC.

## **RBI GUIDELINES**

The Company has complied with all the applicable regulations, directions, guidelines issued by RBI .

## **CONSTITUTION OF VARIOUS COMMITTEES**

In compliance with the directions issued by the RBI and the Companies Act, 1956, as amended, the Board of Directors at its Meeting held on 1<sup>st</sup> February, 2010 modified / constituted following Committees of the Board:

1. Audit Committee
2. Risk Management Committee
3. Asset Liability Management Committee
4. Nomination Committee
5. Remuneration Committee

## **ADOPTION OF VARIOUS POLICIES**

In compliance with the directions issued by the RBI, the Board of Directors at its Meeting held on 1<sup>st</sup> February, 2010 adopted the following Policies / Guidelines for the Company:

1. Policy on Loan & Investment
2. Policy on Demand/Call Loan
3. Interest Rate Model of the Company
4. Guidelines on Know Your Customer

## **CAPITAL ADEQUACY**

The Company's capital adequacy ratio was 17.08 % as on 31<sup>st</sup> March, 2010, which is significantly above the threshold limit of 12% as prescribed by the RBI.

## **CREDIT RATING**

During the year under the review, Credit Analysis & Research Ltd ("CARE") has assigned the "PR 1+ (SO)" (pronounced as "PR One Plus (Structured Obligation)") Rating ("Rating") in respect of the short term borrowing programme of Rs. 275 Crore (Rupees Two Hundred Seventy Five Crore Only) transferred from its holding company, Future Capital Holdings Limited to the Company pursuant to the scheme of amalgamation and arrangement sanctioned by the Hon'ble High Court of Judicature at Bombay. The grade of rating is the highest Rating issued by CARE for short term debt instruments and indicates strong capacity for timely re-payment of short term debt obligations and the low credit risk carried by the borrowings.

## **AUDITORS & AUDITORS REPORT**

M/s. S. R. Batliboi & Co., Chartered Accountants, as Statutory Auditors of the Company, holds office until the conclusion of the ensuing Annual General Meeting and has expressed their willingness to continue, if so appointed. As required under the provisions of Section 224(1B) of the Companies Act, 1956, the Company has obtained a written confirmation from the Auditors to the effect that their re-appointment, if made, would be in conformity with the limits specified in the said section and they are not disqualified for such appointment within the meaning of Section 226 of the Companies Act, 1956.

A proposal seeking their re-appointment is provided as part of the Notice of the ensuing Annual General Meeting.

## **PUBLIC DEPOSITS**

The Company has not accepted any deposits from the public during the year under review and neither does it intend to raise any deposits from public without obtaining prior approval of the RBI.

## **PARTICULARS OF ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, EXPENDITURE ON RESEARCH AND DEVELOPMENT, FOREIGN EXCHANGE INFLOW/OUTFLOW, ETC.**

The requirements of disclosure with regard to Conservation of Energy in terms of Section 217(1)(e) of the Act read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable to the Company.

The Company's activities do not require any technology to be absorbed on the lines of what is mentioned in the aforesaid rules. However, the Company makes all efforts towards conservation of energy, environment and ensuring safety.

During the financial year under review, the Company has neither earned nor spent any foreign exchange.

## **PARTICULARS OF EMPLOYEES**

The Particulars of employees required under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are annexed to and form part of this report. **(Annexure-A)**

## DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirements of Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- i) that in the preparation of the annual accounts for the financial year ended 31<sup>st</sup> March, 2010, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;
- ii) that the Directors have selected such accounting policies and applied them consistently and made judgments 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 of the profit of the Company for that period;
- iii) that the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that the Directors have prepared the annual accounts for the financial year ending 31<sup>st</sup> March, 2010, on a going concern basis.

## ACKNOWLEDGEMENT

Your Directors would like to express their sincere appreciation for the co-operation and assistance received from its parent company, Future Capital Holdings Limited, bankers, the RBI and the Company's business associates, during the year under review. Your Directors look forward to their continued support in the future.

Your Directors also wish to place on record their deep sense of appreciation for the commitment displayed by all employees of the Company during the year.

Your Directors thank you for your continued support, trust and confidence reposed in them.

On behalf of the Board of Directors



**Krishan Kant Rathi**  
Director



**N. Shridhar**  
Director

Date : 24<sup>th</sup> May, 2010  
Place : Mumbai

**Auditors' Report**

To,  
The Members of Future Capital Financial Services Limited

1. We have audited the attached Balance Sheet of Future Capital Financial Services Limited (the 'Company') as at March 31, 2010 and also the Profit and Loss Account and the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with 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.
3. As required by the Companies (Auditor's Report) Order, 2003 (as amended) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - ii. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - iii. The balance sheet, profit and 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 and 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, read with note C (I) of Schedule - 16 related to the accounting of the effects of the Composite Scheme of Amalgamation & Arrangements (the 'Scheme'), which has been done in accordance with the terms of the Schemes as approved by the High Court;
  - v. On the basis of the written representations received from the directors, as on March 31, 2010, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2010 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 accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2010;
    - b) in the case of the profit and loss account, of the profit for the year ended on that date; and
    - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

*S. R. Batliboi & Co.*  
For S.R. Batliboi & Co.  
Firm registration number: 301003E  
Chartered Accountants

Per Hemal Shah  
Partner  
Membership No.: 42650  
Mumbai  
Date: May 24, 2010



# **S.R. BATLIBOI & CO.**

Chartered Accountants

- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including income-tax, service tax, cess and other material statutory dues applicable to it. The Provisions relating to provident fund, investor education and protection fund, employees' state insurance, sales-tax, wealth-tax, customs duty, excise duty are not applicable to the company.

Further, rules related to the amount of cess under Section 441A of the Act has not been notified by the Central Government of India up to the reporting date and accordingly, as at the reporting date there is no statutory due payable under section 441A of the Act.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, wealth-tax, service tax, sales-tax, customs duty and other material undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to investor education and protection fund, employees' state insurance, excise duty are not applicable to the Company.

(c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.

- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Hence, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.





- (viii) To the best of our knowledge and as explained, the Central Government has not prescribed maintenance of cost records under clause (d) of sub-section (1) of section 209 of the Companies Act, 1956 for the products of the Company.
- (ix) (a) The Company is regular in depositing with appropriate authorities undisputed statutory dues including income-tax, service tax, cess and other material statutory dues applicable to it. The Provisions relating to provident fund, investor education and protection fund, employees' state insurance, sales-tax, wealth-tax, customs duty, excise duty are not applicable to the company.

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(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income-tax, wealth-tax, service tax, sales-tax, customs duty and other material undisputed statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable. The provisions relating to investor education and protection fund, employees' state insurance, excise duty are not applicable to the Company.

(c) According to the information and explanation given to us, there are no dues of income tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess which have not been deposited on account of any dispute.

- (x) The Company has been registered for a period of less than five years and hence we are not required to comment on whether or not the accumulated losses at the end of the financial year is fifty per cent or more of its net worth and whether it has incurred cash losses in such financial year and in the immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Hence, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- (xv) According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- (xvi) Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.
- (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.



# S.R. BATLIBOI & CO.

Chartered Accountants

- (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Companies Act, 1956.
- (xix) The Company has unsecured debentures outstanding during the year on which no security or charge is required to be created.
- (xx) As informed to us, the Company has not raised any money by way of public issues during the year. Hence, the provision of clause (xx) of the Companies (Auditors' Report) Order, 2003 (as amended) is not applicable to the Company.
- (xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

*S.R. Batliboi & Co.*

For S.R. Batliboi & Co.  
Firm registration number: 301003E  
Chartered Accountants

*H Shah*

per Hemal Shah  
Partner  
Membership No.: 42650  
Mumbai  
Date: May 24, 2010



**FUTURE CAPITAL FINANCIAL SERVICES LIMITED**  
(formerly Future Finmart Limited)  
Balance Sheet as at March 31, 2010

	Schedules	As at March 31, 2010	Amount in Rupees As at March 31, 2009
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' funds</b>			
Share capital	1	261,250,000	261,250,000
Reserves and surplus	2	<u>1,351,645,331</u>	<u>238,750,000</u>
		1,612,895,331	500,000,000
<b>Loan funds</b>			
Secured Loans	3	4,784,722,220	-
Unsecured loans		2,275,502,401	255,376,505
<b>TOTAL</b>		<u><b>8,673,119,952</b></u>	<u><b>755,376,505</b></u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed assets</b>			
Gross block	4	179,615,074	294,295,040
Less: Accumulated depreciation		<u>146,868,041</u>	<u>63,857,992</u>
Net block		32,747,033	230,437,048
Capital work-in-progress (including capital advances)		<u>238,500</u>	<u>674,000</u>
		32,985,533	231,111,048
<b>Investments</b>	5	7,876,802	-
<b>Deferred Tax Assets</b> (Refer note C9 of Schedule 16)		75,813,278	-
<b>Current assets, loans and advances</b>			
Sundry debtors	6	259,718,569	2,951,919
Cash and bank balances	7	41,719,225	915,828
Other Current Assets	8	61,984,079	-
Loans and advances	9	<u>8,762,152,782</u>	<u>21,464,556</u>
		9,125,574,655	25,332,303
<b>Less: Current liabilities and provisions</b>	10		
Current liabilities		929,756,912	61,296,731
Provisions		<u>3,464,442</u>	<u>3,082,064</u>
		933,221,354	64,378,795
<b>Net current assets</b>		8,192,353,302	(38,046,492)
Profit and loss account		364,091,037	563,311,949
<b>TOTAL</b>		<u><b>8,673,119,952</b></u>	<u><b>755,376,505</b></u>
<b>Notes to Accounts</b>	16		

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

As per our report of even date

*S.R. Batliboi & Co.*  
For S. R. BATLIBOI & CO.  
Firm Registration No. 301003E  
Accountants

Chartered

per Hemal Shah  
Partner  
Membership No. 42650



For and on behalf of the Board of Directors of  
FUTURE CAPITAL FINANCIAL SERVICES LIMITED

*[Signature]*  
Director

*[Signature]*  
Director

*[Signature]*  
Company Secretary



Place : Mumbai  
Date :

Place : Mumbai  
Date :

*[Signature]*

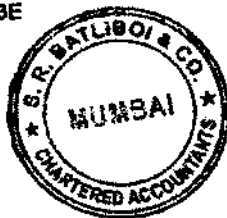
**FUTURE CAPITAL FINANCIAL SERVICES LIMITED**  
(formerly Future Finmart Limited)  
Profit and Loss Account for the year ended March 31, 2010

	Schedules	Year ended March 31, 2010	Amount in Rupees Year ended March 31, 2009
<b>INCOME</b>			
Income from operations	11	1,473,743,846	105,917,570
Other Income	12	38,114,704	3,212,000
<b>TOTAL</b>		<b>1,511,858,550</b>	<b>109,129,570</b>
<b>EXPENDITURE</b>			
Personnel costs	13	234,256,708	247,897,625
Administrative and other expenses	14	283,759,331	245,876,051
Finance charges	15	721,678,053	19,979,491
Depreciation/ amortisation	4	98,951,595	58,953,075
<b>TOTAL</b>		<b>1,338,645,688</b>	<b>572,706,242</b>
<b>Profit/ (Loss) before tax</b>		<b>173,212,863</b>	<b>(463,576,672)</b>
<b>Provision for tax</b>			
- Current tax		18,584,860	-
- MAT credit entitlement		(18,584,860)	-
- Deferred tax		(75,813,278)	-
- Fringe benefit tax		-	2,400,000
		<b>(75,813,278)</b>	<b>2,400,000</b>
<b>Profit/ (Loss) after tax</b>		<b>249,026,141</b>	<b>(465,976,672)</b>
Balance brought forward from previous year		(563,311,950)	(97,335,277)
<b>Profit available for appropriation</b>		<b>(314,285,809)</b>	<b>(563,311,949)</b>
Transfer to reserve under section 45 (1C) of the Reserve Bank of India (RBI) Act, 1934		49,805,228	-
<b>Balance carried to Balance Sheet</b>		<b>(364,091,037)</b>	<b>(563,311,949)</b>
<b>Notes to Accounts</b>	16		
<b>Earnings per share: (Refer note C8 of Schedule 16)</b>			
-Basic		9.53	(17.84)
-Diluted		5.75	(17.84)

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account.

As per our report of even date  
For S. R. BATLIBOI & CO.  
Firm Registration No. 301003E  
Chartered Accountants

per Hemal Shah  
Partner  
Membership No. 42850



For and on behalf of the Board of Directors of  
FUTURE CAPITAL FINANCIAL SERVICES LIMITED

Director

Director

Company Secretary



Place : Mumbai  
Date :

Place : Mumbai  
Date :

*Handwritten signature*

**FUTURE CAPITAL FINANCIAL SERVICES LIMITED**  
(formerly Future Finmart Limited)  
Cash Flow Statement for the year ended March 31, 2010

	For the year ended March 31, 2010	Amount in Rupees For the year ended March 31, 2009
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit/ (Loss) before tax	173,212,863	(483,576,672)
<i>Adjustments for:</i>		
Depreciation/ amortisation	98,951,595	58,963,075
Provision for bad and doubtful debt	63,743,089	72,486
Bad Debt written off	3,454,533	
Provision for gratuity	789,229	1,437,713
Provision for leave encashment	(406,851)	885,352
(Profit) / Loss on sale of Fixed Assets	18,599,218	
Demerger expenses	(4,296,291)	
<b>Operating profit/ (loss) before working capital changes</b>	<b>354,017,385</b>	<b>(402,228,046)</b>
<i>Changes in working capital:</i>		
(Increase)/ decrease in sundry debtors	(182,340,350)	1,754,743
(Increase)/ decrease in loans and advances	(4,874,710,048)	(6,734,014)
(Increase)/ decrease in other current assets	14,168,119	
Increase/ (decrease) in current liabilities	238,927,760	(23,792,209)
<b>Cash generated from operations</b>	<b>(4,449,837,134)</b>	<b>(430,989,526)</b>
Taxes paid	(58,412,078)	(11,252,087)
<b>Net cash used in operating activities</b>	<b>(4,508,249,212)</b>	<b>(442,281,613)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(4,053,792)	(674,000)
Sale proceeds of fixed assets	10,131,895	
Sale proceeds of investments	1,338,025,702	180,308,401
<b>Net cash used in investing activities</b>	<b>1,344,103,805</b>	<b>179,634,401</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from secured loans	3,050,000,000	-
Repayment of secured loans	(485,277,780)	-
Proceeds from unsecured loans	2,797,152,736	372,700,000
Repayment of unsecured loans	(2,185,469,999)	(117,500,000)
<b>Net cash from financing activities</b>	<b>3,196,404,956</b>	<b>265,200,000</b>
<b>Net increase/ (decrease) in cash and cash equivalents (A+B+C)</b>	<b>34,159,650</b>	<b>(7,417,212)</b>
Cash and cash equivalents at the beginning of the year	915,828	8,333,040
Add : Transferred pursuant to scheme	14,520,649	
<b>Cash and cash equivalents at the end of the year</b>	<b>49,596,027</b>	<b>915,828</b>
<b>Cash and cash equivalents comprises:</b>		
Cash on Hand	5,289,452	184,607
Balance with scheduled banks:		
- on current account	38,449,773	731,221
Short term investment in scheme of mutual fund	7,878,902	
	<b>49,596,027</b>	<b>915,828</b>

**Notes:**

- Cash and cash equivalents in the balance sheet comprise cash at bank, cash in hand and short term investments with an original maturity of three months or less.
- During the year, the Company has received net assets of Rs. 1629,972,779 of Future Capital Holding Limited - credit business division and net assets of Rs. 25,449,585 of Future Capital Credit Limited pursuant to the scheme of Amalgamation and arrangement in non cash transaction. (See detailed Note C1 of Schedule 16)

As per our report of even date  
For S. R. BATLIBOI & CO.  
Firm Registration No. 301003E  
Chartered Accountants  
per Hemal Shah  
Partner  
Membership No. 42650  
24/5/10



For and on behalf of the Board of Directors of  
FUTURE CAPITAL FINANCIAL SERVICES LIMITED

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

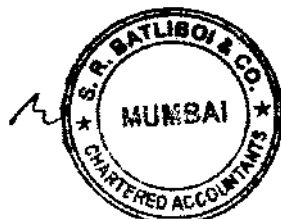


Place : Mumbai  
Date :

Place : Mumbai  
Date :

**FUTURE CAPITAL FINANCIAL SERVICES LIMITED**  
(formerly Future Finmart Limited)

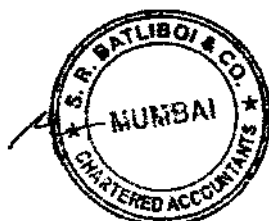
Schedules forming part of the financial statements	As at March 31, 2010	Amount in Rupees As at March 31, 2009
<b>Schedule 1 : Share Capital</b>		
<b>Authorized</b>		
35,000,000 (Previous year: 35,000,000) equity Shares of Rs. 10/- each	350,000,000	350,000,000
	<u>350,000,000</u>	<u>350,000,000</u>
<b>Issued, Subscribed &amp; Paid-up</b>		
26,125,000 (Previous year: 26,125,000) equity shares of Rs.10/- each fully paid up	261,250,000	261,250,000
[Out of the above, 26,124,934 (Previous year : 26,124,934 equity shares are held by Future Capital Holdings Limited, the Holding Company).	<u>261,250,000</u>	<u>261,250,000</u>
<b>Schedule 2 : Reserves and surplus</b>		
<b>Reserve under Section 45 (1C) of the RBI Act</b>		
Balance as per last Balance Sheet	177,789	
Add : Received pursuant to the scheme	49,805,228	
Add : Transferred from profit and loss account	<u>46,983,017</u>	
<b>General Reserve</b>		
Balance as per last Balance Sheet		
Add : Received pursuant to the scheme	1,685,244,577	
Less : Intangible assets / demerger expenses written Off	(322,768,805)	
Less : Provision for bad and doubtful debts	<u>(289,653,458)</u>	
	1,662,812,314	
<b>Securities Premium Account</b>	238,750,000	238,750,000
	<u>1,381,645,331</u>	<u>238,750,000</u>
<b>Schedule 3 : Loan Funds</b> (Refer note C1 of Schedule 16)		
<b>A : Secured Loans</b>	4,784,722,220	
- Term loans of Rs. 3,500,000,000 (Previous year NIL) is secured by first charge on receivables / book debt of the Company and further secured by collateral security of immovable property owned by the fellow subsidiary company and corporate guarantee of the fellow subsidiary company to the extent of the realisable value of the collateral security.		
- Term loan of Rs. 1,284,722,220 (Previous year NIL) is secured by hypothecation of underlying assets financed by the Company and receivables on first pari passu basis.		
[Includes interest accrued and due Rs. Nil (Previous year: Rs. Nil)]		
[Repayable within one year Rs. 833,333,336 (Previous year: Rs. Nil)]		
	<u>4,784,722,220</u>	
<b>B : Unsecured Loans</b>		
Commercial Paper	1,945,502,401	
[Repayable within one year Rs. 1,945,502,401 (Previous year: Rs. Nil)]		
Maximum balance outstanding during the year 2,250,000,000 (Previous year Nil)		
Inter corporate deposits taken		265,376,505
(Repayable within one year Rs. Nil; Previous year: Rs. 265,376,504)		
6% Unsecured Subordinated Convertible Debentures (Face Value Rs. 10) convertible at par after 69 months from date issue	330,000,000	
Quantity 33,000,000 (Previous year : Nil)	<u>2,275,502,401</u>	<u>265,376,505</u>
<b>Schedule 4 : Investments</b> (Refer note C1 of Schedule 16)		
Current Investments (At lower of cost or net asset value)		
Investment in Mutual Funds units of Rs. 100 each, fully paid-up, Not Quoted (Non trade)	7,876,802	
1584 ICICI Prudential Liquid Super Institutional Plan - Div - Daily		
Quantity 79,750.61 (Previous year: Nil)		
(Net Asset Value Rs. 7,876,802)	<u>7,876,802</u>	
<b>Schedule 5 : Sundry Debtors</b> (Refer note C1 of Schedule 16)		
<b>Secured, considered good, unless otherwise stated</b>		
- Debts outstanding for a period exceeding six months, considered doubtful	1,108,618	
- Other debts	2,822,570	
Less : Provision for bad and doubtful debt	<u>(110,662)</u>	
	3,820,526	
<b>Unsecured, considered good, unless otherwise stated</b>		
Debts outstanding for a period exceeding six months, considered doubtful	196,050,975	
Other debts	127,277,216	2,951,919
Less : Provision for bad and doubtful debt	<u>(67,428,948)</u>	
	255,899,243	
	<u>263,718,549</u>	<u>2,951,919</u>



**FUTURE CAPITAL FINANCIAL SERVICES LIMITED**  
(Formerly Future Finance Limited)

Amount in Rupees

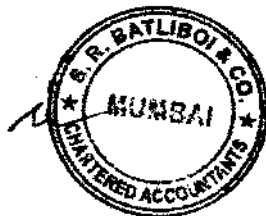
	As at March 31, 2010	As at March 31, 2009
Included in sundry debtors are:		
i. Due from Holding Company		
Pantaloon Retail India Limited	63,601	
Future Capital Holdings Limited		
ii. Due from Companies under the same management		
Future Value Retail Limited	623,074	
Home Solution Retail India Limited	3,596,302	
<b>Schedule 7 : Cash &amp; Bank Balances</b> (Refer note C1 of Schedule 16)		
Cash on Hand	5,289,452	184,607
Balance with scheduled banks:		
- on current account	36,449,773	731,221
	<u>41,739,225</u>	<u>915,828</u>
<b>Schedule 8 : Other Current Assets</b> (Refer note C1 of Schedule 16)		
Unamortised loan origination cost (Refer note C12 of Schedule 16)	15,894,313	-
Unbilled Subvention Income	1,798,474	-
Interest accrued but not due on deposits/loans	44,290,293	-
Total	<u>17,983,080</u>	<u>-</u>
<b>Schedule 9 : Loans and Advances</b> (Refer note C1 of Schedule 16)		
<b>Loans</b>		
Secured, considered good (unless otherwise stated)		
Loans to body corporates	2,409,965,419	-
Retail loans		
- Considered Good	610,244,145	-
- Considered Doubtful	58,661,443	-
Less : Provision for Bad and Doubtful Debt	<u>(5,856,144)</u>	<u>-</u>
	662,949,444	-
Unsecured, considered good (unless otherwise stated)		
- Retail loans		
- Considered Good	5,080,518,362	-
- Considered Doubtful	316,288,955	-
Less : Provision for Bad and Doubtful Debt	<u>(243,859,720)</u>	<u>-</u>
	5,152,957,597	-
	<u>8,426,572,459</u>	<u>-</u>
<b>Advances</b> (Unsecured Considered Good) (unless otherwise stated)		
Due from Holding Company	173,562,395	-
(maximum balance outstanding 223,178,618) (Previous Year Nil)		
Advances recoverable in cash or in kind or for value to be received	46,504,437	10,818,029
Security deposits		
Considered Good	8,276,239	488,000
Considered Doubtful	4,267,692	-
Less : Provision for Doubtful Advances	<u>(4,267,692)</u>	<u>-</u>
	8,276,239	488,000
Advances to Vendors	4,436,569	-
Less : Provision for doubtful advances	<u>(2,928,999)</u>	<u>-</u>
	1,507,570	-
Advance taxes and tax deducted at source (net of provision for tax)	71,030,514	8,445,028
Advance fringe benefit tax (net of provision for tax)	549,031	186,189
MAT Credit Entitlement	18,584,860	-
Prepaid expenses	16,564,976	1,547,310
	<u>336,580,323</u>	<u>21,464,566</u>
	<u>8,762,162,782</u>	<u>21,464,566</u>
<b>Schedule 10 : Current Liabilities and provisions</b> (Refer note C1 of Schedule 16)		
<b>Current Liabilities</b>		
<b>Sundry creditors</b> (Refer note C3 of Schedule 16)		
- Total outstanding dues of Micro and Small Enterprises	129,020,218	36,122,317
- Total outstanding dues of creditors other than Micro and Small Enterprises	53,686	3,033,076
Amount due to other Group Companies	43,541,345	1,578,427
Overdrawn Bank balance	5,216,796	-
Advance from Customers	25,944,942	-
Unamortised processing fees/ subvention income (Refer Note C12 of Schedule 16)	712,675,795	-
Cash Collateral against Retail Loans	10,353,864	15,187,184
Interest accrued but not due on Loans taken	5,750,147	5,377,727
Other liabilities		
	<u>929,764,512</u>	<u>61,296,731</u>
<b>Provisions</b>		
Provision for gratuity	2,546,053	1,856,624
Provision for leave encashment	818,389	1,225,240
	<u>3,484,442</u>	<u>3,082,864</u>



FUTURE CAPITAL FINANCIAL SERVICES LIMITED  
(formerly Future Finmart Limited)

Amount in Rupees

	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>Schedule 11 : Income from Operations</b>		
Uplift: fees (TDS: Rs. 6,501,927; Previous year: Rs. NR)	55,163,010	-
Interest on Wholesale credits and Inter corporate deposits (TDS: Rs. 64,029,774; Previous year: Rs. NIL)	375,282,876	-
Dividend from mutual fund units	272,787	1,124,791
Profit on sale of investments	25,904,311	-
Interest on investments (TDS: Rs. NIL; Previous year: Rs. NIL)	89,211,040	-
Amortisation of discount on Pass Through Certificates	51,454,281	-
Interest income on retail loans	743,377,162	-
Processing fees and other charges (Refer note C12 of Schedule 15)	27,132,378	-
Bounced Cheque / Foreclosure Charges	6,272,196	-
Subvention Income (TDS: Rs. 2,340,086; Previous year: Rs. NR)	6,045,523	-
Commission and brokerage income (TDS: Rs. 10,062,696; Previous year: Rs. 6,445,028)	99,828,314	104,792,779
	<u>1,473,743,948</u>	<u>105,917,570</u>
<b>Schedule 12 : Other Income</b>		
Rental income	480,000	-
Miscellaneous income (Refer note C4 of Schedule 16)	37,834,704	3,212,000
	<u>38,314,704</u>	<u>3,212,000</u>
<b>Schedule 13 : Personnel costs</b>		
Salary, wages and allowances	225,485,677	232,070,420
Contribution to provident and other funds	5,861,857	7,342,349
Gratuity (Refer note C5 of Schedule 18)	1,197,994	1,437,713
Staff welfare expenses	1,831,481	7,047,143
	<u>229,276,909</u>	<u>247,897,625</u>
<b>Schedule 14 : Administrative and other expenses</b>		
Rent	50,299,883	3,201,926
Rates and taxes	1,702,890	80,258
Insurance charges	159,060	-
Repairs and maintenance - Others	11,138,333	2,713,346
Commission and brokerage	32,000	-
Traveling expenses	5,188,919	14,718,088
Communication expenses	6,697,772	8,679,953
Printing and stationery	1,160,287	4,280,096
Legal and professional	47,275,594	5,558,606
Training expenses	31,820	7,647,494
Recruitment expenses	1,355,501	10,623,863
Advertisement, publicity and sales promotion expenses	3,123,884	32,735,588
Auditor's Remuneration	-	-
As auditors	606,735	606,735
Tax Audit fees	-	-
Out of pocket expenses	19,958	16,825
Electricity charges	2,327,461	190,177
Amortised loan origination cost (Refer note C12 of Schedule 18)	24,241,952	148,303,464
Collection expenses	33,693,823	-
Loss on sale of fixed assets	18,569,218	-
Software license fees	6,278,590	3,732,030
Provision for doubtful advances	63,743,089	-
Bad debts written off (net of recovery)	3,454,533	72,486
Miscellaneous expenses	2,649,539	4,597,729
	<u>283,788,331</u>	<u>246,678,651</u>
<b>Schedule 14 : Finance Charges</b>		
Amortisation of Discount on issue of commercial paper	136,902,279	-
Interest paid to Banks	485,698,726	-
Interest paid to financial institution	63,576,416	-
Interest paid to others	31,844,059	19,865,128
Bank charges	2,833,573	114,369
Debiture issue expenses	825,000	-
	<u>721,679,053</u>	<u>19,979,497</u>





Future Capital Financial Services Limited

SCHEDULES TO THE BALANCE SHEET AS AT MAR 31, 2010.

Schedule 4  
(Refer note C1 of Schedule 16)  
Fixed Assets

Description	GROSS BLOCK				DEPRECIATION/AMORTIZATION				NET BLOCK	
	Balance as on April 1, 2009	Additions as per scheme	Deletions/ Adjustments during the year	Balance as on March 31, 2010	Balance as on April 1, 2009	Additions as per scheme	Deletions/ Adjustments during the year	Balance as on March 31, 2010	Balance as on March 31, 2010	Balance as on March 31, 2009
Intangible Assets										
Trade Marks	264,295,040	787,308	480,000	1,237,305	63,857,982	119,021	233,876	864,710	864,710	230,437,048
Data Processing Software		16,551,277	3,821,661	20,372,858		4,304,623	3,849,009	8,373,632	11,999,226	
Temp/Dur Assets										
Data Processing Hardware		82,147,654	432,372	85,001,080		15,015,598	32,827,222	48,738,755	9,284,338	
Office Equipment		17,882,218	99,468	14,480,655		2,218,898	11,731,382	13,605,563	876,292	
Furniture & Fixtures		22,548,941	613,957	17,021,960		9,300,228	8,872,511	16,922,179	1,090,861	
Air Conditioners		11,948,210	1,060,015	8,782,781		1,233,628	3,860,712	4,898,307	1,884,483	
Leasehold Improvements		76,420,952	628,673	64,865,823		22,769,128	37,746,547	87,965,886	6,740,135	
Vehicles		23,321		23,321		22,432	898	28,221	-	
<b>TOTAL</b>	<b>264,295,040</b>	<b>208,310,787</b>	<b>7,303,968</b>	<b>179,815,874</b>	<b>63,857,982</b>	<b>88,234,002</b>	<b>88,867,868</b>	<b>148,888,041</b>	<b>32,747,053</b>	<b>230,437,048</b>
Previous Year	264,295,040			264,295,040	63,857,982			63,857,982		230,437,048

1. The Company has applied for registration of trademark and is awaiting the registration.

2. Addition as per scheme includes assets pertaining to Credit Division of Future Capital Holdings Limited and Future Capital Credit Limited transferred to the Company pursuant to the composite Scheme of Amalgamation and Arrangement. Refer note C1 of Schedule 16.

3. Depreciation for the year includes accelerated depreciation aggregating Rs. 67,870,577 (Data Processing hardware 21,288,868; Office equipment 8,708,417; Furniture and fixtures 7,588,978; Air conditioner 2,940,787; Leasehold Improvements 28,887,439)



**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

**A Background**

Future Capital Financial Services Limited ('the Company') was incorporated on 25<sup>th</sup> January 2007. The Company has received a Certificate of Registration from Reserve Bank of India (RBI) on 7<sup>th</sup> January 2010 to commence / carry on the business of Non-Banking Financial Institution without accepting the public deposits. The Company is engaged in business of sales and distribution of a range of financial products and services. The Company has also entered in business of wholesale and retail credit business during the current year pursuant to Composite Scheme of Amalgamation & Arrangement.

Company is engaged into two major business verticals: Wholesale credit and treasury and Retail financial services.

**B Significant accounting policies**

**1) Basis of preparation of financial statements**

The financial statements have been prepared to comply in all material respects with the Notified Accounting Standard by Companies Accounting Standards Rules, 2006 except for the accounting of the effects of the Scheme, which has been done in accordance with the terms of the Scheme as approved by the High Court 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, except dividend from mutual fund units which is recognised on receipt basis and valuation of unquoted current investment which is valued at net assets value in accordance with the Non-Banking Financial (Non-deposit accepting or holding) Companies Prudential Norms (Reserve Bank) Direction 2007 ('NBFC Regulation'). The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

**2) Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting year end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

**3) Fixed assets and Depreciation**

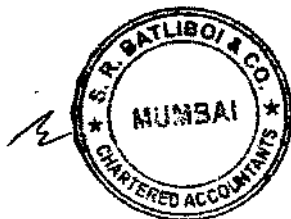
**Tangible Assets**

Fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any other directly attributable costs of bringing the asset to its working condition for its intended use.

Leasehold improvements are depreciated on straight line basis over primary period of lease agreements except leasehold improvements received pursuant to the Scheme are depreciated on straight line basis over remaining period of lease agreements

**Intangible Assets**

Intangible assets include domain names, trademarks, copyrights and computer software, which are acquired, capitalized and amortized on a straight-line basis over the estimated useful lives of 5 years. The intangibles received pursuant to the Scheme are amortised over remaining useful lives of respective assets.



**Future Capital Financial Services Limited**  
(formerly Future Finmart Limited)

Schedules forming part of the financial statements for the year ended March 31, 2010

**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

Depreciation

Depreciation is provided using Straight Line Method at the rates prescribed under Schedule XIV of the Companies Act, 1956.

Tangible assets and intangible assets costing Rs 5,000 or less individually are fully depreciated / amortized in the year of purchase.

Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation if there was no impairment.

**4) Investments**

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

**5) Revenue recognition**

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

Upfront fees on Loans

Upfront fees on loans are recognised as and when they are due.

Interest on wholesale credits and interest on corporate deposits

Interest income on wholesale credit and interest on corporate deposits are recognised on accrual basis as per terms of agreement.

Dividend income

Dividend income is recognised when the shareholders' right to receive payment is established by the balance sheet date. Dividend from the units of mutual funds is recognized on receipt basis in accordance with the NBFC Regulation.

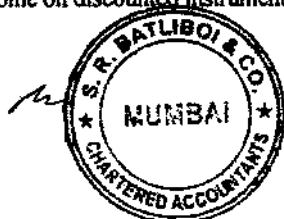
Profit/ Loss on sale of investments

Profit or loss on sale of investments is determined on the basis of the weighted average cost method.

Income on discounted instruments

Income on discounted instruments is recognised over the tenor of the instrument on straight line basis. The unamortised income is netted against unrealized discount on such instrument and is disclosed under loans and advances.

Interest income on discounted instruments is recognised on a time proportion accrual basis.



**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

*Interest income on retail loans*

Income from retail finance operations is accounted for by applying the Internal Rate of Return (IRR), implicit in the agreement on the diminishing balance of the financed amount, so as to provide a constant periodic rate of return on the net investment outstanding on the agreements.

Interest on retail portfolio buyout is recognised on accrual basis at agreed rate of interest on diminishing balance of outstanding loan.

In case of non performing assets interest income is recognised on receipt basis as per NBFC prudential norms.

Pre EMI interest received from customers is recognised as income on accrual basis.

*Processing fees, Subvention income (net of service tax)*

Processing fees received from customers and Subvention income received from manufacturers and dealers is recognised as income over the tenor of the loan agreements. The unamortized balance is being disclosed as part of current liabilities. However, if the agreement is foreclosed, balance of processing fees and subvention income is recognised as income at the time of such foreclosure.

*Fees and commission income*

Fees and commission income is recognised as and when they are due.

**6) Provisions**

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

**7) Leases**

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Operating lease payments are recognized as an expense in the profit and loss account on a straight line basis over the lease period.

**8) Charge off and provisions policy**

After taking into account the time lag between an accounts becoming non performing, its recognition as such and realization of available security, following provisions and write off are made against overdue retail loans as under:

*Consumption Loans and Personal Loans*

Loss Assets	- 100% write off
180 days Overdue	- 33% provision
360 days Overdue	- 66% provision cumulative
540 days Overdue	- 100% write off

*Loans against Property*

Loss Assets	- 100% write off
180 days overdue	- 10% provision
720 days overdue	- 30% provision cumulative
1080 days overdue	- 80% provision cumulative



Schedules forming part of the financial statements for the year ended March 31, 2010

**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

1800 days overdue - 100% write off

Provision for Non-performing assets in respect of all other loan and advances and receivables is created as per NBFC Regulation.

**9) Cash Collateral**

Cash collateral received on loan portfolio buyout is utilised towards any shortfall in monthly receipt of EMI. The Company is secured from provisioning requirements on the said portfolio to the extent of cash collateral balance lying with the Company. The Company Provides and write off portfolio buyout loans as per NBFC Regulation for any amount in excess of cash collateral received against said portfolio. Cash Collateral balance as at the Balance sheet date includes interest accrued in accordance with the respective portfolio buyout agreement

**10) Loan origination costs**

Loan origination costs such as credit verification, front end sales and processing cost, agreement stamping, direct selling agents commission and valuation charges are recognised as expense over the average tenor of the loan agreements. Full month's amortization is done in the month of booking of loan. The unamortized balance is being disclosed as part of loans and advances. However, if the case is foreclosed, the unamortised portion of the loan acquisition costs is recognised as charge to the Profit and Loss Account at the time of such foreclosure.

**11) Borrowing costs**

Borrowing costs are recognized as an expense in the period in which these are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

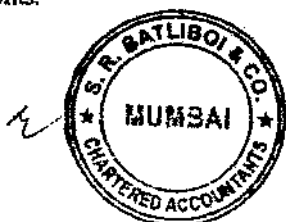
**12) Commercial Papers**

Commercial paper is recognised at redemption value net of unamortized finance charges. The difference between redemption value and issue value is amortised on a time basis and is disclosed separately under finance charges.

**13) Taxation**

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 (Act) enacted in India. Deferred income taxes reflects the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to the taxes on income levied by same governing taxation laws. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.



**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

At each balance sheet date the Company re-assesses unrecognised deferred tax assets. It recognises unrecognised deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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

MAT credit is recognised as an asset only when and to the extent there is convincing evidence that the company will pay normal income tax during the period specified by the Act. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

**14) Earnings per share**

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

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

**15) Segment Reporting Policies**

*Identification of segments*

The Company has organized its operations into two major businesses: Wholesale credit and Treasury, and Retail Financial Services. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

*Allocation of common costs*

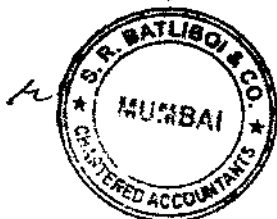
Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

*Unallocated items*

It includes income and expense items which are not allocated to any business segment.

**16) Retirement Benefits**

- (i) The Company's employee benefits cover provident fund, gratuity and leave encashment.
- (ii) Provident fund is a defined contribution scheme and the Company has no further obligation beyond the contributions made to the Provident fund authorities. Contributions are charges to the profit and loss account in which they accrue.
- (iii) Gratuity liability is a defined benefit obligation and is recorded based on actuarial valuation as per the Projected Unit Credit Method made at the end of the year. All actuarial gain / loss are immediately recorded to the profit and loss account and are not deferred.



**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

- (iv) The Company has provided for leave encashment liability at year end on account of unavailed earned leave as per the actuarial valuation as per the Projected Unit Credit Method. All actuarial gain / loss are immediately recorded to the profit and loss account and are not deferred.

**C. NOTES ON ACCOUNTS**

**1. Composite scheme of Arrangement and Amalgamation ("Scheme")**

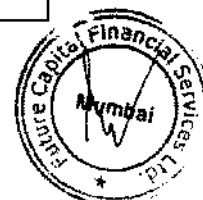
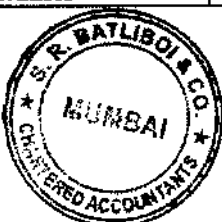
The Board of Directors at their meeting held on 31st March, 2009, had approved a composite Scheme of Amalgamation & Arrangement (the Scheme) involving the Company, Future Capital Holdings Limited (FCHL), and Future Capital Credit Limited (FCCL), in terms of which Credit Business Division of FCHL has been de-merged and vested with the Company. The Scheme also provided for the Amalgamation of FCCL into the Company. The Scheme has been approved by the Hon'ble High Court of Judicature at Bombay vide its order dated September 2, 2009. The Appointed Date under the Scheme is 1st April, 2009. The Company has received permission from Reserve Bank of India to carry-out business of Non-banking Financial Company (NBFC) vide approval letter dated 7<sup>th</sup> January 2010. The said scheme became effective from February 1, 2010 but is operative with retrospective effect from April 1, 2009, the appointed date. Upon the scheme becoming effective:

- a. the business and operations of the demerged division of FCHL were deemed to have been vested with the Company with effect from April 1, 2009. Consequently,
  - the related assets and liabilities of the Credit Business Division of FCHL, including those specifically identified in the scheme, at the close of business on March 31, 2009 were deemed to have been transferred to the Company on April 1, 2009;
  - FCHL, in trust, carried on the business of the Credit Business Division for FCFSL, from 1st April 2009 to January 31, 2010 pending the scheme becoming effective.
  - the said transfer and vesting of the assets of the Credit Business Division was deemed to be on a going concern basis.
- b. all the assets and liabilities of FCCL have been transferred to the Company. The excess of Assets over liabilities has been credited to General reserve.

All the companies / division amalgamated as aforesaid were wholly owned subsidiary / division of FCH (the Holding Company) and has been amalgamated in FCFSL, which is a wholly owned subsidiary of FCH, and as per scheme of arrangement and amalgamation, no shares were exchanged to effect the amalgamation of the Companies as aforesaid. The assets and liabilities have been recorded at carrying value and the net assets of Rs.1,655,422,366 has been credited to general reserve as prescribed by the scheme.

The following assets have been transferred into the Company with effect from April 01, 2009.

	FCHL	FCCL
<b>APPLICATION OF FUNDS</b>		
<b>Fixed Assets (net block)</b>	155,875,852	34,599
<b>Investments (Comprising PTC)</b>	1,338,025,702	7,104,015
<b>Current assets, loans and advances</b>		



**Future Capital Financial Services Limited**  
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**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

Sundry debtors	74,249,795	-
Cash and bank balances	6,724,503	692,131
Other current assets	164,187,665	
Loans and advances	4,082,584,092	17,738,218
<b>Total Assets (A)</b>	<b>5,821,647,608</b>	<b>25,568,963</b>
<b>Loan funds</b>		
Secured loans	2,200,000,000	
Unsecured loans	1,426,004,873	
<b>Current Liabilities and provisions</b>		
Current liabilities	547,840,972	119,379
Provisions	17,828,981	
<b>Total Liabilities (B)</b>	<b>4,191,674,826</b>	<b>119,379</b>
<b>Net current assets (A-B)</b>	<b>1,629,972,782</b>	<b>25,449,584</b>

The Company is in process to get transferred all Assets, Liabilities, and Agreements with vendors, customers, and bankers received pursuant the scheme to its own name.

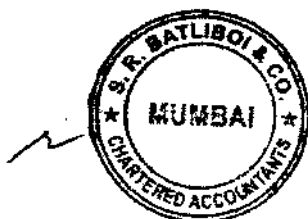
As per terms of composite scheme of amalgamation and arrangement as per approved by High court of Mumbai, the company has given following accounting treatment.

1. Intangible assets which included domain names, trademarks and copyrights of Rs. 230,437,048 at written down value as at March 31, 2009 have been written off against the general reserve;
2. Loan origination cost of Rs. 88,035,466 acquired from FCH under the Scheme has been written off against the general reserve;
3. Expenses incurred on the Scheme amounting to Rs. 4,296,291 have been written off against the general reserve; and
4. Provision, write off, foreclosure charges (net of recovery) in respect of the loans acquired under the Scheme amounting to Rs. 269,563,458 has been adjusted against the General Reserve.

Had the Company accounted the amalgamation of the FCC in accordance with the Accounting Standard (AS) – 14 – ‘Accounting for Amalgamations’, General Reserve would have been lower to the extent of Rs. 25,449,585 with a corresponding credit to the Capital Reserve to that extent.

Had the company followed the accounting treatment prescribed under generally accepted accounting principles in India:

- Intangible assets and General Reserve would have been higher by Rs. 172,827,786
- Amortization of Intangible Assets would have been debited to Profit and Loss account of Rs. 57,609,262;
- Unamortized Loan Origination Costs and General Reserve would have been higher to the extent of Rs. 54,141,925;
- Amortization of Loan Origination Costs would have been debited to Profit and Loss account of Rs. 33,893,540;
- Bad Debts (net of recovery) and Provision for loans acquired under the Scheme amounting to Rs. 269,563,458 would have been debited to Profit and Loss Account, consequently, the General Reserve would have been higher to that extent
- Expenses incurred on the scheme amounting to Rs. 4,296,291 would have been debited to Profit and Loss Account; consequently, the General Reserve would have been higher to that extent.





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**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

**2. Contingent Liabilities and Commitments**

**a. Contingent Liabilities**

	(Amount in Rs.)	
	As at March 31, 2010	As at March 31, 2009
Contingent Liabilities	NIL	NIL

**b. Capital Commitments**

	(Amount in Rs.)	
Particulars	As at March 31, 2010	As at March 31, 2009
Estimated amount of contracts remaining to be executed on capital account and not provided for	78,300	NIL

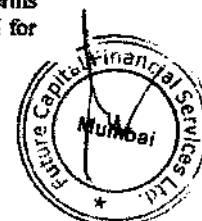
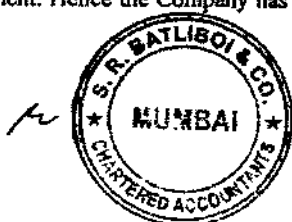
**3. Details of dues to Micro, Small and Medium Enterprises as per MSMED Act, 2006**

The Company has initiated the process of identification of suppliers registered under the Micro, Small and Medium Enterprises Development Act 2006, by obtaining confirmations from suppliers. Based on current information / confirmations available with the Company, the amounts due to suppliers as on Mar 31, 2010 who are registered under the said Act as at Mar 31, 2010 is as follows:

Particulars	Year ended March 31, 2010 Rs.	Year ended March 31, 2009 Rs.
The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year	Nil	Nil
The amount of interest paid in terms of section 16, of the Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	Nil	Nil
Amount of interest due and payable for the year of delay in making payment but without adding the interest specified under Micro Small and Medium Enterprise Development Act, 2006.	Nil	Nil
The amount of interest accrued and remaining unpaid at the end of each accounting year; and	Nil	Nil
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the Micro Small and Medium Enterprise Development Act, 2006	Nil	Nil

**4. Fees received in advance**

Future Capital Holdings Limited (FCH) had entered into an agreement with ICICI Bank Limited for distribution of co-branded credit cards and had received an amount of Rs. 440,000,000 (inclusive of service tax Rs. 48,401,566) as advance towards account set up fees payable by ICICI Bank Limited. The said agreement has been transferred to the Company under the scheme. Due to economic slowdown and stringent card acceptance terms it was not feasible to source card as per agreed terms in the agreement. Hence the Company has entered in one time settlement of advance with ICICI for



**Future Capital Financial Services Limited**  
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Schedules forming part of the financial statements for the year ended March 31, 2010

**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

an amount of Rs. 396,000,000. The company has received Rs. 44,000,000 towards reimbursement of sales, marketing and promotional expenses. The Company has accounted an income of 37,634,704 (net of sourcing and sharing of spends accrued in previous year) and same is shown as part of miscellaneous income during the current year.

**5. Employee Benefits**

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn) for each completed year of service. Gratuity expenses have been shown as a separate line item under Personnel expenses.

The following tables summaries the components of net benefit expense recognized in the profit and loss account and balance sheet for the respective plans:

**(a) Actuarial valuation of Gratuity:**

Particulars	Gratuity (Unfunded)	
	March 31,2010	March 31,2009
Opening defined benefit obligation	1,856,824	419,111
Opening defined benefit obligation received under the scheme	792,528	
Interest Cost	129,978	Nil
Service Cost	1,214,077	1,252,893
Benefits Paid	1,200,993	Nil
Actuarial (Gain) / Loss	(146,361)	184,820
Closing defined benefit obligation	2,646,053	1,856,824

**(b) Balance Sheet**

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

Particulars	Gratuity (Unfunded)	
	March 31, 2010	March 31, 2009
Present value of the Obligation	2,646,053	1,856,824
Fair value of plan assets	Nil	Nil
Un-funded Liability	2,646,053	1,856,824
Unrecognized actuarial gains (losses)	Nil	Nil

**(c) Profit and Loss Account**

Net employee benefit expense (recognized in Employee Cost)

Particulars	Gratuity (Unfunded)	
	March 31, 2010	March 31, 2009
Interest Cost	129,978	Nil



**Future Capital Financial Services Limited  
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Schedules forming part of the financial statements for the year ended March 31, 2010

**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

Service Cost	1,214,077	1,252,893
Expected return on plan assets	Nil	Nil
(Gain) / Loss recognized	(146,361)	184,820
Total Expenses Recognised in P&L	1,197,694	1,437,713

The principal assumptions used in determining post-employment benefit obligations for the Company's plans are shown below:

Particulars	March 31, 2010	March 31, 2009
Retirement Age	58 years	58 years
Withdrawal Rates	2%	2%
Future Salary Rise	5.00%	5.00%
Rate of Discounting	7.00% per annum	7.00% per annum
Mortality Table	L.I.C. (1994-96) Ultimate.	L.I.C. (1994-96) Ultimate.

**6. Segment reporting**

Pursuant to the acquisition of Credit Business Division of FCHL and amalgamation of FCCL as per the composite Scheme of Amalgamation & Arrangement, the Company has organised its operations into two major business verticals: Wholesale credit and Treasury and Retail Financial Services. A description of the types of products and services provided by each reportable segment is as follows:

**Wholesale credit and Treasury:**

The wholesale credit business uses our proprietary balance sheet to build a unique structured credit business that focuses on mezzanine, promoter, project and acquisition financing as well other special situations related financing. The treasury operations ensure liquidity for business and manage investment of surplus funds to optimize returns within the approved risk management framework.

**Retail Financial Services:**

Under the retail financial service category, the Company provides (i) consumption loans which are loans to finance the purchase of durables, furniture and other personal goods, (ii) personal loans which are unsecured credit lines to individual customers and (iii) home equity loans. (iv) Distribution of financial products and services

**Geographical Segments:**

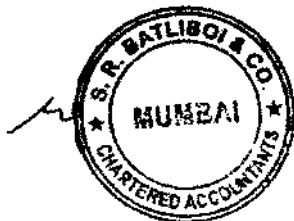
The Company provides financial services only in India.

For Segment Information - Refer Annexure 1

**7. Related party disclosure**

**a) Name and nature of related party relationship.**

**Names of related parties where control exists irrespective of whether transactions have occurred or not**



**Future Capital Financial Services Limited  
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Schedules forming part of the financial statements for the year ended March 31, 2010

**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

Relationship	Name of the Party
Ultimate Holding Company	Pantaloon Retail (India) Limited
Holding Company	Future Capital Holdings Limited
Key Management Personnel	Rakesh Makkar (Director) (Resigned as Director on Jan 29th 2010)  Sunil Nemichand Biyani (Manager) (Appointed as Manager on February 1st, 2010)

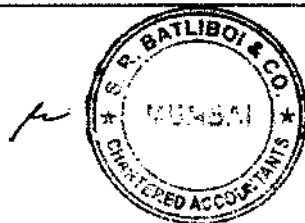
**Names of other related parties with whom transactions have taken place during the year**

Fellow Subsidiaries	Kshitij Investment Advisory Company Limited Kshitij Capital and Mall Management Private Limited Future Capital Investment Advisors Limited (formerly Indivision Investment Advisors Limited) Future Finance Limited Home Solutions Retail (India) Limited Future Media India Limited Future bazaar India Limited Future Ventures India Limited Future E-commerce Infrastructure Limited
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Transactions with Related parties: As per Annexure - II

**8. Earning per share**

Particulars	Year ended March 31, 2010	Year ended March 31, 2009
Net profit / (loss) considered for Basic EPS Calculation	249,026,141	(465,976,672)
Weighted average number of equity shares for calculating basic EPS	26,125,000	26,125,000
Nominal value per share	10	10
Basic EPS (Rs.)	9.53	(17.84)
Net profit / (loss) considered for Basic EPS Calculation	249,026,141	(465,976,672)
Add : Interest on convertible debentures	11,717,260	NIL
Net profit / (loss) considered for Diluted EPS Calculation	260,743,401	(465,976,672)
Weighted average number of equity shares for calculating basic EPS	26,125,000	26,125,000
Add : Weighted no. of shares on convertible debentures	19,250,000	NIL
Weighted average number of equity shares	45,375,000	26,125,000



**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

for calculating diluted EPS		
Nominal value per share	10	10
Diluted EPS (Rs.)	5.75	(17.84)

**9. Deferred Tax Liabilities/ Assets**

The Company has recognised deferred tax assets in accordance with provisions of Accounting standard 22 in respect of depreciation, provision for gratuity and leave encashment and preliminary expenses, as there is a reasonable certainty there would be tax liability in future years, However in view of lack of virtual certainty deferred tax asset on carried forward losses is not recognised.

Particulars	(Amount in Rs.)	
	As at March 31, 2010	As at March 31, 2009
<b>Deferred Tax Liability</b>		
On depreciation	-	12,680,285
<b>Sub-Total</b>	-	12,680,285
<b>Deferred Tax Asset</b>		
On depreciation	74,569,439	-
On provision for gratuity and leave encashment	1,177,564	1047,594
On preliminary expenses	66,275	99,412
On carry forward losses	0	11,533,279
<b>Sub-Total</b>	75,813,278	12,680,285
<b>Deferred tax liability/ (asset) (net)</b>	<b>(75,813,278)</b>	-

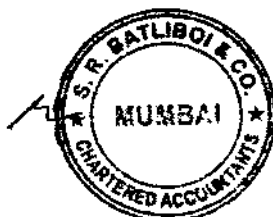
**10. Operating Leases**

The Company's significant leasing arrangements are in respect of operating leases are for premises (residential and office) and vehicle which are renewable on mutual consent at agreed terms. The aggregate lease rentals payable are charged to the profit and loss account.

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2010	For the year ended March 31, 2009
Lease payments recognised in the profit and loss account	50,299,683	NIL

Details of non-cancellable leases are as follows:

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2010	For the year ended March 31, 2009
<b>Minimum Lease Payments:</b>		
Not later than one year	5,475,509	NIL
Later than one year but not later than five years	NIL	NIL
Later than five years	NIL	NIL



**Future Capital Financial Services Limited**  
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Schedules forming part of the financial statements for the year ended March 31, 2010

**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

The company's Subleasing arrangements are in respect of operating leases for the office premises which are renewable on mutual consent at agreed terms. The aggregate lease rental income recognized in profit and loss account is as follows

Particulars	(Amount in Rs.)	
	For the year ended March 31, 2010	For the year ended March 31, 2009
Lease income recognised in profit and loss account	480,000	NIL

**11. Directors' Remuneration:**

Particulars of remuneration and other benefits provided to Directors  
(Amount in Rs.)

Particulars	For the year ended March 31, 2010	For the year ended March 31, 2009
Salaries and Allowances	NIL	NIL
Contribution to provident and other funds	NIL	NIL
Perquisites	NIL	NIL
<b>Total</b>	<b>NIL</b>	<b>NIL</b>

**12. Deferment of loan origination cost, processing fees and subvention income**

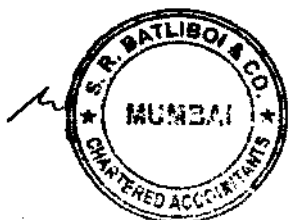
During the year, the Company has deferred the loan origination cost and processing fees income over the average tenor of the respective loan agreement.

(Amount in Rs.)

Particulars	As at March 31, 2010	As at March 31, 2009
Total loan origination cost deferred	19,151,277	NIL
Cost amortised and charged to profit and loss account during the year	3,256,964	NIL
Unamortised cost shown into balance sheet	15,894,313	NIL

Particulars	As at March 31, 2010	As at March 31, 2009
Total unamortised income from processing fees/ subvention income	22,355,906	NIL
Income amortised and credited to profit and loss account during the year	32,616,244	NIL
Unamortised processing fees/ subvention income shown into balance sheet	25,944,942	NIL

13. Additional information as per guidelines issued by the Reserve Bank of India in respect of Non-Banking Financial (Non-deposit accepting or holding) Systemically Important (NBFC-ND-SI) is given in Annexure III.



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(formerly Future Finmart Limited)

Schedules forming part of the financial statements for the year ended March 31, 2010

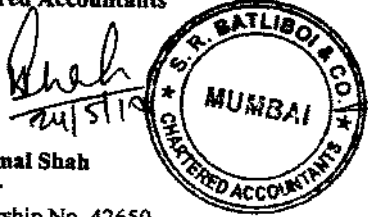
**SCHEDULE 16**

**SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS**

14. Additional information pursuant to the provisions of paragraph 3, 4C and 4D of part II of the Schedule VI to the Companies Act, 1956 have been given to the extent applicable and necessary.
15. Pursuant to change in the operations of the Company as detailed in Note C1 above, current year figures are not strictly comparable with that of the previous year. Prior period figures have been reclassified/ regrouped to confirm with the current year's presentation, wherever applicable.

As per our report of even date

*S.R. Batliboi & Co.*  
For S. R. Batliboi & Co.  
Firm Registration No. 301003E  
Chartered Accountants



Per Hemal Shah  
Partner  
Membership No. 42650

Place: Mumbai  
Date:

For and on behalf of the Board of Directors  
Future Capital Financial Services Limited

*[Signature]*  
Director

*[Signature]*  
Director

*[Signature]*  
Company Secretary  
Place: Mumbai  
Date:



*PS*